

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: August 5, 2020

Team Manager: Mireya Loewe

ACTION REQUESTED

Approve by resolution a request from the City of Raymondville (Willacy County) for \$2,599,412 in financial assistance consisting of \$1,520,000 in financing and \$1,079,412 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a water system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Raymondville (City) is located in Willacy County (County), approximately 50 miles north of Brownsville, Texas. The City provides water and wastewater services to a population of approximately 11,284 residents and 2,792 connections.

PROJECT NEED AND DESCRIPTION

A portion of the City's water distribution system is very old, has leaks and frequent breaks, and is composed of iron and asbestos-cement piping, which can be a potential health hazard. With pipes as small as 2 inches in diameter in some areas, pressure is reduced throughout the system, requiring the water treatment plant to work harder to maintain adequate pressure. These factors increase the amount of water loss throughout the system and reduce the amount of fire protection available for the City. Also, the City's three elevated storage tanks (EST) need to be repaired and repainted to remove surface rust and fix structural deficiencies. The Texas Commission on Environmental Quality (TCEQ) has issued a Notice of Enforcement in reference to the condition of the three ESTs.

The project consists of planning, design, and construction to replace and update approximately 10,920 linear feet of old and under sized iron and asbestos water lines, replace non-working gate valves and fire hydrants, and repaint and repair the exterior and interior of three ESTs.

The project will help the City reduce water loss, improve the system's reliability and efficiency, and address TCEQ violations.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE FEBRUARY 28, 2021.

PROJECT SCHEDULE

Task	Schedule Date
Closing	October 29, 2020
Engineering Feasibility Report Completion (End of Planning Phase)	October 25, 2020
Design Phase	November 22, 2020
Start of Construction	February 1, 2021
Construction Completion	August 8, 2021

KEY ISSUES

The City qualifies for \$1,079,412 in principal forgiveness as a disadvantaged community.

The City is pledging tax and subordinate lien on revenues of the water and wastewater systems (utility system). The City intends to repay the proposed debt with utility system revenues. Currently, the City has no outstanding debt with a pledge of only utility system revenues. Furthermore, all the outstanding debt with a pledge of tax and revenues of the utility system is on parity with the proposed financing.

Based on fiscal year 2019 revenues, the City's current rates and charges are sufficient to meet the existing and proposed debt service coverage requirements. Therefore, the proposed debt is not expected to increase the City's household cost factor (HCF) of 4.2 percent, which is already more than double the benchmark of 2.0 percent for both services. The City's high HCF is due to a combination of the City's low median household income (MHI), which is 40 percent of the state's level, and an average monthly water and wastewater bill of approximately \$85.

The City has experienced a slight decline in population growth. According to U.S. Census data, the City's population has decreased at an average annual rate of 0.22 percent since 2010, compared to a 1.24 percent increase for the population of the state overall. However, that trend is not anticipated to continue and the State Water Plan's population projections include anticipated growth through 2040. The County's unemployment rate continues its historical trend of being above the state's rate. As of May 2020, the county's unemployment rate has increased to approximately 5 percentage points above the state's rate.

Although the City's socioeconomic indicators are unfavorable, they are mitigated by the low levels of debt, above-average number of days of cash on hand, growth in the total assessed value of properties, and a strong pledge of taxes and utility system revenues.

During fiscal year 2019, the City's top ten customers represented approximately 36 percent of the water system revenues, of which approximately 20 percent corresponded to the Willacy County State Jail. A stress test on the potential effects removal of the revenues from the jail could have on debt service coverage indicates that if current tax collections remained equal, the average monthly water and sewer bill could require an increase of approximately \$7.86 by 2027 to meet its debt service requirements.

Portions of the proposed project are in the 100-year floodplain as designated by the Federal Emergency Management Agency; therefore, a floodplain development permit from the City of Raymondville floodplain administrator must be obtained prior to construction.

LEGAL

Special Conditions

- Floodplain permit; and
- Standard emergency discovery.

FINANCIAL

Risk Score: 2B

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2018	City: -0.22%	State: 1.24%
Median Household Income as % of State	40%	100%
Days of Cash on Hand (3-year Average)	152 days	30-149 days
Direct Debt as % Total Assessed Valuation	2.24%	2-5%
Debt Service Coverage Ratio	1.21x	1.0x
Asset Condition Ratio	23 years	12-24 years
Top 10 Customers of the Water System	35.59%	< 10-15%
Debt-to-Operating Revenues	1.97x	4.00-5.99x
Working Capital Ratio	2.46	> 1.0
Debt per Capita	\$1,104	\$1,500 - \$1,999
Assessed Valuation Growth, Average Annual 2014-2019	5.58%	Stable Trend
Unemployment (May 2020)	17.30%	State: 12.70%

