

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: February 25, 2019

TEAM MANAGER: Luis Farias

APPLICANT	City of Grand Prairie
TYPE OF ASSISTANCE	\$3,180,000 Financing \$550,800 Principal Forgiveness
LEGAL PLEDGE	First Lien on Net Revenues of the Waterworks and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the City of Grand Prairie (Dallas, Ellis, and Tarrant Counties) for \$3,730,800 in financial assistance consisting of \$3,180,000 in financing and \$550,800 in principal forgiveness from the Clean Water State Revolving Fund for the construction of wastewater collection system improvements.

PROJECT

WW Collection System Replacement- Various Locations
Project Number 73828

BACKGROUND

The City of Grand Prairie (City) is part of the Mid-Cities region in the Dallas-Fort Worth metroplex and serves approximately 63,269 water and wastewater customers. The City is a contracting party to the Trinity River Authority (TRA), which conveys the City's wastewater flows to the TRA treatment facility. The City began experiencing periodic sanitary sewer overflows and in 2007 entered into a Sanitary Sewer Overflow (SSO) Initiative and a subsequent enforcement order with the Texas Commission on Environmental Quality that established a plan for the City's continuing steps to improve the performance of its wastewater collection system.

The City has identified several segments within its wastewater collection system in need of improvements. These segments were found to have high amounts of inflow and infiltration and the majority of the lines have been in service for at least 30 years. Eight different wastewater mains have been identified for replacement.

The City intends to replace approximately 10,477 linear feet of existing wastewater mains with 8-inch to 18-inch pipe in several locations within the City.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE AUGUST 31, 2019

FINANCIALKey Issues

None.

Pledge and Repayment

The City is pledging a first lien on the net revenues of the water and wastewater system for the repayment of the proposed financing. The City's current combined average monthly water and wastewater rate is \$65.45. Based on staff's analysis of financial documentation received, the rate produces system revenues that are sufficient to meet existing and proposed debt service requirements.

Principal Forgiveness

The City qualifies for \$550,800 in green subsidy from the Clean Water State Revolving Fund for energy efficiency.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$551,006 over the life of the financing. The City is also saving \$550,800 in principal forgiveness.

Internal Risk Score

Staff assigns a 2A to the City, and the proposed project to be funded by the Texas Water Development Board. This means that the City's payment capacity is strong.

The results of the City's financial sustainability indicators are strong. These more heavily weighted risk score indicators show the City's short-term and long-term ability to repay the debt. The revenues available for debt service provide a high coverage ratio, representing 2.54 times the current and proposed debt service in the first year of principal repayment. The City's level of reinvestment in the assets of the utility's infrastructure is typical with an asset condition ratio of 14 years. An asset condition ratio of 12 to 24 years is considered typical.

The City's socioeconomic indicators are mixed compared to the state overall. The City's population has increased at an average annual rate of 1.05 percent since 2010, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. The City's median household income is \$62,589, which is 110 percent of the median for the state overall. The average, unadjusted, unemployment rate for City was 3.3 percent in November 2018, compared to 3.5 percent in the state overall.

The household cost factor compares the annual cost of water and wastewater services, including any anticipated rate increases required to pay the proposed debt, to the median household income for the service area. The City's household cost factor is 1.25 percent. The industry benchmark for the household cost factor is 2 percent for the two services.

The City's debt support is well managed between utility system and net direct debt. The utility system self-supporting debt compared to operating revenues, including the

proposed loan, is low at 0.79. A debt to operating revenues ratio of 4 to 6 is considered typical. The outstanding debt supported by tax revenues is low at 1.94 percent of the tax-assessed valuation; a moderate level is between 2 and 4.99 percent.

The system does maintain strong reserves with unrestricted cash and short-term investments of approximately 321 days of the operating expenses of the utility system. This is considered to be a high level of liquidity. Any amount between 30 and 150 days is considered to be a moderate level of liquidity.

The financial repayment capacity of the City is strong. The City manages debt soundly by planning and implementing rate increases as needed for debt supported projects. The assigned risk score of 2A is further supported by a high assessed valuation per capita, strong repayment capacity, high cash reserves, as well as stable socio-economic indicators.

LEGAL

Key Issues

None.

Conditions

Standard Clean Water State Revolving Fund, tax-exempt, and net revenue conditions and further conditioned as follows:

- Executed Principal Forgiveness Agreement; and
- Return of Surplus Funds

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (19-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	City of Grand Prairie
Program	Clean Water State Revolving Fund
Commitment Code	L1000913 LF1000964
Project Number	73828
Intended Use Plan Year	2019
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$3,180,000 City of Grand Prairie Water and Wastewater System Revenue Bonds, Proposed Series 2019 \$550,800 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	187,050
Rural	No
Water Connections	63,269
Wastewater Connections	63,269
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	Equivalency
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2A
External Ratings (for SRF rates)	
Standard and Poor's	AAA
Moody's	Non-Rated
Fitch	AAA
Special Issues	None.

