



PROJECT FUNDING REQUEST

BOARD DATE: December 17, 2024

Team Manager: Theresa Finch

ACTION REQUESTED

Consider approving by resolution a request from the City of Winters (Runnels County) for \$3,753,441 in financial assistance consisting of \$1,065,000 in financing and \$2,688,441 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of water system improvements.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Winters (City) is located 40 miles south of Abilene. The City provides water and wastewater services to a population of approximately 2,580 residents and approximately 1,166 water and 1,238 wastewater connections.

PROJECT NEED AND DESCRIPTION

The City has several aged sections of their drinking water distribution system that need replacement; most of the existing valves are no longer operational.

The proposed project is the replacement of approximately 8,500 linear feet of cast-iron distribution lines with PVC water lines and looping dead end mains. The project also includes replacement of inoperable valves and fire hydrants.

PROJECT SCHEDULE

Task	Schedule Date
Closing	February 15, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	June 1, 2025
Design Phase	October 1, 2025
Start of Construction	February 2, 2026
Construction Completion	October 1, 2026

KEY ISSUES

The City qualifies for \$2,688,441 in principal forgiveness, of which \$2,420,643 as a disadvantaged, small/rural community and \$267,798 as a water efficiency green project. The proposed project is eligible for \$105,000 in financing at zero percent interest for preparation of an asset management plan.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JUNE 30, 2025
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LEGAL/SPECIAL CONDITIONS

- Adopt water conservation plan
- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (24-)
4. Water conservation review
5. Location Map

Financial Review City of Winters

Attachment 1

Risk Score: 2A

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.88%	State: 1.49%
Top 10 Customers % of Total Revenue	40.94%	10-15%
Median Household Income as % of State	59%	100%
Days of Cash on Hand (3-year Average)	1,543 days	30-149 days
Net Fixed Assets/ Annual Depreciation	13 years	12-24 years
Debt Service Coverage Ratio	3.32x	1.1x
Debt-to-Operating Revenues	2.02	4.00-5.99x
Unemployment Rate (September 2024)	County: 4.30%	State: 4.10%
Working Capital Ratio	12.11	> 1.00

Key Risk Score Strengths

- Water system revenues are more than sufficient to cover the existing and proposed debt, with the lowest debt service coverage being 3.12 times coverage in 2028.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City's days of cash on hand are greater than ten times above the benchmark, indicating more than sufficient reserves for operating expenses.

Key Risk Score Concerns

- Top ten customers make up 40.94 percent of total revenue; 36.76 percent of this figure coming from North Runnels WSC. A stress test was performed removing the entity's revenues, and a rate increase of \$11.07 was projected to be necessary to meet coverage in the first year of debt service, with a further \$1.14 increase necessary by 2028.
- Projected household cost factor is above the benchmark. However, this figure is not projected to increase as a result of the proposed debt.
- The City's 2023 financial audit included material weaknesses found by the auditors in regards to City staff maintaining accuracy of financial records and general ledger items. Per the Auditors' suggestions, the City indicated that they would implement updated internal procedures and engage outside assistance to maintain accuracy in the future.

PLEDGE

Legal Pledge Name	Ad Valorem Tax and Surplus Waterworks Revenues
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	11,400	\$104.65	\$104.65	4.04	4.04
WASTEWATER	5,135	\$28.51	\$28.51		

TAXES

	2024 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.7387	\$0.7387	\$1.50	95%	\$104,782,254
Interest & Sinking	\$0.0000	\$0.0000			
Total Tax Rate	\$0. 7387	\$0. 7387			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$337,065 over the life of the financing. The City is also saving \$2,688,441 in principal forgiveness.

