

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: January 8, 2015

PRESENTED BY: Brenner Brown

APPLICANT	City of Olney
TYPE OF ASSISTANCE	\$2,440,000 Loan
LEGAL PLEDGE	Ad valorem taxes and surplus revenues of the System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the **City of Olney (Young County)** for a \$2,440,000 loan from the Clean Water State Revolving Fund to finance construction costs related to the development of an indirect, potable reuse system.

PROJECT

Lake Olney Reuse
Project Number 73684

FINANCIAL SUMMARY

Risk Score:	2B
Pledge for Repayment:	Tax Revenues and System Revenues
Proposed Repayment Method:	System Revenues
Average Monthly Water and Wastewater Bill:	\$65.82
Assessed Value Trend:	Stable
Operating Trends:	Stable
Population:	Decreasing
Median Household Income:	Increasing
Revenue Coverage Range (First 5 Years):	1.10 – 1.21X

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON JANUARY 31, 2016
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FINANCIALKey Issues

None.

Pledge and Repayment

The City of Olney (City) is pledging ad valorem taxes and surplus revenues of the system for the repayment of the debt.

Utilizing a no-growth scenario, the City will need to increase monthly utility system rates by \$1.86 in 2015 and an additional \$2.73 in 2017 to meet their existing and proposed debt service. Though the City is also pledging ad valorem taxes, their intention is to repay the proposed debt with utility system revenues only.

Cost Savings

Based on a 30 year maturity schedule and current interest rates, the City could save approximately \$491,636 over the life of the loan by utilizing Texas Water Development Board (TWDB) funding.

Internal Risk Score

Staff assigns a risk score of 2B. This means that the applicant's repayment capacity is adequate. The applicant's earnings trends and coverage ratios, while stable, may be more susceptible to moderate changes in circumstances and economic conditions than the higher rated obligations. Certain risk elements may exist that suggest susceptibility to future impairment, if not managed.

The City's population has decreased at an average annual rate of 0.34% since 2000, compared to the State average annual population increase of 1.88% during the same period. The City's median household income was \$29,918 in 2012, and is approximately 58% of the median for the State overall. In September 2014, the unemployment rate in the County was 3.7% compared to 5.0% in the State overall.

The City's per capita debt level is \$555, and would increase to \$1,304 with the proposed debt. The City's total assessed valuation on a per capita basis is \$25,909, and has increased at an average annual rate of 3.80% since 2010. The average monthly water and sewer bill of \$65.82 represents 2.64% of the median household income, which is greater than the 2% benchmark for assessing affordability of rates.

The City's socioeconomic indicators are mostly weak with a declining population, low median household income, and low per capita assessed valuation. However, unemployment is moderately low. The City's debt level is low, including both their existing and proposed debt, and the proposed debt service would require only small increases to their system rates. In addition, the City is pledging ad valorem taxes as additional security for the proposed financing. Based on these outcomes for the financial and socioeconomic indicators, staff assigns the City a risk score of 2B at this time.

LEGAL

Key Issues

None.

CONDITIONS

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

- Standard emergency discovery;
- Endangered species act;
- Useful life determination; and
- Adopt water conservation plan.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (15-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Authority	City of Olney
Program	Clean Water State Revolving Fund
Commitment Code	L1000385
Project Number	73684
Intended Use Plan Year	2015
Fund Number	651
Type of Pledge	Tax and Surplus Revenues
Revenue Pledge Level	Third
Legal Description	\$2,440,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015;
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Required	Yes
Disbursement Method	Escrow
Outlay Type	Outlay < > Escrow
Population	3,259
Rural	Yes
Water Connections	1,683
Wastewater Connections	1,355
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	Equivalency
Financial, Managerial, and Technical Review Complete?	N/A
Phase Committing	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Team Manager	Brenner Brown
Financial Analyst	Dain Larsen
Engineering Reviewer	JoAnne Duncan
Environmental Reviewer	Jennifer Kennedy
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
City of Olney
\$2,440,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015

Dated Date 04/01/15
Delivery Date 04/01/15
First Interest 09/01/15
First Principal 09/01/17
Last Principal 09/01/46
Fiscal Year End 9/30

Source: SRF
Rate: 1.98%
Insurance: No
Case: Surplus Revenues
Admin. Fee Payment Date: 4/1/2014
Administrative Fee: \$44,320

RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE SUBJECT TO CHANGE

FISCAL YEAR	PROJECTED ASSESSED VALUE	REQUIRED TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	----- THIS \$2,440,000 ISSUE -----				TOTAL DEBT SERVICE	COVERAGE			
							PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		BEING REQUIRED	ACTUAL COVERAGE		
2015	84,436,540	-	-	267,763	267,763	175,001	-	-	68,442	68,442	243,443	1.10	1.10		
2016	84,436,540	-	-	267,763	267,763	172,772	-	-	48,312	48,312	221,084	1.10	1.21		
2017	84,436,540	-	-	312,152	312,152	175,467	60,000	1.98%	48,312	108,312	283,779	1.10	1.10		
2018	84,436,540	-	-	312,152	312,152	172,166	60,000	1.98%	47,124	107,124	279,290	1.10	1.12		
2019	84,436,540	-	-	312,152	312,152	165,818	65,000	1.98%	45,936	110,936	276,754	1.10	1.13		
2020	84,436,540	-	-	312,152	312,152	167,074	65,000	1.98%	44,649	109,649	276,723	1.10	1.13		
2021	84,436,540	-	-	312,152	312,152	169,159	65,000	1.98%	43,362	108,362	277,521	1.10	1.12		
2022	84,436,540	-	-	312,152	312,152	171,051	65,000	1.98%	42,075	107,075	278,126	1.10	1.12		
2023	84,436,540	-	-	312,152	312,152	66,724	70,000	1.98%	40,788	110,788	177,512	1.10	1.76		
2024	84,436,540	-	-	312,152	312,152	66,638	70,000	1.98%	39,402	109,402	176,040	1.10	1.77		
2025	84,436,540	-	-	312,152	312,152	67,424	70,000	1.98%	38,016	108,016	175,440	1.10	1.78		
2026	84,436,540	-	-	312,152	312,152	66,110	70,000	1.98%	36,630	106,630	172,740	1.10	1.81		
2027	84,436,540	-	-	312,152	312,152	65,719	75,000	1.98%	35,244	110,244	175,963	1.10	1.77		
2028	84,436,540	-	-	312,152	312,152	66,201	75,000	1.98%	33,759	108,759	174,960	1.10	1.78		
2029	84,436,540	-	-	312,152	312,152	66,530	75,000	1.98%	32,274	107,274	173,804	1.10	1.80		
2030	84,436,540	-	-	312,152	312,152	66,706	80,000	1.98%	30,789	110,789	177,495	1.10	1.76		
2031	84,436,540	-	-	312,152	312,152	66,729	80,000	1.98%	29,205	109,205	175,934	1.10	1.77		
2032	84,436,540	-	-	312,152	312,152	65,625	80,000	1.98%	27,621	107,621	173,246	1.10	1.80		
2033	84,436,540	-	-	312,152	312,152	11,804	85,000	1.98%	26,037	111,037	122,841	1.10	2.54		
2034	84,436,540	-	-	312,152	312,152	11,316	85,000	1.98%	24,354	109,354	120,670	1.10	2.59		
2035	84,436,540	-	-	312,152	312,152	11,804	85,000	1.98%	22,671	107,671	119,475	1.10	2.61		
2036	84,436,540	-	-	312,152	312,152	11,268	90,000	1.98%	20,988	110,988	122,256	1.10	2.55		
2037	84,436,540	-	-	312,152	312,152	-	90,000	1.98%	19,206	109,206	109,206	1.10	2.86		
2038	84,436,540	-	-	312,152	312,152	-	90,000	1.98%	17,424	107,424	107,424	1.10	2.91		
2039	84,436,540	-	-	312,152	312,152	-	95,000	1.98%	15,642	110,642	110,642	1.10	2.82		
2040	84,436,540	-	-	312,152	312,152	-	95,000	1.98%	13,761	108,761	108,761	1.10	2.87		
2041	84,436,540	-	-	312,152	312,152	-	95,000	1.98%	11,880	106,880	106,880	1.10	2.92		
2042	84,436,540	-	-	312,152	312,152	-	100,000	1.98%	9,999	109,999	109,999	1.10	2.84		
2043	84,436,540	-	-	312,152	312,152	-	100,000	1.98%	8,019	108,019	108,019	1.10	2.89		
2044	84,436,540	-	-	312,152	312,152	-	100,000	1.98%	6,039	106,039	106,039	1.10	2.94		
2045	84,436,540	-	-	312,152	312,152	-	105,000	1.98%	4,059	109,059	109,059	1.10	2.86		
2046	84,436,540	-	-	312,152	312,152	-	100,000	1.98%	1,980	101,980	101,980	1.10	3.06		
						\$ 9,900,097	\$ 2,079,106	\$ 2,440,000			\$ 933,999	\$ 3,373,999	\$ 5,453,105		

AVERAGE (MATURITY) LIFE	19.33 YEARS
NET INTEREST RATE	1.980%
COST SAVINGS	\$491,636
AVERAGE ANNUAL REQUIREMENT	\$170,410

Olney

Engineering and Environmental Review

Engineering:

Key Issues

The planning and design phases of the project have been delayed due to easement acquisition issues. The delay in obtaining the easements for the transmission line routing have subsequently delayed the preparation of the environmental and engineering reports needed to progress into final design phase.