Project Team

Team Manager	Luis Farias
Financial Analyst	Hector Estrada
Engineering Reviewer	Michael Brooks
Environmental Reviewer	Chris Caran
Attorney	Ashley Nwonuma

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Grand Prairie

City of Grand Prairie Water and Wastewater System Revenue Bonds, Proposed Series 2019

Dated Date: 5/1/2019	Source: CWSRF-EQUIVALENCY
Delivery Date: 5/1/2019	Rate: 1.52%
First Interest: 7/15/2019	IUP Year: 2019
First Principal: 1/15/2020	Case: Revenues
Last Principal: 1/15/2039	Admin.Fee: \$54,693
Fiscal Year End: 09/30	Admin. Fee Payment Date: 5/1/2019
Required Coverage: 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$3,180,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2019	\$17,137,725	\$6,544,918	\$0	-	\$9,936	\$9,936	\$6,554,854	2.61
2020	17,137,725	6,543,997	145,000	1.52%	47,234	192,234	6,736,231	2.54
2021	17,137,725	6,544,107	150,000	1.52%	44,992	194,992	6,739,099	2.54
2022	17,137,725	6,543,577	150,000	1.52%	42,712	192,712	6,736,289	2.54
2023	17,137,725	6,507,404	150,000	1.52%	40,432	190,432	6,697,836	2.56
2024	17,137,725	6,392,772	150,000	1.52%	38,152	188,152	6,580,924	2.60
2025	17,137,725	5,679,274	150,000	1.52%	35,872	185,872	5,865,146	2.92
2026	17,137,725	4,533,159	155,000	1.52%	33,554	188,554	4,721,713	3.63
2027	17,137,725	4,153,944	155,000	1.52%	31,198	186,198	4,340,142	3.95
2028	17,137,725	2,471,004	155,000	1.52%	28,842	183,842	2,654,846	6.46
2029	17,137,725	2,471,534	155,000	1.52%	26,486	181,486	2,653,020	6.46
2030	17,137,725	2,076,802	160,000	1.52%	24,092	184,092	2,260,894	7.58
2031	17,137,725	1,066,500	160,000	1.52%	21,660	181,660	1,248,160	13.73
2032	17,137,725	789,000	160,000	1.52%	19,228	179,228	968,228	17.70
2033	17,137,725	790,800	165,000	1.52%	16,758	181,758	972,558	17.62
2034	17,137,725	497,400	165,000	1.52%	14,250	179,250	676,650	25.33
2035	17,137,725	499,000	165,000	1.52%	11,742	176,742	675,742	25.36
2036	17,137,725	499,800	170,000	1.52%	9,196	179,196	678,996	25.24
2037	17,137,725	499,801	170,000	1.52%	6,612	176,612	676,413	25.34
2038	17,137,725	499,802	175,000	1.52%	3,990	178,990	678,792	25.25
2039	17,137,725	499,803	175,000	1.52%	1,330	176,330	676,133	25.35
		\$66,104,398	\$3,180,000		\$508,268	\$3,688,268	\$69,792,666	

AVERAGE (MATURITY) LIFE	10.52 YEARS
NET INTEREST RATE	1.520%
COST SAVINGS	\$1,298,309
AVERAGE ANNUAL REQUIREMENT	\$3,323,460

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.

**City of Grand Prairie
73828 WW Collection System Replacement -
Various Locations
Engineering and Environmental Review**

Engineering:

Key Issues:

The City of Grand Prairie (City) qualifies for \$3,675,693 in Green Project Reserve for energy efficiency and is receiving \$550,800 in green subsidy.

Project Need/Description

Need: The City has identified several segments within its wastewater collection system in need of improvements. These segments were found to have high amounts of inflow and infiltration and the majority of the lines have been in service for at least 30 years. Eight different wastewater mains have been identified for replacement.

Description: The City intends to replace approximately 10,477 linear feet of existing 6-inch to 18-inch wastewater mains with 8-inch to 18-inch pipe in several locations within the City.

Project Schedule:

Project Task	Schedule Date
Closing	5/1/2019
Engineering Feasibility Report Completion (End of Planning Phase)	5/1/2019
Design Phase Complete	5/1/2019
Start of Construction	7/1/2019
Construction Completion	12/31/2020

Environmental Section:

Key Issues:

None.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude completion of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Consistent with the requirements of 31 Texas Administrative Code § 375.61, financial assistance shall be conditioned that funding for construction of specific project elements will not be released until an environmental review has been completed and a favorable environmental determination has been issued.

