

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 26, 2015

PRESENTED BY: Brenner Brown

APPLICANT	City of Granbury
TYPE OF ASSISTANCE	\$16,430,000 Loan
LEGAL PLEDGE	Ad Valorem Tax and Surplus Revenues of the Combined Utility System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Consider approving by resolution, a request from the City of Granbury (Hood County) for a \$16,430,000 loan from the Drinking Water State Revolving Fund to finance the construction of a new water treatment plant, new raw water intake and pump station.

PROJECT

Water treatment plant
Project Number 62673

FINANCIAL SUMMARY

Risk Score:	2B
Pledge for Repayment:	Tax and System Revenues
Proposed Repayment Method:	Tax and System Revenues
Average Monthly Water and Wastewater Bill:	\$123.32
Assessed Value Trend:	Increasing
Operating Trends:	Increasing
Population:	Increasing
Median Household Income:	Increasing

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON MARCH 31, 2016
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FINANCIAL

Key Issues

None.

Pledge and Repayment

The City of Granbury (City) is pledging ad valorem and surplus net revenues of the water, wastewater and electric system for the repayment of the proposed loan. The City intends to utilize both tax and utility system revenues for the repayment of the proposed debt.

The City currently generates annual tax and system revenues that are sufficient for the existing and proposed debt service payments. All pledged revenues, which include tax and net utility system revenues, provide a 1.25 times coverage of the existing and proposed debt service in 2016.

Cost Savings

Based on a 30- year maturity schedule and current interest rates, the City could save approximately \$3,338,793 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 adverse 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 population of the City increased at an average annual rate of 2.88% from 2000 to 2013, compared to a rate 1.85% for the State overall during the same period. The average median household income for the City was \$47,005 in 2013, and is 91% of the median for the State overall. In December 2014, the unemployment rate in Hood County was 3.2% compared to 4.1% in the State overall. In the City, 9.7% of the individuals are below the poverty level, compared to 17.5% in the State overall.

The City's current per capita debt level is \$4,546, and would increase to \$6,533 with the proposed debt. This is a high level of overall debt. Despite the high level of total debt, the City generates utility system revenues to pay for approximately 84% of the total debt, this debt is considered "self-supported", which means it has a dedicated source of repayment. Only \$1,330 of the City's per capita debt is repaid with tax revenues, which is a moderate level of tax-supported debt. The average water and wastewater bill of \$123.32 monthly represents 3.15% of the median household income for the community, which is significantly higher than the 2% benchmark for assessing affordability of rates for both services.

The City's socioeconomic indicators are positive and strong. Population growth is faster than the State, the median household income is comparable to the State, and the unemployment rate is slightly lower, while the level of poverty is significantly lower than the State. The City utilizes a relatively high level of debt for the population served, and maintains relatively high system rates to provide significant revenues for the repayment of debt. The City maintains a moderately-low

level of unrestricted cash and short-term investments. 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 Drinking Water State Revolving Fund, tax-exempt, tax and surplus revenue conditions, and further conditioned as follows:

- Useful life determination; and
- Water rights certification.

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

Project Data Summary

Authority	City of Granbury
Program	Drinking Water State Revolving Fund
Commitment Code	L1000418
Project Number	62673
Intended Use Plan Year	2015
Fund Number	951
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$16,430,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	8,266
Rural	Yes
Water Connections	5,558
Wastewater Connections	3,925
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	Yes
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	Chris Caran
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
City of Granbury
\$16,430,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015

Dated Date 06/01/15
Delivery Date 06/01/15
First Interest 11/01/15
First Principal 05/01/16
Last Principal 05/01/46
Fiscal Year End 9/30

Source: DWSRF
Rate: 2.11%
Insurance: No
Case: Tax and surplus revenues
Admin. Fee Payment Date: 6/1/2015
Administrative Fee: \$361,540