Key Risk Score Strengths

- Exceeds debt service coverage requirements
- Low levels of debt
- Low debt to operating revenues
- Above-average number of days of cash on hand

Key Risk Score Concerns

- Median household income below state level
- Unemployment rate higher than the state's
- Population decreased from 2010 to 2018
- High household cost factor
- Top ten customers account for approximately 36 percent of water revenue

PLEDGE

Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	9,300	\$51.21	\$51.21	4.20	4.20
WASTEWATER	6,045	\$33.18	\$33.18		

TAXES

	2019 Tax Year Rate	Max Projected Tax Rate (Year 2020)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.6723	\$0.6723	\$2.50	88.34%	\$208,162,860
Interest & Sinking	\$0.0959	\$0.0959			
Total Tax Rate	\$0.7682	\$0.7682			

Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$222,953 over the life of the financing. The City is also saving \$1,079,412 in principal forgiveness.

Attachments:

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

Responsible Authority	Raymondville
Program	DWSRF
Commitment Number	L1001142, LF1001156
Project Number	62887
List Year	2020
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$1,520,000 City of Raymondville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2020, \$1,079,412 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
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
Mireya Loewe	Arnoldo Rubio	Behni Bolhassani	Lauren Dill	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY

Attachment 2

City of Raymondville

\$1,520,000 City of Raymondville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2020

Dated Date: 10/29/2020
 Delivery Date: 10/29/2020
 First Interest: 4/1/2021
 First Principal: 4/1/2021
 Last Principal: 4/1/2040
 Fiscal Year End: 09/30
 Required Coverage: 1.0

Source: DWSRF-EQUIVALENCY
 Rate: 1.33%
 IUP Year: 2020
 Case: Tax and Revenue
 Admin.Fee: \$29,804
 Admin. Fee Payment Date: 10/29/2020
 Total Assessed Valuation: \$208,162,860

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 88.34%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$1,520,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2021	\$0.0959	\$176,352	\$1,092,631	\$1,268,983	\$973,420	\$70,000	1.33%	\$8,536	\$78,536	\$1,051,956	1.21	
2022	0.0959	176,352	\$1,092,631	1,268,983	974,782	65,000	1.33%	19,285	84,285	1,059,067	1.20	
2023	0.0959	176,352	\$1,092,631	1,268,983	985,249	65,000	1.33%	18,421	83,421	1,068,670	1.19	
2024	0.0959	176,352	\$1,092,631	1,268,983	979,602	65,000	1.33%	17,556	82,556	1,062,158	1.19	
2025	0.0959	176,352	\$1,092,631	1,268,983	978,328	65,000	1.33%	16,692	81,692	1,060,020	1.20	
2026	0.0959	176,352	\$1,092,631	1,268,983	1,001,285	70,000	1.33%	15,827	85,827	1,087,112	1.17	
2027	0.0959	176,352	\$1,092,631	1,268,983	1,002,722	70,000	1.33%	14,896	84,896	1,087,618	1.17	
2028	0.0959	176,352	\$1,092,631	1,268,983	1,003,230	70,000	1.33%	13,965	83,965	1,087,195	1.17	
2029	0.0959	176,352	\$1,092,631	1,268,983	582,823	75,000	1.33%	13,034	88,034	670,857	1.89	
2030	0.0959	176,352	\$1,092,631	1,268,983	593,690	75,000	1.33%	12,037	87,037	680,727	1.86	
2031	0.0959	176,352	\$1,092,631	1,268,983	598,772	75,000	1.33%	11,039	86,039	684,811	1.85	
2032	0.0959	176,352	\$1,092,631	1,268,983	598,123	75,000	1.33%	10,042	85,042	683,165	1.86	
2033	0.0959	176,352	\$1,092,631	1,268,983	601,921	80,000	1.33%	9,044	89,044	690,965	1.84	
2034	0.0959	176,352	\$1,092,631	1,268,983	400,026	80,000	1.33%	7,980	87,980	488,006	2.60	
2035	0.0959	176,352	\$1,092,631	1,268,983	190,202	80,000	1.33%	6,916	86,916	277,118	4.58	
2036	0.0959	176,352	\$1,092,631	1,268,983	200,834	85,000	1.33%	5,852	90,852	291,686	4.35	
2037	0.0959	176,352	\$1,092,631	1,268,983	205,920	85,000	1.33%	4,722	89,722	295,642	4.29	
2038	0.0959	176,352	\$1,092,631	1,268,983	210,642	90,000	1.33%	3,591	93,591	304,233	4.17	
2039	0.0959	176,352	\$1,092,631	1,268,983	50,000	90,000	1.33%	2,394	92,394	142,394	8.91	
2040	0.0959	176,352	\$1,092,631	1,268,983	50,000	90,000	1.33%	1,197	91,197	141,197	8.99	
					\$25,379,651	\$12,181,570	\$1,520,000		\$213,023	\$1,733,023	\$13,914,593	

AVERAGE (MATURITY) LIFE	10.54 YEARS
NET INTEREST RATE	1.330%
COST SAVINGS	\$1,640,177
AVERAGE ANNUAL REQUIREMENT	\$695,730

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.



