

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 9, 2019

TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	Fort Griffin Special Utility District
TYPE OF ASSISTANCE	\$1,525,000 Financing
LEGAL PLEDGE	First Lien on Gross Revenues of the Utility System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the Fort Griffin Special Utility District (Shackleford, Throckmorton, Stephens, Callahan, and Eastland Counties) for \$1,525,000 in financial assistance for planning, acquisition, design, and construction of a water supply improvement project.

PROJECT

Water Supply Improvements
Project Number 62823

BACKGROUND

Fort Griffin Special Utility District (District) services an area that covers portions of Shackleford, Throckmorton, Stephens, Callahan, and Eastland Counties. The District is headquartered just north of Albany, Texas on County Road 109. The District was formerly the Shackleford Water Supply Corporation and was converted to the District in May 2009. The District provides water service to a population of approximately 1,451 as well as a number of metered agriculture connections. The District currently receives treated water from the City of Albany, whose sole source is Hubbard Creek Reservoir.

The District was cited by the Texas Commission on Environmental Quality (TCEQ) for violation of drinking water standards because of excessive concentrations of disinfection byproducts occurring along their transmission line after the point of connection to the City of Albany treated water system. The proposed project would construct approximately 45,000 linear feet of 8-inch raw water transmission line to serve a proposed 0.3 million gallon per day (MGD) membrane water treatment plant (WTP) on the west side of Hubbard Creek Reservoir. The WTP will be funded by USDA-Rural Development. Raw water is contracted through the Brazos River Authority (BRA) and includes transmission of the raw water to the point of connection. The primary purpose of the District's new water treatment plant will be to blend the City of Albany's water supply with the BRA raw water,

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE MAY 31, 2020.

then treat this blended source water to bring the District's water supply into compliance with TCEQ standards. The secondary purpose of this new treatment plant is to provide the ability to rely solely on the BRA Possum Kingdom raw water source if Hubbard Creek Reservoir experiences another severe loss of capacity as occurred four years ago, when the reservoir had a 90 percent loss of capacity during severe drought conditions.

FINANCIAL

Key Issues

The District received a favorable financial, managerial, and technical assessment from TCEQ on December 7, 2018.

Pledge and Repayment

The District is pledging a first lien on the gross revenues of the waterworks system for repayment of the proposed loan. While the District is pledging gross revenues, staff's analysis is based on net revenues. At the time of analysis, the District's average monthly water rate is \$79.09. According to 2017 audited financials, this results in net revenues that provide a coverage ratio of 0.86 times the current and proposed debt service in the first year of principal repayment. However, in November 2018, the District increased average monthly rates by approximately \$14.93 to \$94.02. This produces extra revenues of approximately \$186,147 annually. This increase results in a coverage ratio of 1.62 in the first year of repayment and is sufficient to meet current and proposed debt service requirements.

Cost Savings

Based on a 30-year maturity and current interest rates, the District could save approximately \$321,020 over the life of the financing.

Internal Risk Score

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

The results of the District's financial sustainability indicators are adequate. The more heavily weighted risk score indicators show the District's net revenues available for debt service provided a coverage ratio of 0.86 times the current and proposed debt service in the first year of principal repayment. The District mitigated this risk by proactively implementing a rate increase in 2018. The District's level of reinvestment in the assets of the utility's infrastructure is relatively strong with an asset condition ratio of 28 years. An asset condition ratio of 12 to 24 years is considered typical.

The District's socioeconomic indicators are slightly lower than state overall. The average population of the five counties served has decreased at an average annual rate of 0.18 percent since 2010, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. However, the number of active connections in the District's service area has remained stable. The average median household income of all five counties the District serves is \$40,581, which is 71 percent of the median for the state overall. The

average, unadjusted, unemployment rate for the five counties was 3.28 percent in February 2019, compared to 3.9 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 District's household cost factor, including the latest rate increase, is 2.78 percent. The industry benchmark for the household cost factor is 1 percent for water service.

