Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: April 9, 2020 **Team Manager:** Jeff Taylor

ACTION REQUESTED
Approve by resolution a request from the City of Alto (Cherokee County) for $2,200,000 in financing from the Clean Water State Revolving Fund for the planning, design and construction of wastewater system improvements.

STAFF RECOMMENDATION
☒ Approve ☐ No Action

BACKGROUND
The City of Alto (City) is in the southern portion of Cherokee County and is approximately 150 miles north of the City of Houston. The City is the closest municipality to the Caddo Mounds State Historic Site, an archaeological site dating back to 800 CE. The City provides water, wastewater and natural gas services to approximately 1,323 residents with 547 connections.

PROJECT NEED AND DESCRIPTION
The City's existing wastewater treatment plant (WWTP) has been rehabilitated twice since it was originally constructed in the 1980s with Environmental Protection Agency (EPA) funds under a program to use new and innovative technology. Major components of the facility must be replaced with newer technology. The WWTP fails to consistently meet the parameters of the discharge permit issued by the Texas Commission on Environmental Quality (TCEQ). The City has been cited by the TCEQ over 50 times since 2013 for various violations at the WWTP. The City has been under a TCEQ Enforcement Action four times since 2006.

The proposed project will consist of rehabilitating outdated and deteriorating components of the existing WWTP and collection line replacements. The critical components considered for rehabilitation will include the existing head works, aeration diffusers, blowers, final clarifiers, recirculation lift station, disinfection facilities and any associated yard piping, fencing and appurtenances. In addition, smoke testing and an inflow and infiltration evaluation will be performed on up to 5,000 linear feet of critical sewer lines within the system and sections for replacement will be designated. The project will also include the development and implementation of an Asset Management Plan and asset management training for staff.

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE APRIL 30, 2021.

PROJECT SCHEDULE

Task	Schedule Date
Closing	August 1, 2020
Engineering Feasibility Report Completion (End of Planning Phase)	October 1, 2020
Design Phase	January 1, 2021
Start of Construction	May 1, 2021
Construction Completion	June 1, 2022

KEY ISSUES

The number of customers has slightly declined over the last 5 years; however, the TWDB state water plan projections are for the City's population to increase by 19.1 percent by 2040.

The City increased rates by $3 in October 2019. Utilizing a no-growth scenario, no future rate increases are needed to cover new debt service. Based on a high debt service coverage ratio, significant cash on hand, and the lack of anticipated rate increases, it is not projected that the City's high household cost factor will increase. The household cost factor is significant; however, the very low median household income is the main contributing factor to that high ratio.

Although the top 10 percent taxpayers account for over 30 percent of City's assessed valuation, the City has a strong debt service coverage ratio excluding the revenue stream from ad valorem taxes.

LEGAL

Special Conditions

None.

FINANCIAL
Risk Score: 2B

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2018 City:	0.41%	State: 1.24%
Top 10 Taxpayers as % Total AV	31.32%	<15%
Median Household Income as % of State	42%	100%
Days of Cash on Hand (3-year Average)	191	30-149 days
Direct Debt as % Total Assessed Valuation	0%	2-5%
Debt Service Coverage Ratio	3.29x	1.0x
Asset Condition Ratio	22 years	12-24 years
Top 10 Customers of the System	13.45%	< 10-15%
Debt-to-Operating Revenues	3.86	4.00-5.99
Working Capital Ratio	3.13	> 1.0
Debt per Capita	$1,745	$1,500 - $1,999
Assessed Valuation Growth, Average Annual 2013-2018	4.43%	Stable Trend
Unemployment (Cherokee Co. Dec. 2019)	3.7%	State: 3.3%

Key Risk Score Strengths

- Strong debt service coverage ratio
- Strong level of liquidity
- Low levels of debt

Key Risk Score Concerns

- Top 10 taxpayers account for over 30 percent of City's assessed valuation
- High household cost factor
- MHI significantly below State

PLEDGE

Type of Pledge	☐ Tax ☐ Revenue ☒ Tax & Revenue ☐ Contract ☐ Other
Revenue Pledge Level	☐ First ☐ Second ☒ Third ☐ N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	5,914	$59.21	$59.21	5.87	5.87
WASTEWATER	6,287	$57.99	$57.99		

TAXES

	2019 Tax Year Rate	Max Projected Tax Rate (Year 2019)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	$0.3437	$0.3437	$1.50	94.82%	$37,563,021
Interest & Sinking	$0.00	$0.00			
Total Tax Rate	$0.3437	$0.3437			

<u>Cost Savings</u>
Based on a 30-year maturity and current interest rates, the City could save approximately $580,821 over the life of the financing.