Project Budget Summary
Raymondville
62887 - City of Raymondville Potable
Water Distribution System Rehabilitation

Budget Items	This Commitment	Local and Other Funds	Total
Construction			
Construction	\$1,919,194.00	\$6,000.00	\$1,925,194.00
Subtotal for Construction	\$1,919,194.00	\$6,000.00	\$1,925,194.00
Basic Engineering Services			
Construction Engineering	\$46,290.00	\$0.00	\$46,290.00
Design	\$87,540.00	\$0.00	\$87,540.00
Planning	\$37,070.00	\$0.00	\$37,070.00
Subtotal for Basic Engineering Services	\$170,900.00	\$0.00	\$170,900.00
Special Services			
Application	\$12,840.00	\$0.00	\$12,840.00
Environmental	\$3,800.00	\$0.00	\$3,800.00
Geotechnical	\$5,000.00	\$0.00	\$5,000.00
Inspection	\$22,300.00	\$0.00	\$22,300.00
Permits	\$4,000.00	\$0.00	\$4,000.00
Surveying	\$27,000.00	\$0.00	\$27,000.00
Testing	\$7,400.00	\$1,500.00	\$8,900.00
Subtotal for Special Services	\$82,340.00	\$1,500.00	\$83,840.00
Fiscal Services			
Bond Counsel	\$34,700.00	\$0.00	\$34,700.00
Financial Advisor	\$51,250.00	\$0.00	\$51,250.00
Fiscal/Legal	\$4,021.00	\$0.00	\$4,021.00
Issuance Costs	\$21,052.00	\$0.00	\$21,052.00
Loan Origination Fee	\$29,804.00	\$0.00	\$29,804.00
Subtotal for Fiscal Services	\$140,827.00	\$0.00	\$140,827.00
Other			
Administration	\$50,000.00	\$0.00	\$50,000.00
Subtotal for Other	\$50,000.00	\$0.00	\$50,000.00
Contingency			
Contingency	\$200,651.00	\$0.00	\$200,651.00
Subtotal for Contingency	\$236,151.00	\$0.00	\$236,151.00
Total	\$2,599,412.00	\$7,500.00	\$2,606,912.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$2,599,412 TO THE CITY OF RAYMONDVILLE
 FROM THE DRINKING WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$1,520,000 CITY OF RAYMONDVILLE, TEXAS COMBINATION TAX AND SUBORDINATE
 LIEN REVENUE CERTIFICATES OF OBLIGATION,
 PROPOSED SERIES 2020
 AND
 \$1,079,412 IN PRINCIPAL FORGIVENESS

(20 -)

WHEREAS, the City of Raymondville (City), located in Willacy County, has filed an application for financial assistance in the amount of \$2,599,412 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62887; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,520,000 City of Raymondville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2020 (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$1,079,412, 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 taxes and a subordinate lien on the revenues of the City's water and wastewater systems 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 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 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 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 a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
5. that the Executive Administrator issued a Categorical Exclusion on June 25, 2020, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator;
6. that the City meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(23) and is therefore eligible for principal forgiveness in the amount of \$1,079,412.

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

A commitment is made by the TWDB to the City of Raymondville for financial assistance in the amount of \$2,599,412 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$1,520,000 City of Raymondville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2020 and the execution of a Principal Forgiveness Agreement in the amount of \$1,079,412. This commitment will expire on February 28, 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 371;

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;
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;

18. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
19. the Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
20. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;

Conditions Related to Tax-Exempt Status

21. 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;
22. 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;
23. 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);
24. 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;
25. 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;

26. 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;
27. 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;
28. 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;
29. the Obligations must contain a provision that the City 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);
30. 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;
31. 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

32. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
33. 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;

34. 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;
35. 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;
33. Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

34. the City shall pay at closing an origination fee approved by the Executive Administrator of 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 City 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 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;

Pledge Conditions for the Loan

37. the Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations; and
38. the Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding \$2,145,000 City of Raymondville, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2014, held by the TWDB.

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

Special Conditions:

39. the City must comply with requirements of the Federal Emergency Management Agency regarding implementation of the National Flood Insurance Act, Flood Disaster Protection Act, National Flood Insurance Reform Act, and Federal Executive Orders 11988 and 11990, and with related state statutes for construction projects in special flood hazard areas by coordinating in advance with the local floodplain administrator and obtaining a floodplain development permit prior to construction; and
40. the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

APPROVED and ordered of record this 5th day of August, 2020.

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 Raymondville Willacy County