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	\$3,659,762.00	\$0.00	\$3,659,762.00
Subtotal for Construction	\$3,659,762.00	\$0.00	\$3,659,762.00
Basic Engineering Services			
Design	\$0.00	\$338,000.00	\$338,000.00
Subtotal for Basic Engineering Services	\$0.00	\$338,000.00	\$338,000.00
Special Services			
Geotechnical	\$0.00	\$12,000.00	\$12,000.00
Surveying	\$0.00	\$150,000.00	\$150,000.00
Subtotal for Special Services	\$0.00	\$162,000.00	\$162,000.00
Fiscal Services			
Financial Advisor	\$0.00	\$25,000.00	\$25,000.00
Loan Origination Fee	\$54,693.00	\$0.00	\$54,693.00
Subtotal for Fiscal Services	\$54,693.00	\$25,000.00	\$79,693.00
Other			
Other (Closing Costs)	\$0.00	\$9,800.00	\$9,800.00
Subtotal for Other	\$0.00	\$9,800.00	\$9,800.00
Contingency			
Contingency	\$16,345.00	\$0.00	\$16,345.00
Subtotal for Contingency	\$16,345.00	\$0.00	\$16,345.00
Total	\$3,730,800.00	\$534,800.00	\$4,265,600.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$3,730,800 TO THE CITY OF GRAND PRAIRIE
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$3,180,000 CITY OF GRAND PRAIRIE, TEXAS, WATER AND WASTEWATER SYSTEM
REVENUE BONDS,
PROPOSED SERIES 2019
AND
\$550,800 IN PRINCIPAL FORGIVENESS

(19 -)

WHEREAS, the City of Grand Prairie (City), located in Dallas, Ellis, and Tarrant Counties has filed an application for financial assistance in the amount of \$3,730,800 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of wastewater system improvements identified as Project No. 73828; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,180,000 City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, Proposed Series 2019 (together with all authorizing documents, (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$550,800, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the City has offered a first lien on and pledge of the net revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the City has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;

5. that the TWDB has made a timely and concerted effort to solicit projects that address green infrastructure, water, or energy efficiency improvements and other environmentally innovative activities and has determined that the entire Project, or a portion of the Project, satisfies the EPA's criteria for Green Projects, and is eligible for principal forgiveness in the amount of \$550,800.

NOW THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the City of Grand Prairie for financial assistance in the amount of \$3,730,800 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$3,730,800 City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, Proposed Series 2019 and the execution of a Principal Forgiveness Agreement in the amount of \$550,800. This commitment will expire on August 31, 2019.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the City agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;
5. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
6. the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the

Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;

7. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
8. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) deposit into a reserve fund;
10. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
11. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
12. loan proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The

Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;
14. prior to closing, and if not previously provided with the application, the City shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
16. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related to Tax-Exempt Status

17. the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
18. the City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
19. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);

20. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB’s bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

21. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;

- c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
- 22. the Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
 - 23. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 - 24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
 - 25. the Obligations must contain a provision that the City will refrain from using from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);
 - 26. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
 - 27. the Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

State Revolving Fund Conditions

28. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
29. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
30. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
31. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the City will adhere to the approved project schedule;
32. the Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;
33. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;
34. the City shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by

the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions

35. the City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;
36. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;
37. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;
38. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)(C), the City must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq* and 33 U.S.C. § 1382(b)(14).

Pledge Conditions for the Loan

39. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
40. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
41. the City may not issue additional bonds (Additional Bonds) with the same security unless and until the following conditions have been met:

- i. the City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Outstanding Bonds Similarly Secured;
- ii. each of the special funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein;
- iii. the City has secured from a certified public accountant a certificate showing that the Net Earnings for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of Additional Bonds) of all Bonds Similarly Secured which will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountants certificate, and (C) an independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;
- iv. the ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve for all Outstanding Bonds Similarly Secured theretofore issued and to be Outstanding after the issuance of said Additional Bonds.

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

42. prior to closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
43. the Principal Forgiveness Agreement must include a provision stating that the City shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;

APPROVED and ordered of record this 25th day of February, 2019.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake
Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

Water
 Wastewater
 Other

WATER CONSERVATION REVIEW

Entity: _____

Review date: _____

WATER CONSERVATION PLAN DATE: **Approvable** **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

WATER LOSS AUDIT YEAR:

Total water loss (GPCD): _____ Total water loss (percent): _____ Wholesale Water
 Total no. of connections: _____ Length of mains (miles): _____ Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :			NA			NA
If population ≤ 10K, connections/mile ≥ 32 :		NA			NA	
If population > 10K :		NA			NA	

Does the applicant meet Water Loss Threshold requirements? Yes No NA

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a benchmarking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

Total water loss is the sum of the apparent and real water losses.

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.



City of Grand Prairie Dallas County