Attachments:

1. Project Data Summary
2. Debt Service Schedule
3. Project Budget
4. Resolution (20-)
5. Water Conservation Review
6. Location Map

Texas Water Development Board

Project Data Summary

Responsible Authority	Alto
Program	CWSRF
Commitment Number	L1001087
Project Number	73860
List Year	2020
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	$2,200,000 CITY OF ALTO, TEXAS COMBINATION AD VALOREM TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2020
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	EQ
Financial Managerial & Technical Complete	No
Phases Funded	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
Jeff Taylor	Connie Lopez	Cody Cockayne	Gayla Duaine	Annette Mass

Attachment 2

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Alto

$2,200,000 City of Alto, Texas Combination Tax and Surplus Revenues Certificates of Obligation, Proposed Series 2020

Dated Date:	**8/1/2020**	**Source:**	**CWSRF-EQUIVALENCY**
Delivery Date:	**8/1/2020**	**Rate:**	**0.59%**
First Interest:	**2/1/2021**	**IUP Year:**	**2020**
First Principal	**8/1/2021**	**Case:**	**Tax and Revenue**
Last Principal:	**8/1/2050**	**Admin.Fee:**	**$37,838**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**8/1/2020**
Required Coverage:	**1.1**		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$2,200,000 ISSUE PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2021	$240,283	$0	$60,000	0.59%	$12,980	$72,980	$72,980	3.29
2022	240,283	-	60,000	0.59%	12,626	72,626	72,626	3.31
2023	240,283	-	65,000	0.59%	12,272	77,272	77,272	3.11
2024	240,283	-	65,000	0.59%	11,889	76,889	76,889	3.13
2025	240,283	-	65,000	0.59%	11,505	76,505	76,505	3.14
2026	240,283	-	65,000	0.59%	11,122	76,122	76,122	3.16
2027	240,283	-	65,000	0.59%	10,738	75,738	75,738	3.17
2028	240,283	-	65,000	0.59%	10,355	75,355	75,355	3.19
2029	240,283	-	65,000	0.59%	9,971	74,971	74,971	3.21
2030	240,283	-	65,000	0.59%	9,588	74,588	74,588	3.22
2031	240,283	-	70,000	0.59%	9,204	79,204	79,204	3.03
2032	240,283	-	70,000	0.59%	8,791	78,791	78,791	3.05
2033	240,283	-	70,000	0.59%	8,378	78,378	78,378	3.07
2034	240,283	-	70,000	0.59%	7,965	77,965	77,965	3.08
2035	240,283	-	70,000	0.59%	7,552	77,552	77,552	3.10
2036	240,283	-	70,000	0.59%	7,139	77,139	77,139	3.11
2037	240,283	-	75,000	0.59%	6,726	81,726	81,726	2.94
2038	240,283	-	75,000	0.59%	6,284	81,284	81,284	2.96
2039	240,283	-	75,000	0.59%	5,841	80,841	80,841	2.97
2040	240,283	-	75,000	0.59%	5,399	80,399	80,399	2.99
2041	240,283	-	80,000	0.59%	4,956	84,956	84,956	2.83
2042	240,283	-	80,000	0.59%	4,484	84,484	84,484	2.84
2043	240,283	-	80,000	0.59%	4,012	84,012	84,012	2.86
2044	240,283	-	80,000	0.59%	3,540	83,540	83,540	2.88
2045	240,283	-	85,000	0.59%	3,068	88,068	88,068	2.73
2046	240,283	-	85,000	0.59%	2,567	87,567	87,567	2.74
2047	240,283	-	85,000	0.59%	2,065	87,065	87,065	2.76
2048	240,283	-	85,000	0.59%	1,564	86,564	86,564	2.78
2049	240,283	-	90,000	0.59%	1,062	91,062	91,062	2.64
2050	240,283	-	90,000	0.59%	531	90,531	90,531	2.65
		$0	$2,200,000		$214,170	$2,414,170	$2,414,170	

AVERAGE (MATURITY) LIFE	**16.5 YEARS**
NET INTEREST RATE	**0.590%**
COST SAVINGS	**$580,821**
AVERAGE ANNUAL REQUIREMENT	**$80,472**

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.