Project Need / Description

Need: The City of Olney (City) has been in stage four water use restrictions since February 2013. The City uses 350,000 to 420,000 gallons per day of which 300,000 gallons per day is received through a contract with the City of Wichita Falls. The remaining demand is met from Lakes Cooper and Olney, both of which are at critical stage.

Project: The City is proposing to construct a pump station and approximately 6-miles of pipeline to divert a portion of the effluent from its wastewater treatment plant to Lake Olney. The treated wastewater effluent will be blended with the water within Lakes Olney and Cooper to augment the City's raw water supply. The City recently amended their TPDES discharge permit #WQ0010050001 to include the outfall into Lake Olney. The City's amended permit allows the discharge of up to 790,000 gallons per day (0.79 million gallons per day) of treated effluent into Lake Olney.

Project Schedule

Project Task	Schedule Date
Closing	4/01/2015
Design Phase Complete	4/06/2015
Engineering Feasibility Report Completion (End of Planning Phase)	4/06/2015
Start of Construction	7/27/2015
End of Construction	1/25/2017

Environmental:

Key Issues

None known at this time.

Environmental Summary

Pursuant to the requirements of 31 Texas Administrative Code §375, all financial assistance shall be conditioned to read that funding for construction costs for the proposed project will not be released until the environmental review has been completed and a favorable environmental determination has been issued. A subsequent affirmation of commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

Olney
73684 - Lake Olney Reuse

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Local & Other Funds	Total Cost
Construction					
Construction	\$0	\$2,035,000	\$2,035,000	\$0	\$2,035,000
Construction Total	\$0	\$2,035,000	\$2,035,000	\$0	\$2,035,000
Basic Engineering Services					
Acquisition Services - Ineligible	\$0	\$0	\$0	\$10,000	\$10,000
Construction Engineering	\$0	\$78,000	\$78,000	\$0	\$78,000
Design	\$212,000	\$0	\$212,000	\$0	\$212,000
Planning	\$60,000	\$0	\$60,000	\$0	\$60,000
Basic Engineering Services Total	\$272,000	\$78,000	\$350,000	\$10,000	\$360,000
Special Services					
Environmental	\$75,000	\$0	\$75,000	\$0	\$75,000
Special Services Total	\$75,000	\$0	\$75,000	\$0	\$75,000
Contingency					
Contingency	\$13,048	\$237,280	\$250,328	\$0	\$250,328
Contingency Total	\$13,048	\$237,280	\$250,328	\$0	\$250,328
Other					
Land/Easements Acquisition - Ineligible	\$0	\$0	\$0	\$210,000	\$210,000
Other Total	\$0	\$0	\$0	\$210,000	\$210,000
Fiscal Services					
Bond Counsel	\$15,000	\$25,000	\$40,000	\$0	\$40,000
Financial Advisor	\$19,500	\$29,200	\$48,700	\$0	\$48,700
Fiscal/Legal	\$750	\$1,710	\$2,460	\$0	\$2,460
Issuance Costs	\$2,950	\$2,750	\$5,700	\$0	\$5,700
Loan Origination Fee	\$5,177	\$31,060	\$36,237	\$0	\$36,237
Fiscal Services Total	\$43,377	\$89,720	\$133,097	\$0	\$133,097
Grand Total	\$403,425	\$2,440,000	\$2,843,425	\$220,000	\$3,063,425

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$2,440,000 TO CITY OF OLNEY
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$2,440,000 CITY OF OLNEY, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2015

(15-)

WHEREAS, the City of Olney, located in Young County, Texas (City) has filed an application for financial assistance in the amount of \$2,440,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73684; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$2,440,000 City of Olney, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015 (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 taxes and surplus revenues of the City's utility system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules; and
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 Olney for financial assistance in the amount of \$2,440,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$2,440,000 City of Olney, Texas Combination Tax and Surplus

Revenue Certificates of Obligation, Proposed Series 2015. This commitment will expire on January 31, 2016.

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 Obligations can be called for early redemption only in inverse order of maturity, and 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;
5. 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;
6. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues 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;
7. 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 for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or

- principal on the Obligations owned by the TWDB; or (3) eligible project costs as authorized by the Executive Administrator;
8. 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;
 9. 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;
 10. 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;
 11. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
 12. 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;
 13. 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;
 14. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related To Tax-Exempt Status

15. 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;

16. 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;
17. 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 § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
18. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
19. 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 § 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 § 148(f) of the Code, § 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;
- 20. 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;
 - 21. 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 § 149(b) of the Code;
 - 22. 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;
 - 23. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
 - 24. 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

25. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
26. 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;
27. 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;
28. 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;
29. 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 the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;
30. 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;
31. 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 estimated useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions

32. prior to or at closing, the City shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
33. 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;
34. 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;
35. 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

Pledge Conditions For The Loan

36. 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 8th day of January, 2015.