FOR ILLUSTRATION PURPOSES ONLY

FISCAL YEAR	PROJECTED ASSESSED VALUE	EXISTING TAX RATE	EXISTING TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	----- THIS \$16,430,000 ISSUE -----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE	
							PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT				
2016	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	3,892,456	380,000	2.11%	317,784	697,784	4,590,240	1.00	1.26	
2017	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	3,907,211	390,000	2.11%	338,655	728,655	4,635,866	1.00	1.25	
2018	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	3,908,181	395,000	2.11%	330,426	725,426	4,633,607	1.00	1.25	
2019	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	3,900,496	405,000	2.11%	322,092	727,092	4,627,588	1.00	1.25	
2020	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	3,907,863	415,000	2.11%	313,546	728,546	4,636,409	1.00	1.25	
2021	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	3,927,757	425,000	2.11%	304,790	729,790	4,657,547	1.00	1.25	
2022	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	3,930,022	430,000	2.11%	295,822	725,822	4,655,844	1.00	1.25	
2023	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	2,175,868	440,000	2.11%	286,749	726,749	2,902,617	1.00	2.00	
2024	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	2,175,978	450,000	2.11%	277,465	727,465	2,903,443	1.00	2.00	
2025	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,486,633	460,000	2.11%	267,970	727,970	2,214,603	1.00	2.62	
2026	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,484,063	470,000	2.11%	258,264	728,264	2,212,327	1.00	2.62	
2027	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,485,868	480,000	2.11%	248,347	728,347	2,214,215	1.00	2.62	
2028	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,484,803	490,000	2.11%	238,219	728,219	2,213,022	1.00	2.62	
2029	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,486,913	500,000	2.11%	227,880	727,880	2,214,793	1.00	2.62	
2030	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,487,998	510,000	2.11%	217,330	727,330	2,215,328	1.00	2.62	
2031	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,487,013	520,000	2.11%	206,569	726,569	2,213,582	1.00	2.62	
2032	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	1,197,864	530,000	2.11%	195,597	725,597	1,923,461	1.00	3.02	
2033	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	198,125	545,000	2.11%	184,414	729,414	927,539	1.00	6.26	
2034	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	198,285	555,000	2.11%	172,915	727,915	926,200	1.00	6.26	
2035	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	198,130	565,000	2.11%	161,204	726,204	924,334	1.00	6.28	
2036	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	198,660	580,000	2.11%	149,283	729,283	927,943	1.00	6.25	
2037	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	199,830	590,000	2.11%	137,045	727,045	926,875	1.00	6.26	
2038	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	199,595	605,000	2.11%	124,596	729,596	929,191	1.00	6.24	
2039	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	615,000	2.11%	111,830	726,830	726,830	1.00	7.98	
2040	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	630,000	2.11%	98,854	728,854	728,854	1.00	7.96	
2041	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	640,000	2.11%	85,561	725,561	725,561	1.00	8.00	
2042	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	655,000	2.11%	72,057	727,057	727,057	1.00	7.98	
2043	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	670,000	2.11%	58,236	728,236	728,236	1.00	7.97	
2044	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	685,000	2.11%	44,099	729,099	729,099	1.00	7.96	
2045	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	700,000	2.11%	29,646	729,646	729,646	1.00	7.95	
2046	1,144,587,761	0.245	2,520,726	3,281,626	5,802,352	-	705,000	2.11%	14,876	719,876	719,876	1.00	8.06	
						\$ 179,872,900	\$ 44,519,612	\$ 16,430,000			\$ 6,092,115	\$ 22,522,115	\$ 67,041,727	

AVERAGE (MATURITY) LIFE	17.57 YEARS
NET INTEREST RATE	2.110%
COST SAVINGS	\$3,338,793
AVERAGE ANNUAL REQUIREMENT	\$2,162,636

Granbury

Engineering and Environmental Review

Engineering:

Key Issues

None known at this time.

Project Need / Description

Need: The City of Granbury (City) needs to replace their 30-year old water treatment plant to enable the City to treat water to meet current requirements and to utilize their existing contracted Brazos River water rights.