Texas Water Development Board

Project Budget Summary

Alto

73860 - Wastewater Treatment Facility Improvements

Budget Items	This Commitment	Total
Construction		
Construction	$1,600,500.00	$1,600,500.00
Subtotal for Construction	**$1,600,500.00**	**$1,600,500.00**
Basic Engineering Services		
Construction Engineering	$91,329.00	$91,329.00
Design	$167,433.00	$167,433.00
Planning	$75,663.00	$75,663.00
Subtotal for Basic Engineering Services	**$334,425.00**	**$334,425.00**
Special Services		
I/I Studies/Sewer Evaluation	$19,250.00	$19,250.00
Subtotal for Special Services	**$19,250.00**	**$19,250.00**
Fiscal Services		
Bond Counsel	$23,500.00	$23,500.00
Financial Advisor	$39,500.00	$39,500.00
Fiscal/Legal	$3,200.00	$3,200.00
Issuance Costs	$5,000.00	$5,000.00
Loan Origination Fee	$37,838.00	$37,838.00
Subtotal for Fiscal Services	**$109,038.00**	**$109,038.00**
Contingency		
Contingency	$356,787.00	$356,787.00
Subtotal for Contingency	**$136,787.00**	**$136,787.00**
Total	$2,200,000.00	$2,200,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $2,200,000 TO THE CITY OF ALTO FROM THE CLEAN WATER STATE REVOLVING FUND THROUGH THE PROPOSED PURCHASE OF $2,200,000 CITY OF ALTO, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2020

(20 -)

WHEREAS, the City of Alto (City), located in Cherokee County has filed an application for financial assistance in the amount of $2,200,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design, and construction of certain wastewater system improvements identified as Project No. 73860; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of $2,200,000 City of Alto, Texas Combination Tax and Surplus Revenue Certificates of Obligation, 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 ad valorem tax and surplus revenue 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 § 375.14.

WHEREAS, the TWDB hereby finds:

1. that the revenue and 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 Alto for financial assistance in the amount of $2,200,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of $2,200,000 City of Alto, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2020. This commitment will expire on April 30, 2021.

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;

<u>Conditions Related to Tax-Exempt Status</u>

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;

<u>State Revolving Fund Conditions</u>

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;

<u>Clean Water State Revolving Fund Conditions</u>

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).

<u>Pledge Conditions for the Loan</u>

39. the Obligations must contain a provision that provides as follows:

    a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or

    b. if surplus revenues are based upon budgeted amounts:

        i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;

        ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and

        iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction

with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of such Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

APPROVED and ordered of record this 9th day of April, 2020.

TEXAS WATER DEVELOPMENT BOARD

_____
Peter M. Lake, Chairman

DATE SIGNED: _____

ATTEST:

_____
Jeff Walker, Executive Administrator

☐ Water
☑ Wastewater
☐ Other

Attachment 5

WATER CONSERVATION REVIEW

Entity: City of Alto

Review date: December 2019

WATER CONSERVATION PLAN DATE: November 2019 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline	126	70	39	31
5-year Goal	126	70	35	28
10-year Goal	126	70	33	26

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	NA	NA	NA	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	NA	NA	NA	NA	NA	NA

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

ADDITIONAL INFORMATION:

In its water conservation plan, the city has committed to limiting water loss and unaccounted for water use throughout its system. They plan to maintain their current water use while reducing their overall water loss GPCD. However, it is noted in the plan that data issues have occurred in the past few years due to an aging infrastructure and a lack of resources. Consequently, their recorded data may reflect these errors. In their effort to remedy metering and accounting issues, the city anticipates implementing a new program to ensure meters two inches and larger are tested every three years in accordance with AWWA standards. Also, the city plans to provide preventative maintenance programs, including regular testing, repairs, and replacement for the system water meters. Lastly, the city's education program plans to distribute materials on low flow plumbing features and devices, retrofitting existing plumbing features, and conservation-orientated landscaping and irrigation.

* Although not required for a wastewater project, the city does not have a water loss audit on file.

