

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: December 19, 2019

TEAM MANAGER: Mireya Loewe

APPLICANT	City of Laredo
TYPE OF ASSISTANCE	\$52,000,000 Financing
LEGAL PLEDGE	First lien Revenues of the Waterworks and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the City of Laredo (Webb County) for \$52,000,000 in financial assistance from the Clean Water State Revolving Fund for construction of a wastewater treatment plant.

PROJECT

Manadas Creek WWTP
Project Number 73836

BACKGROUND

The City of Laredo (City) is located in Webb County, on the U.S./Mexico border. It was founded in 1755 as the Spanish colonial settlement of San Agustin de Laredo. Since no missions or presidios were associated with its founding, Laredo is considered the oldest independent settlement in Texas and is the only remaining Spanish colonial settlement on the north bank of the lower Río Grande.

The City currently owns and operates the Zacate Creek wastewater treatment plant (WWTP), which receives and treats an average flow of approximately 11 million gallons per day (MGD), collected primarily from residential, commercial and industrial areas. The Zacate Creek WWTP receives flows from the Sombretillo watershed at the northernmost portion of the City's service area; the Manadas Creek watershed, and the Zacate Creek watershed. Due to property size, flood plain location, and operational constraints, the City is planning to replace the Zacate Creek WWTP with two new WWTPs, the Manadas and Sombretillo WWTPs, and a lift station to intercept all flows currently treated by the Zacate Creek WWTP, plus anticipated future flows. The two planned WWTPs will intercept and treat flows from the Sombretillo and Manadas Creek watersheds while the lift station will be constructed at the existing Zacate Creek WWTP to intercept all remaining flows from the Zacate Creek watershed and convey them to the existing South Laredo WWTP for treatment. Once these three projects are completed, the flood-prone Zacate Creek WWTP will be decommissioned and closed.

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

The proposed funding is for the construction of the Manadas Creek WWTP. This plant will not only reduce the wastewater load to the Zacate Creek WWTP, but also the hydraulic load in the existing wastewater main downstream of the Manadas Creek WWTP by intercepting and treating the majority of the wastewater flows from the Manadas Creek watershed. The proposed Manadas plant will treat a minimum annual average flow of 4.75 MGD at facility start-up and an ultimate treatment capacity of 9.5 MGD, which the City anticipates will be sufficient capacity for the ultimate development of the Manadas Creek service area. This proposed service area has a total of 11,438 acres, of which approximately 4,496 acres are currently developed. Properties within the service area are developing rapidly and significant yearly increases in wastewater flow from the service area are expected.

The current funding request is for construction only. The City is self-funding planning, acquisition, design, and construction management costs.

FINANCIAL

Key Issues

The proposed financing includes \$2.8 million for the bond reserve fund.

Pledge and Repayment

The City is offering a pledge of first lien on the net revenues of the waterworks and sewer system for the repayment of the proposed financing. The following financial analysis includes all outstanding senior and subordinate lien debt.

The City generates approximately \$37,312,665 in net revenues available for debt service, which provides a debt service coverage ratio of 1.23 times their existing and proposed debt. The City's current combined average monthly water and wastewater bill is \$58.43.

Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$12,815,661 over the life of the financing.

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 adequate. 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 moderate coverage ratio, representing 1.23 times the existing and proposed debt service in the first year of principal repayment. In addition, the City's level of reinvestment in the assets of the utility's infrastructure is moderate with an asset condition ratio of 24 years. An asset condition ratio of 12 to 24 years is considered typical.

The City's socioeconomic indicators are below that of the state overall. The City's population has increased at an average annual rate of 1.12 percent between 2010 and

2017, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. However, per the State Water Plan, between 2020 and 2030, the population is projected to increase at an average annual rate of 2.37 percent, reaching 370,952 by 2030. The City's median household income is \$41,302, which is 72 percent of the median for the state overall. The average, unadjusted, unemployment rate for the City was 3.3 percent in September 2019, compared to 3.3 percent in the state overall, and the national rate of 3.5 percent.

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 1.7 percent. The industry benchmark for the household cost factor is 2 percent for two services.

Approximately half of the City's debt is supported by the utility system. The utility system's ratio of self-supporting debt to operating revenues, including the proposed loan, is a moderate 4.13. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. The system maintains high levels of unrestricted cash and short-term investments equal to approximately 311 days of the operating expenses of the utility system. Any amount between 30 and 150 days is considered to be a moderate level of liquidity.