Project Data Summary

Responsible Authority	City of Winters
Program	DWSRF
Commitment Number	L1001958, L1001960, LF1001959
Project Number	62998
List Year	2024
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$105,000 City of Winters, Texas Combination Tax and Surplus Revenue Certificates of Obligation Proposed Series 2025B, \$960,000 City of Winters, Texas Combination Tax and Surplus Revenue Certificates of Obligation Series 2025A, \$2,688,441 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	Approvable
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Theresa Finch	Kyle DuQuesnay	Cooper Stence	Chris Caran	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Winters

\$960,000 City of Winters, Texas Combination Tax and Surplus Revenue Certificates of Obligation Proposed Series 2025A

Dated Date:	2/15/2025	Source:	DWSRF-EQUIVALENCY
Delivery Date:	2/15/2025	IUP Year:	2024
First Interest:	2/15/2026	Case:	Tax and Revenue
First Principal:	2/15/2026	Admin.Fee:	\$18,824
Last Principal:	2/15/2055	Admin. Fee Payment Date:	2/15/2025
Fiscal Year End:	09/30	Required Coverage:	1.1

\$105,000 City of Winters, Texas Combination Tax and Surplus Revenue Certificates of Obligation Proposed Series 2025B

Dated Date:	2/15/2025	Source:	DWSRF-EQUIVALENCY
Delivery Date:	2/15/2025	IUP Year:	2024
First Interest:	2/15/2026	Case:	Tax and Revenue
First Principal:	2/15/2026	Admin.Fee:	\$2,059
Last Principal:	2/15/2046	Admin. Fee Payment Date:	2/15/2025
Fiscal Year End:	09/30	Required Coverage:	1.1

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$960,000 ISSUE				\$105,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2026	\$766,160	\$172,025	\$10,000	1.79%	\$38,708	\$48,708	\$5,000	-	\$0	\$5,000	\$230,733	3.32
2027	766,160	171,067	20,000	1.77%	25,509	45,509	5,000	-	-	5,000	\$226,576	3.38
2028	766,160	170,123	20,000	1.81%	25,151	45,151	5,000	-	-	5,000	\$245,274	3.12
2029	766,160	167,944	20,000	1.86%	24,784	44,784	5,000	-	-	5,000	\$242,728	3.16
2030	766,160	161,902	25,000	1.94%	24,356	49,356	5,000	-	-	5,000	\$241,258	3.18
2031	766,160	165,915	20,000	2.05%	23,908	43,908	5,000	-	-	5,000	\$239,823	3.19
2032	766,160	164,788	20,000	2.09%	23,494	43,494	5,000	-	-	5,000	\$243,282	3.15
2033	766,160	163,501	25,000	2.15%	23,016	48,016	5,000	-	-	5,000	216,517	3.54
2034	766,160	162,229	25,000	2.19%	22,474	47,474	5,000	-	-	5,000	214,703	3.57
2035	766,160	160,930	25,000	2.31%	21,911	46,911	5,000	-	-	5,000	212,842	3.60
2036	766,160	164,655	25,000	2.41%	21,321	46,321	5,000	-	-	5,000	215,977	3.55
2037	766,160	163,080	25,000	2.48%	20,710	45,710	5,000	-	-	5,000	213,790	3.58
2038	766,160	161,529	30,000	2.53%	20,021	50,021	5,000	-	-	5,000	216,549	3.54
2039	766,160	80,933	30,000	2.61%	19,250	49,250	5,000	-	-	5,000	135,182	5.67
2040	766,160	60,806	30,000	2.67%	18,458	48,458	5,000	-	-	5,000	114,264	6.71
2041	766,160	60,570	30,000	2.74%	17,646	47,646	5,000	-	-	5,000	113,216	6.77
2042	766,160	60,350	35,000	2.78%	16,749	51,749	5,000	-	-	5,000	117,098	6.54
2043	766,160	60,103	35,000	2.82%	15,769	50,769	5,000	-	-	5,000	115,871	6.61
2044	766,160	60,845	35,000	2.87%	14,773	49,773	5,000	-	-	5,000	115,617	6.63
2045	766,160	60,491	35,000	2.91%	13,761	48,761	5,000	-	-	5,000	114,252	6.71
2046	766,160	60,139	40,000	2.93%	12,666	52,666	5,000	-	-	5,000	117,805	6.50
2047	766,160	60,748	40,000	2.96%	11,488	51,488	-	-	-	-	112,236	6.83
2048	766,160	60,330	40,000	2.98%	10,300	50,300	-	-	-	-	110,630	6.93
2049	766,160	60,848	40,000	3.00%	9,104	49,104	-	-	-	-	109,952	6.97
2050	766,160	60,338	45,000	3.02%	7,825	52,825	-	-	-	-	113,163	6.77
2051	766,160	60,790	45,000	3.02%	6,466	51,466	-	-	-	-	112,255	6.83
2052	766,160	-	45,000	3.04%	5,102	50,102	-	-	-	-	50,102	15.29
2053	766,160	-	45,000	3.04%	3,734	48,734	-	-	-	-	48,734	15.72
2054	766,160	-	50,000	3.05%	2,288	52,288	-	-	-	-	52,288	14.65
2055	766,160	-	50,000	3.05%	763	50,763	-	-	-	-	50,763	15.09
		\$ 2,956,981	\$960,000		\$501,501	\$1,461,501	\$105,000		\$0	\$105,000	\$4,663,481	