STAFF NOTES AND RECOMMENDATIONS:

In accordance with 31 TAC §358.6(f), review of a retail public utility's water loss in conjunction with an application for financial assistance is limited to water supply projects. This application for financial assistance is for a wastewater project; therefore, water loss thresholds are not applicable.

TWDB conservation staff recommends the city submit its required water use surveys and conduct a current water loss audit in order to begin to direct and track its water loss efforts.

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 bench marking 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.

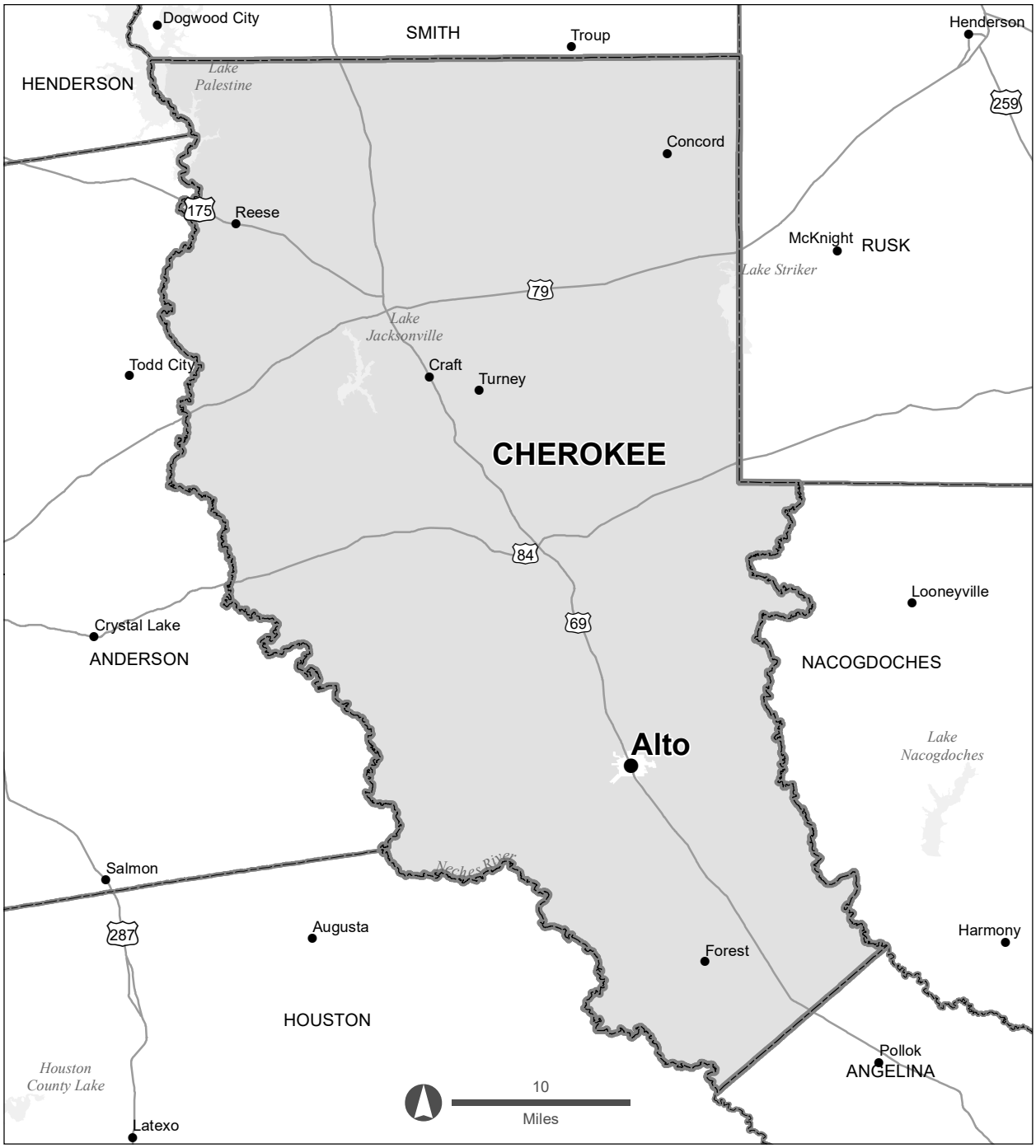
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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 Alto
Cherokee County