The City's population has grown steadily and is expected to substantially grow over the next decade. And as the City has grown, so have the revenues available for debt service. The City also maintains almost a year's worth of operating expenses in cash and cash equivalents and has a moderate coverage ratio. These strong financials, high level of reserves, and increasing population further support the risk score of 2A.

LEGAL

Key Issues

None.

Conditions

Standard Clean Water State Revolving Fund, tax-exempt, and net revenue conditions.

- 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 Laredo
Program	Clean Water State Revolving Fund
Commitment Code	L1000919
Project Number	73836
Intended Use Plan Year	2019
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$52,000,000 City of Laredo, Texas Waterworks and Sewer System Revenue Bonds, Series 2020
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow
Population	265,867
Rural	No
Water Connections	72,859
Wastewater Connections	67,676
Qualifies as Disadvantaged	No
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	2B
External Ratings (for SRF rates)	
Standard and Poor's	AA
Moody's	Aa2
Fitch	AA
Special Issues	None

Project Team

Team Manager	Mireya Loewe
Financial Analyst	Arnoldo Rubio
Engineering Reviewer	Donald Dawkins
Environmental Reviewer	Lauren Dill
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Laredo

\$52,000,000 City of Laredo Waterworks and Sewer System Revenue Bonds, Series 2020

Dated Date:	4/4/2020	Source:	CWSRF-EQUIVALENCY
Delivery Date:	4/4/2020	Rate:	0.23%
First Interest:	9/1/2020	IUP Year:	2019
First Principal:	3/1/2021	Case:	First Lien Revenue
Last Principal:	3/1/2049	Admin.Fee:	\$894,349
Fiscal Year End:	09/30	Admin. Fee Payment Date:	4/4/2020
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$52,000,000 ISSUE				TOTAL DEBT	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	SERVICE	COVERAGE
2020	\$37,312,665	\$28,306,947	-	0.23%	\$48,837	\$48,837	\$28,355,784	1.32
2021	37,312,665	28,568,097	\$1,555,000	0.23%	117,812	1,672,812	30,240,909	1.23
2022	37,312,665	27,774,873	1,570,000	0.23%	114,218	1,684,218	29,459,091	1.27
2023	37,312,665	27,873,040	1,585,000	0.23%	110,590	1,695,590	29,568,629	1.26
2024	37,312,665	27,740,433	1,600,000	0.23%	106,927	1,706,927	29,447,360	1.27
2025	37,312,665	27,019,103	1,615,000	0.23%	103,230	1,718,230	28,737,333	1.30
2026	37,312,665	25,896,445	1,635,000	0.23%	99,492	1,734,492	27,630,937	1.35
2027	37,312,665	24,648,777	1,650,000	0.23%	95,715	1,745,715	26,394,491	1.41
2028	37,312,665	23,318,753	1,665,000	0.23%	91,902	1,756,902	25,075,655	1.49
2029	37,312,665	23,222,206	1,685,000	0.23%	88,050	1,773,050	24,995,256	1.49
2030	37,312,665	23,221,762	1,700,000	0.23%	84,157	1,784,157	25,005,919	1.49
2031	37,312,665	23,232,282	1,715,000	0.23%	80,230	1,795,230	25,027,512	1.49
2032	37,312,665	23,219,905	1,735,000	0.23%	76,262	1,811,262	25,031,167	1.49
2033	37,312,665	23,222,812	1,750,000	0.23%	72,255	1,822,255	25,045,067	1.49
2034	37,312,665	20,075,204	1,770,000	0.23%	68,207	1,838,207	21,913,410	1.70
2035	37,312,665	20,073,126	1,785,000	0.23%	64,118	1,849,118	21,922,244	1.70
2036	37,312,665	20,061,890	1,805,000	0.23%	59,990	1,864,990	21,926,879	1.70
2037	37,312,665	20,067,019	1,825,000	0.23%	55,815	1,880,815	21,947,834	1.70
2038	37,312,665	20,057,051	1,840,000	0.23%	51,601	1,891,601	21,948,651	1.70
2039	37,312,665	20,051,865	1,860,000	0.23%	47,346	1,907,346	21,959,211	1.70
2040	37,312,665	17,038,659	1,880,000	0.23%	43,045	1,923,045	18,961,703	1.97
2041	37,312,665	11,685,505	1,895,000	0.23%	38,703	1,933,703	13,619,208	2.74
2042	37,312,665	9,841,864	1,915,000	0.23%	34,322	1,949,322	11,791,185	3.16
2043	37,312,665	5,566,625	1,935,000	0.23%	29,894	1,964,894	7,531,519	4.95
2044	37,312,665	4,412,524	1,955,000	0.23%	25,421	1,980,421	6,392,945	5.84
2045	37,312,665	3,889,651	1,975,000	0.23%	20,901	1,995,901	5,885,553	6.34
2046	37,312,665	1,706,516	1,995,000	0.23%	16,336	2,011,336	3,717,851	10.04
2047	37,312,665	1,153,125	2,015,000	0.23%	11,724	2,026,724	3,179,849	11.73
2048	37,312,665	-	2,035,000	0.23%	7,067	2,042,067	2,042,067	18.27
2049	37,312,665	-	2,055,000	0.23%	2,363	2,057,363	2,057,363	18.14
		\$532,946,056	\$52,000,000		\$1,866,527	\$53,866,527	\$586,812,583	