Project Description: The City proposes to construct a new 2.5 million gallon per day microfiltration/reverse osmosis water treatment facility that will be able to treat raw surface water from Lake Granbury to meet current requirements for use as potable water. The City will utilize a portion of their contracted Brazos River water rights for supply.

Project Schedule

Project Task	Schedule Date
Closing	6/1/2015
Engineering Feasibility Report Completion (End of Planning Phase)	6/5/2015
Design Phase Complete	7/1/2015
Start of Construction	8/3/2015
Construction Completion	1/30/2017

Environmental:

Key Issues

None known at this time.

Environmental Summary

Pursuant to the requirements of 31 Texas Administrative Code Chapter 371, Subchapter E, financial assistance shall be conditioned that funding for construction of specific project elements shall not be released until an environmental review has been completed and a favorable environmental determination has been issued. A subsequent Affirmation of Commitment for this loan will be necessary in order to comply with the National Environmental Policy Act.

Granbury
62673 - City of Granbury Water Treatment Plant

Budget Items	TWDB Funds	TWDB Funding %	Local & Other Funds	Total Cost
Construction				
Construction	\$14,606,550		\$0	\$14,606,550
Construction Total	\$14,606,550	88.9%	\$0	\$14,606,550
Basic Engineering Services				
Construction Engineering	\$0		\$248,000	\$248,000
Design	\$0		\$596,000	\$596,000
Planning	\$0		\$168,000	\$168,000
Basic Engineering Services Total	\$0	0.0%	\$1,012,000	\$1,012,000
Special Services				
Geotechnical	\$0		\$7,500	\$7,500
Inspection	\$0		\$130,000	\$130,000
O&M Manual	\$0		\$40,000	\$40,000
Permits	\$0		\$75,000	\$75,000
Pilot Testing	\$0		\$50,000	\$50,000
Surveying	\$0		\$26,000	\$26,000
Testing	\$0		\$7,500	\$7,500
Special Services Total	\$0	0.0%	\$336,000	\$336,000
Contingency				
Contingency	\$1,461,910		\$0	\$1,461,910
Contingency Total	\$1,461,910	8.9%	\$0	\$1,461,910
Fiscal Services				
Bond Counsel	\$0		\$27,500	\$27,500
Financial Advisor	\$0		\$55,000	\$55,000
Issuance Costs	\$0		\$17,500	\$17,500
Loan Origination Fee	\$361,540		\$0	\$361,540
Fiscal Services Total	\$361,540	2.2%	\$100,000	\$461,540
Grand Total	\$16,430,000	100.0%	\$1,448,000	\$17,878,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$16,430,000 TO CITY OF GRANBURY
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$16,430,000 CITY OF GRANBURY, TEXAS COMBINATION TAX AND SURPLUS
REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2015

(15-)

WHEREAS, the City of Granbury (City) has filed an application for financial assistance in the amount of \$16,430,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62673; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$16,430,000 City of Granbury, 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 tax revenues and surplus revenues of the combined 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 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 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 that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j); and

5. 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).

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

A commitment is made by the TWDB to the City of Granbury for financial assistance in the amount of \$16,430,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$16,430,000 City of Granbury, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015. This commitment will expire on March 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 371;
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;
15. 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;

Conditions Related To Tax-Exempt Status

16. 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;
17. 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;
18. 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);
19. 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;

20. 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;
21. 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;
22. 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;
23. 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;
24. 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;

25. 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

26. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
27. 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;
28. 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;
29. 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;
30. 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;

Drinking Water State Revolving Fund Conditions

31. prior to or at closing, the City shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;

32. 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;
33. 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;

Pledge Conditions for the Loan

34. 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.

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

Special Conditions:

1. prior to the release of funds, the City shall provide 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; and
2. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the City has the right to use the water that the project financed by the TWDB will provide.

APPROVED and ordered of record this 26th day of March, 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/connection/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 bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Produced water is the total amount of water purchased or produced by the utility.

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

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

Total water loss is the sum of the apparent and real water losses.

**City of Granbury,
Hood County**