TEXAS WATER DEVELOPMENT BOARD

Carlos Rubinstein, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

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:

Apparent loss (gallons): _____

Real loss (gallons): _____

Produced water (gallons): _____

Total water loss (percent): _____

Connections per mile: _____

Total water loss (GPCD): _____

If < 32 connections per mile, real loss (gallons) per mile per day: _____

(Average real loss for less than 32 connections is 1,154 gal/mile/day)

If > 32 connections per mile, real loss (gallons) per connection per day: _____

(Average real loss for greater than 32 connections is 47 gal/mile/day)

If > 16 connections per mile and > 3,000 connections

Infrastructure Leakage Index (ILI): _____

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 formerly 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.

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.

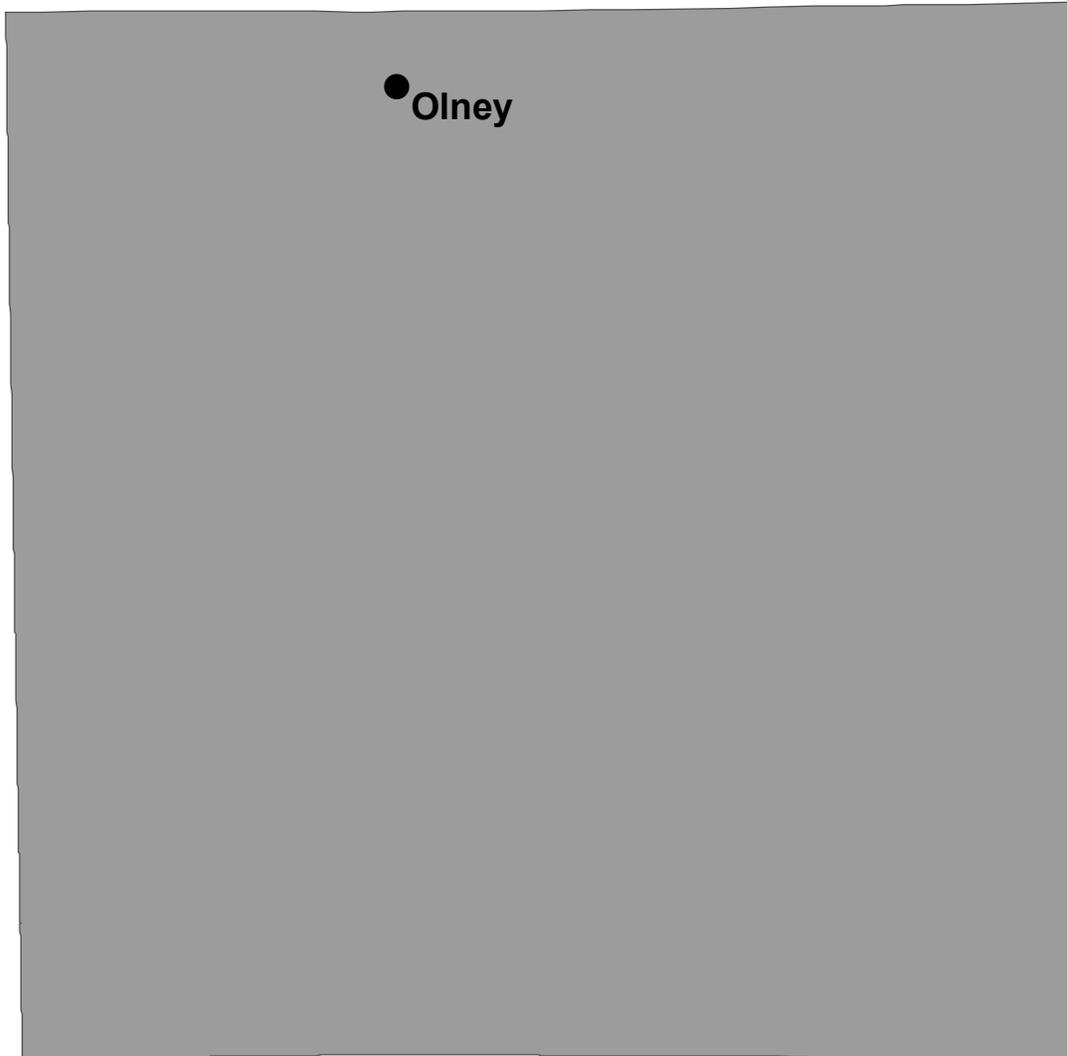
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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.

**City of Olney,
Young County**



● Olney