AVERAGE (MATURITY) LIFE	15.61 YEARS
NET INTEREST RATE	0.230%
COST SAVINGS	\$12,815,661
AVERAGE ANNUAL REQUIREMENT	\$19,560,419

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.



Laredo
73836 Manadas Creek WWTP
Engineering and Environmental Review

Engineering:Key Issues:

None.

Project Need/Description

Need: The City of Laredo (City) needs to construct the Manadas Creek wastewater treatment plant (WWTP) to treat a portion of flows that are currently treated at the flood-prone Zacate Creek WWTP, as well as the anticipated additional flows due to rapid population growth, and to relieve loading of the existing wastewater main.

Description: The City will construct a new 4.75 million gallons per day WWTP.

Project Schedule:

Project Task	Schedule Date
Closing	4/4/2020
Engineering Feasibility Report Completion (End of Planning Phase)	4/30/2020
Design Phase Complete	5/15//2020
Start of Construction	7/15/2020
Construction Completion	7/15/2022

Environmental Section:Key Issues:

None.

Environmental Summary:

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.



Project Budget Summary

Laredo

73836 - Manadas Creek WWTP

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	\$48,349,901.00	\$0.00	\$48,349,901.00
Subtotal for Construction	\$48,349,901.00	\$0.00	\$48,349,901.00
Basic Engineering Services			
Construction Engineering	\$0.00	\$3,579,000.00	\$3,579,000.00
Subtotal for Basic Engineering Services	\$0.00	\$3,579,000.00	\$3,579,000.00
Special Services			
Testing	\$0.00	\$400,000.00	\$400,000.00
Subtotal for Special Services	\$0.00	\$400,000.00	\$400,000.00
Fiscal Services			
Bond Reserve Fund	\$2,800,000.00	\$0.00	\$2,800,000.00
Fiscal/Legal	\$750.00	\$0.00	\$750.00
Loan Origination Fee	\$849,349.00	\$0.00	\$849,349.00
Subtotal for Fiscal Services	\$3,650,099.00	\$0.00	\$3,650,099.00
Other			
Land/Easements Acquisition	\$0.00	\$3,026,545.00	\$3,026,545.00
Subtotal for Other	\$0.00	\$3,026,545.00	\$3,026,545.00
Total	\$52,000,000.00	\$7,005,545.00	\$59,005,545.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$52,000,000 TO CITY OF LAREDO
 FROM THE CLEAN WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$52,000,000 CITY OF LAREDO, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE
 BONDS, PROPOSED SERIES 2020

(19 -)

WHEREAS, the City of Laredo (City), located in Webb County has filed an application for financial assistance in the amount of \$52,000,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain improvements identified as Project No. 73836; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$52,000,000 City of Laredo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2020 (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 City has offered a pledge of the City's net revenues of the 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;

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

A commitment is made by the TWDB to the City of Laredo for financial assistance in the amount of \$52,000,000 from the Clean Water State Revolving Fund through the

TWDB's proposed purchase of \$52,000,000 City of Laredo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2020. This commitment will expire on December 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 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 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 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 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 section 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 section 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 section 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 section 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 section 148(f) of the Code, section 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 section 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 section 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 section 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 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 Obligations must contain a provision providing that additional revenue obligations may only be incurred if a certificate is executed by an independent certified public accountant to the effect that, in his opinion, the Net Revenues of the System for the last complete fiscal year of the City, or for any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the ordinance authorizing the issuance of such Additional Bonds were at least 1.25 times the average annual principal and interest requirements for all then outstanding First Lien Bonds, Outstanding Subordinate Bonds, and all Outstanding Subordinate Waterworks and Sewer System Revenue Bonds and any Additional Bonds issued pursuant to the Obligations.

APPROVED and ordered of record this 19th day of December, 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 Laredo Webb County