All the District's current outstanding debt is supported by utility system revenues. The utility system self-supporting debt compared to operating revenues, including the proposed loan, is typical at 4.07. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. The system has weak reserves with unrestricted cash of approximately 10 days of the operating expenses of the utility system. The District also has \$130,794 in certificates of deposit (CDs), \$117,429 of which is unrestricted. Including unrestricted CDs as current assets would result in 56 days of cash on hand. An amount between 30 and 149 days is considered typical.

The financial management of the utility system is adequate. The District increased utility system rates in anticipation of this financing. Furthermore, the District is pledging gross revenues to ensure that there is more than sufficient coverage for the proposed financing. The mix of below average socioeconomic factors, low level of liquidity, adequate financial sustainability indicators, and active rate management further support the assigned risk score of 2C.

LEGAL

Key Issues

None.

Conditions

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

- Prior to release of construction funds, documentation of water plant construction;
- Conversion and conveyance;
- Adopt a water conservation plan;
- Water Rights Certification; and
- Useful life certification.

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	Fort Griffin Special Utility District
Program	Drinking Water State Revolving Fund
Commitment Code	L1000936
Project Number	62823
Intended Use Plan Year	2019
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$1,525,000 Fort Griffin Special Utility District, Waterworks System Revenue Bonds, Series 2019
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	1,451
Rural	Yes
Water Connections	1,039
Wastewater Connections	0
Qualifies as Disadvantaged	No
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	Yes
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	Yes
Internal Risk Score	2C
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Team Manager	Caaren Skrobarczyk
Financial Analyst	Lina Linehan
Engineering Reviewer	Kevin Smith
Environmental Reviewer	Chris Caran
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Fort Griffin Special Utility District

\$1,525,000 Fort Griffin Special Utility District, Waterworks System Revenue Bonds, Proposed Series 2019

Dated Date: 8/1/2019	Source: DWSRF
Delivery Date: 8/1/2019	Rate: 2.29%
First Interest: 2/1/2020	IUP Year: 2019
First Principal: 8/1/2020	Case: Revenue
Last Principal: 8/1/2049	Admin.Fee: \$32,097
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	\$1,525,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2020	\$394,790	\$178,896	\$30,000	2.29%	\$34,923	\$64,923	\$243,819	1.62
2021	394,790	178,896	30,000	2.29%	34,236	64,236	243,132	1.62
2022	394,790	178,896	30,000	2.29%	33,549	63,549	242,445	1.63
2023	394,790	178,896	35,000	2.29%	32,862	67,862	246,758	1.60
2024	394,790	178,896	35,000	2.29%	32,060	67,060	245,956	1.61
2025	394,790	178,896	35,000	2.29%	31,259	66,259	245,155	1.61
2026	394,790	178,896	35,000	2.29%	30,457	65,457	244,353	1.62
2027	394,790	178,896	40,000	2.29%	29,656	69,656	248,552	1.59
2028	394,790	178,896	40,000	2.29%	28,740	68,740	247,636	1.59
2029	394,790	178,896	40,000	2.29%	27,824	67,824	246,720	1.60
2030	394,790	178,896	40,000	2.29%	26,908	66,908	245,804	1.61
2031	394,790	178,896	45,000	2.29%	25,992	70,992	249,888	1.58
2032	394,790	178,896	45,000	2.29%	24,961	69,961	248,857	1.59
2033	394,790	178,896	45,000	2.29%	23,931	68,931	247,827	1.59
2034	394,790	178,896	50,000	2.29%	22,900	72,900	251,796	1.57
2035	394,790	178,896	50,000	2.29%	21,755	71,755	250,651	1.58
2036	394,790	178,896	50,000	2.29%	20,610	70,610	249,506	1.58
2037	394,790	178,896	55,000	2.29%	19,465	74,465	253,361	1.56
2038	394,790	178,896	55,000	2.29%	18,206	73,206	252,102	1.57
2039	394,790	178,896	55,000	2.29%	16,946	71,946	250,842	1.57
2040	394,790	178,896	60,000	2.29%	15,687	75,687	254,583	1.55
2041	394,790	178,896	60,000	2.29%	14,313	74,313	253,209	1.56
2042	394,790	178,896	65,000	2.29%	12,939	77,939	256,835	1.54
2043	394,790	178,896	65,000	2.29%	11,450	76,450	255,346	1.55
2044	394,790	178,896	65,000	2.29%	9,962	74,962	253,858	1.56
2045	394,790	178,896	70,000	2.29%	8,473	78,473	257,369	1.53
2046	394,790	178,896	70,000	2.29%	6,870	76,870	255,766	1.54
2047	394,790	178,896	75,000	2.29%	5,267	80,267	259,163	1.52
2048	394,790	178,896	75,000	2.29%	3,550	78,550	257,446	1.53
2049	394,790	156,607	80,000	2.29%	1,832	81,832	238,439	1.66
		\$5,344,591	\$1,525,000		\$627,575	\$2,152,575	\$7,497,166	