\$960,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	18.2 YEARS
NET INTEREST RATE	2.870%
COST SAVINGS	\$307,229
AVERAGE ANNUAL REQUIREMENT	\$48,717

\$105,000 ISSUANCE		TOTAL AVERAGE ANNUAL REQUIREMENTS
AVERAGE (MATURITY) LIFE	11 YEARS	
NET INTEREST RATE	0.000%	
COST SAVINGS	\$29,836	
AVERAGE ANNUAL REQUIREMENT	\$5,000	\$155,449

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

City of Winters

62998 - City of Winters Water Distribution
System Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$2,459,941.00	\$2,459,941.00
Subtotal for Construction	\$2,459,941.00	\$2,459,941.00
Basic Engineering Services		
Construction Engineering	\$71,000.00	\$71,000.00
Design	\$117,000.00	\$117,000.00
Planning	\$56,000.00	\$56,000.00
Subtotal for Basic Engineering Services	\$244,000.00	\$244,000.00
Special Services		
Application	\$20,000.00	\$20,000.00
Environmental	\$30,000.00	\$30,000.00
Geotechnical	\$5,000.00	\$5,000.00
Inspection	\$256,000.00	\$256,000.00
O&M Manual	\$10,000.00	\$10,000.00
Permits	\$10,000.00	\$10,000.00
Project Management (by engineer)	\$40,000.00	\$40,000.00
Special Service Other (Asset Management Plan)	\$105,000.00	\$105,000.00
Surveying	\$35,000.00	\$35,000.00
Testing	\$20,000.00	\$20,000.00
Water Conservation Plan	\$5,000.00	\$5,000.00
Subtotal for Special Services	\$536,000.00	\$536,000.00
Fiscal Services		
Bond Counsel	\$28,400.00	\$28,400.00
Financial Advisor	\$34,000.00	\$34,000.00
Fiscal/Legal	\$659.00	\$659.00
Issuance Costs	\$3,000.00	\$3,000.00
Loan Origination Fee	\$20,833.00	\$20,833.00
Subtotal for Fiscal Services	\$86,892.00	\$86,892.00
Contingency		
Contingency	\$426,608.00	\$426,608.00
Subtotal for Contingency	\$426,608.00	\$426,608.00
Total	\$3,753,441.00	\$3,753,441.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$3,753,441 TO THE CITY OF WINTERS
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$960,000 CITY OF WINTERS, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2025A
AND
\$105,000 CITY OF WINTERS, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2025B
AND
\$2,688,441 IN PRINCIPAL FORGIVENESS

(24 -)

Recitals:

The City of Winters (City), located in Runnels County, has filed an application for financial assistance in the amount of \$3,753,441 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of the water system improvements project identified as Project No. 62998.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$960,000 City of Winters, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025A and \$105,000 City of Winters, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B (Obligations), (together with all authorizing documents), and the execution of a Principal Forgiveness Agreement in an amount of \$2,688,441, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of ad valorem taxes and surplus revenues of the City's water and sewer systems fund as sufficient security for the repayment of the Obligations.