AVERAGE (MATURITY) LIFE	17.97 YEARS
NET INTEREST RATE	2.290%
COST SAVINGS	\$321,020
AVERAGE ANNUAL REQUIREMENT	\$249,906

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.

**Fort Griffin SUD
62823 Water Supply Improvements
Engineering and Environmental Review**

Engineering:

Key Issues:

The District secured funding with USDA-Rural Development (RD) to construct a new water treatment plant, an elevated storage tank, and distribution system improvements. The water treatment plant and the transmission line projects will be constructed concurrently. Construction funds for the raw water transmission line will not be released, prior to the start of construction of the water treatment plant.

Project Need/Description

Project Need: Fort Griffin Special Utility District (District) was cited by the Texas Commission on Environmental Quality for drinking water standards violation due to excessive concentrations of disinfection byproducts occurring along their transmission line after the point of connection to the City of Albany treated water system. The District is seeking an additional source of water to blend with the poor-quality water and as a supplemental source during severe drought conditions.

Project Description: The proposed project would construct approximately 45,000 linear feet of 8-inch raw water transmission line to serve a proposed 0.3 million gallon per day (MGD) membrane water treatment plant (WTP) on the west side of Hubbard Creek Reservoir. The WTP will be funded by USDA-Rural Development. Raw water is contracted through the Brazos River Authority and includes transmission of the raw water to the point of connection.

Project Schedule:

Project Task	Schedule Date
Closing	8/1/2019
Engineering Feasibility Report Completion (End of Planning Phase)	9/1/2019
Design Phase Complete	12/1/2019
Start of Construction	2/1/2020
Construction Completion	2/1/2021

Environmental Section:

Key Issues:

None known at this time.

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 review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect implementation of the project.

Pursuant to the requirements of 31 Texas Administrative Code Chapter 371, Subchapter E, all financial assistance shall be conditioned that funding for design and construction of specific project elements will not be released until an environmental review has been completed and a favorable environmental determination has been issued.