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.

Findings:

1. The revenue 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. 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. The term of the Obligations does not exceed the expected useful life of the project proposed by the City.

4. The City has submitted a proposed program of water conservation for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules.
5. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
6. The City has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
7. The City meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of \$2,420,643. The TWDB has determined that the entire Project, or a portion of the Project, satisfies the applicable Intended Use Plan's criteria for Green Projects and is eligible for Principal Forgiveness in the amount of \$267,798. The City qualifies for financial assistance in the amount of \$105,000 with a reduced interest rate of zero percent in order to prepare an Asset Management Plan as described in the applicable Intended Use Plan. The City is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed \$2,688,441 and financial assistance in the amount of \$105,000 with a reduced interest rate of zero percent.

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

A commitment is made by the TWDB to the City of Winters for financial assistance in the amount of \$3,753,441 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$1,065,000 City of Winters, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025 with a reduced interest rate of zero percent for financial assistance in the amount of \$105,000 and the execution of a Principal Forgiveness Agreement in the amount of \$2,688,441. This commitment will expire on June 30, 2025.

The 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 as determined by the TWDB. 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.
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 the requirements of the laws under which the Obligations were issued have been complied with; that the

Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that the 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 the conditions set forth in the TWDB Resolution.
5. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations at a redemption price of par.
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 the 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 the rule, this 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 the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to those bonds under SEC Rule 15c2-12.
7. The Obligations must contain a provision requiring the City to levy a tax 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 financial assistance 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 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 financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
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. Proceeds of this commitment are public funds. Therefore, 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. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site, except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines or for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must include an environmental indemnification provision wherein the City agrees, and agrees to cause its construction contractors, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action, or damages arising from activities performed by the City or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.
13. Before closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.
14. Before 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. Before 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 the City to 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 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.
21. The City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).
22. The Obligations must provide that the City will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

23. 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.
24. 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.
25. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance 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 under section 141 (Regulations).
26. The Obligations must provide that no portion of the proceeds of this commitment 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 this commitment (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 the 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 the 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.
- 27. 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 to satisfy the requirements of section 148 of the Code. The Obligations must provide that the City must:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments) on its books of account separately and apart from all other funds (and receipts, expenditures and investments) and retain all records of the 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 financing with other money of the City, provided that the City separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with them;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financing, 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 under these sections. The City shall maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of this commitment, and to induce the making of the commitment by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly to correct the error within a reasonable amount of time including payment to the United States of any interest and any penalty required by the Regulations;
- 28. 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.

29. 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.
30. 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.
31. 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).
32. 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.
33. The Obligations must provide that neither the City nor a related party 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.
34. The City’s federal tax certificate shall provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

State Revolving Fund Conditions:

35. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
36. 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 the financial assistance made available shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB.
37. 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 Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.

38. The Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the City will adhere to the approved project schedule.
39. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.
40. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58 and 2 CFR part 184.

Drinking Water State Revolving Fund Conditions:

42. The City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
43. Before 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.
44. Before 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:

45. 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 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 before the time taxes are to be levied for that year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues or both, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination of these, 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 the 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.

Special Conditions:

- 46. Before closing, the City shall adopt and implement the water conservation program approved by the TWDB.
- 47. Before closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
- 48. The Principal Forgiveness Agreement must include a provision stating that the City shall return any principal forgiveness funds that are determined to be surplus funds.

APPROVED and ordered of record this 17th day of December, 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED:

ATTEST:

Bryan McMath, Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

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

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold

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 losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

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.

GCD means gallons per connection per day.

GMD means gallons per mile 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 3,000 connections and a connection density of more than 16 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.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population 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 GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

Water Loss Thresholds are levels of real and apparent water loss determined by the 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.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



City of Winters Runnels County