**Project Budget
Summary**
Fort Griffin SUD 62823 - Water Supply
Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$1,000,000.00	\$1,000,000.00
Subtotal for Construction	\$1,000,000.00	\$1,000,000.00
Basic Engineering Services		
Construction Engineering	\$15,000.00	\$15,000.00
Design	\$75,000.00	\$75,000.00
Planning	\$10,000.00	\$10,000.00
Subtotal for Basic Engineering Services	\$100,000.00	\$100,000.00
Special Services		
Environmental	\$5,000.00	\$5,000.00
Geotechnical	\$10,000.00	\$10,000.00
Inspection	\$75,000.00	\$75,000.00
O&M Manual	\$1,000.00	\$1,000.00
Surveying	\$10,000.00	\$10,000.00
Testing	\$5,000.00	\$5,000.00
Water Conservation Plan	\$1,000.00	\$1,000.00
Subtotal for Special Services	\$107,000.00	\$107,000.00
Fiscal Services		
Bond Counsel	\$25,000.00	\$25,000.00
Financial Advisor	\$25,000.00	\$25,000.00
Fiscal/Legal	\$1,500.00	\$1,500.00
Issuance Costs	\$3,000.00	\$3,000.00
Loan Origination Fee	\$32,097.00	\$32,097.00
Subtotal for Fiscal Services	\$86,597.00	\$86,597.00
Other		
Land/Easements Acquisition	\$150,000.00	\$150,000.00
Subtotal for Other	\$150,000.00	\$150,000.00
Contingency		
Contingency	\$81,403.00	\$81,403.00
Subtotal for Contingency	\$81,403.00	\$81,403.00
Total	\$1,525,000.00	\$1,525,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$1,525,000 TO FORT GRIFFIN SPECIAL UTILITY DISTRICT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$1,525,000 FORT GRIFFIN SPECIAL UTILITY DISTRICT
WATERWORKS SYSTEM REVENUE BONDS,
PROPOSED SERIES 2019

(19 -)

WHEREAS, the Fort Griffin Special Utility District (District), located in Shackelford, Stephens, Eastland, and Callahan Counties, has filed an application for financial assistance in the amount of \$1,525,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design and construction of certain water system improvements identified as Project No. 62823; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,525,000 Fort Griffin Special Utility District Waterworks System Revenue Bonds, Proposed Series 2019 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the District has offered a first lien on gross system revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the District has submitted a proposed program of water conservation 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 TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);and
5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the District and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the Fort Griffin Special Utility District for financial assistance in the amount of \$1,525,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$1,525,000 Fort Griffin Special Utility District Waterworks System Revenue Bonds, Proposed Series 2019. This commitment will expire on May 31, 2020.

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 District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the District 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 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 District, 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 District'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 District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;

7. the Obligations must contain a provision requiring the District 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 District 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 District to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the District 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 in a manner as approved by the Executive Administrator;
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 District 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 District 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 District, 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 District 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 District 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 District 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 District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
17. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

Conditions Related to Tax-Exempt Status

18. the District'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 District when rendering this opinion;
19. the District'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 District when rendering this opinion;
20. the Obligations must include a provision prohibiting the District 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);

21. 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;
22. the Obligations must include a provision requiring the District 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 District 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 District may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the District, provided that the District 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 District 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 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;
- 23. the Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
 - 24. the Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 - 25. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
 - 26. the Obligations must contain a provision that the District will refrain 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);
 - 27. 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;
 - 28. the Obligations must provide that neither the District 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 District by the TWDB;

State Revolving Fund Conditions

29. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
30. 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 District, 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;
31. the Obligations must include a provision stating that the District 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 District 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;
32. 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 District will adhere to the approved project schedule;
33. Obligations must contain a covenant that the District 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 § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

34. the District shall pay at closing an origination fee approved by the Executive Administrator or the TWDB pursuant to 31 TAC Chapter 371;
35. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the District has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;

36. prior to the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District 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;

Pledge Conditions for the Loan

37. 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;
38. if the District 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;
39. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the District certifies that the District is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the District must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

40. prior to closing, the District shall adopt and implement the water conservation program approved by the TWDB.
41. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the District has the right to use the water that the project financed by the TWDB will provide;
42. prior to the release of construction funds, the District will submit documentation

that it has begun construction of the water treatment plant with the funding from USDA-Rural Development;

43. the District must notify the Executive Administrator in writing, thirty (30) days prior to taking any actions to alter its legal status in any manner;
44. the Obligations must include a provision requiring that the District notify the Executive Administrator in writing prior to any action by it to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB; and
45. prior to the release of funds, the District shall provide 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 estimated useful life of the project, as determined by the schedule.

APPROVED and ordered of record this 9th day of May, 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.



Fort Griffin SUD Shackelford County

