

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 26, 2015

TEAM MANAGER: Mireya Loewe

APPLICANT	City of Laredo
TYPE OF ASSISTANCE	\$4,600,000 Loan
LEGAL PLEDGE	Subordinate Revenues of the Waterworks and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the **City of Laredo (Webb County)** for a \$4,600,000 loan from the Drinking Water State Revolving Fund to finance the construction of a 24-inch waterline on the westside of Loop 20 (Casa Verde Road).

PROJECT

24" Waterline Casa Verde Road
Project Number 62657

FINANCIAL SUMMARY

Risk Score:	2B
Pledge for Repayment:	Subordinate Revenues of the Waterworks and Sewer System
Proposed Repayment Method:	Net Revenues
Assessed Value Trend:	Positive
Operating Trends:	Positive
Average Monthly Water and Wastewater Bill:	\$54.51
Rate Increase (2015)	2% per year

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

The March 26, 2015 Texas Water Development Board (TWDB) meeting agenda includes two loan requests from the City of Laredo (City). One request is from the Clean Water State Revolving Fund totaling \$22,075,000, and the second is this request from the Drinking Water State Revolving Fund totaling \$4,600,000. Both loan requests are included in the debt service scheduled shown in Attachment 2.

Pledge and Repayment

The City is pledging subordinate lien on the revenues of the waterworks and sewer system for the repayment of the proposed loans. The City's current average monthly water and sewer rate is \$54.51 and the City intends to implement a slight rate increase of 2% per year from 2015 to 2037. This will allow the City to meet its debt service obligations and maintain the required debt coverage of 1.25x for net revenue pledges.

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$1,149,000 over the life of the loan.

Internal Risk Score

Staff assigns a 2B to the City. This means that the City's repayment capacity is adequate and 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. The City's water and wastewater connections are stable.

The median household income of \$39,011 is below the median for the State overall of \$51,900. The 6.8% unemployment rate, as of December 2014, is above the state unemployment rate of 4.1%. Also, the City's current combined average monthly water and wastewater rate of \$54.51 is 1.67% of the median household income. After the projected 2% annual increase to the combined water and wastewater rate, the household cost factor would be 1.72%, which is below the TWDB's benchmark of 2% for two services.

The City's top ten water and wastewater customers represent less than 10% of the system's total revenues, which indicates that the City's revenues are not concentrated and the City's debt service requirements are not overly-dependent on a few users. The City's per capita debt is moderate at \$1,562 including proposed debt.

Staff's risk score is based on the City's consistent assessed valuation growth, low household cost factor, positive operating trends, moderate debt per capita, and non-reliance on top ten customers.

LEGALKey Issues

None.

CONDITIONS

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

- Useful life certification; and
- Pre-design funding.

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

Responsible Authority	City of Laredo
Program	Drinking Water State Revolving Fund
Commitment Code	L1000358
Project Number	62657
Intended Use Plan Year	2015
Fund Number	951
Type of Pledge	5
Revenue Pledge level	Second
Legal Description	\$4,600,000 Subordinate Waterworks and Sewer System Revenue Bonds, Proposed Series 2015A
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay=Escrow
Population	234,423
Rural	No
Water Connections	63,703
Wastewater Connections	59,995
Qualifies as Disadvantaged	No
Disadvantaged Level	N/A
Clean Water State Revolving Fund Type	N/A
Financial, Managerial, and Technical Review Complete?	No
Phase Committing	Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	AA-
Moody's	A1
Fitch	AA-
Special Issues	None

Project Team

Team Manager	Mireya Loewe
Financial Analyst	Javier Pena
Engineering Reviewer	Augustine Tambe
Environmental Reviewer	Nicki Hise
Attorney	Joe Reynolds

**ISSUE BEING EVALUATED
City of Laredo**

1ST ISSUE

\$4,600,000 Subordinate Waterworks and Sewer System Revenue Bonds, Proposed Series 2015A

2ND ISSUE

\$22,075,000 Subordinate Waterworks and Sewer System Revenue Bonds, Proposed Series 2015B

Dated Date	11/15/15	Source: DWSRF	Dated Date	11/15/15	Source: CWSRF
Delivery Date	11/15/15	Rate: 1.37%	Delivery Date	11/15/15	Rate: 1.07%
First Interest	05/15/16	Insurance: None	First Interest	05/15/16	Insurance: None
First Principal	11/15/16	Case: Revenue	First Principal	11/15/16	Case: Revenue
Last Principal	11/15/44	Admin. Fee Payment Date: 11/15/2015	Last Principal	11/15/44	Admin. Fee Payment Date: 11/15/2015
Fiscal Year End	9/30	Administrative Fee: \$101,222	Fiscal Year End	9/30	Administrative Fee: \$400,970

RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE SUBJECT TO CHANGE

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	-----\$4,600,000 1ST ISSUE-----				-----\$22,075,000 2ND ISSUE-----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT				
2016	34,306,897	24,877,842	145,000	1.37%	30,517	175,517	615,000	1.07%	114,811	729,811	25,783,170	1.25	1.33	
2017	34,306,897	24,946,345	130,000	1.37%	60,143	190,143	615,000	1.07%	226,332	841,332	25,977,820	1.25	1.32	
2018	34,306,897	25,434,727	130,000	1.37%	58,362	188,362	615,000	1.07%	219,751	834,751	26,457,840	1.25	1.30	
2019	34,306,897	25,015,379	130,000	1.37%	56,581	186,581	615,000	1.07%	213,171	828,171	26,030,131	1.25	1.32	
2020	34,306,897	24,479,663	130,000	1.37%	54,800	184,800	615,000	1.07%	206,590	821,590	25,486,053	1.25	1.35	
2021	34,306,897	24,176,582	130,000	1.37%	53,019	183,019	620,000	1.07%	199,983	819,983	25,179,584	1.25	1.36	
2022	34,306,897	23,807,284	130,000	1.37%	51,238	181,238	620,000	1.07%	193,349	813,349	24,801,871	1.25	1.38	
2023	34,306,897	23,807,823	130,000	1.37%	49,457	179,457	630,000	1.07%	186,662	816,662	24,803,942	1.25	1.38	
2024	34,306,897	23,543,772	130,000	1.37%	47,676	177,676	635,000	1.07%	179,894	814,894	24,536,342	1.25	1.40	
2025	34,306,897	23,245,197	135,000	1.37%	45,861	180,861	645,000	1.07%	173,046	818,046	24,244,104	1.25	1.42	
2026	34,306,897	22,541,594	135,000	1.37%	44,011	179,011	655,000	1.07%	166,091	821,091	23,541,696	1.25	1.46	
2027	34,306,897	22,083,416	140,000	1.37%	42,128	182,128	665,000	1.07%	159,029	824,029	23,089,572	1.25	1.49	
2028	34,306,897	21,050,456	140,000	1.37%	40,210	180,210	675,000	1.07%	151,860	826,860	22,057,525	1.25	1.56	
2029	34,306,897	19,715,069	140,000	1.37%	38,292	178,292	685,000	1.07%	144,584	829,584	20,722,944	1.25	1.66	
2030	34,306,897	19,632,627	145,000	1.37%	36,339	181,339	700,000	1.07%	137,174	837,174	20,651,140	1.25	1.66	
2031	34,306,897	19,256,419	150,000	1.37%	34,319	184,319	710,000	1.07%	129,631	839,631	20,280,368	1.25	1.69	
2032	34,306,897	19,257,989	150,000	1.37%	32,264	182,264	725,000	1.07%	121,953	846,953	20,287,206	1.25	1.69	
2033	34,306,897	19,257,587	155,000	1.37%	30,174	185,174	740,000	1.07%	114,116	854,116	20,296,877	1.25	1.69	
2034	34,306,897	19,251,722	155,000	1.37%	28,051	183,051	755,000	1.07%	106,117	861,117	20,295,890	1.25	1.69	
2035	34,306,897	16,091,069	160,000	1.37%	25,893	185,893	770,000	1.07%	97,959	867,959	17,144,921	1.25	2.00	
2036	34,306,897	16,090,855	165,000	1.37%	23,667	188,667	790,000	1.07%	89,613	879,613	17,159,134	1.25	2.00	
2037	34,306,897	16,093,507	165,000	1.37%	21,406	186,406	805,000	1.07%	81,079	886,079	17,165,993	1.25	2.00	
2038	34,306,897	16,094,304	170,000	1.37%	19,112	189,112	825,000	1.07%	72,359	897,359	17,180,774	1.25	2.00	
2039	34,306,897	16,094,184	175,000	1.37%	16,748	191,748	845,000	1.07%	63,424	908,424	17,194,357	1.25	2.00	
2040	34,306,897	16,085,647	180,000	1.37%	14,317	194,317	865,000	1.07%	54,276	919,276	17,199,239	1.25	1.99	
2041	34,306,897	13,074,373	185,000	1.37%	11,816	196,816	885,000	1.07%	44,913	929,913	14,201,103	1.25	2.42	
2042	34,306,897	7,729,175	185,000	1.37%	9,282	194,282	905,000	1.07%	35,337	940,337	8,863,794	1.25	3.87	
2043	34,306,897	5,880,991	190,000	1.37%	6,713	196,713	925,000	1.07%	25,546	950,546	7,028,250	1.25	4.88	
2044	34,306,897	1,609,182	195,000	1.37%	4,076	199,076	950,000	1.07%	15,515	965,515	2,773,773	1.25	12.37	
2045	34,306,897	899,186	200,000	1.37%	1,370	201,370	975,000	1.07%	5,216	980,216	2,080,772	1.25	16.49	
		\$ 551,123,966	\$ 4,600,000			\$ 987,839	\$ 5,587,839	\$ 22,075,000			\$ 3,729,378	\$ 25,804,378	\$ 582,516,183	

\$4,600,000 1ST ISSUE		\$22,075,000 2ND ISSUE	
AVERAGE (MATURITY) LIFE	16.19 YEARS	AVERAGE (MATURITY) LIFE	16.24 YEARS
NET INTEREST RATE	1.370%	NET INTEREST RATE	1.070%
COST SAVINGS	\$ 1,149,000	COST SAVINGS	\$ 5,500,000
AVERAGE ANNUAL REQUIREMENT	\$ 192,684	AVERAGE ANNUAL REQUIREMENT	\$ 889,806

Laredo
Engineering and Environmental Review

Engineering:Key Issues

The City is only requesting construction funding. The City is funding all engineering (basic, special, and construction) services, bond counsel, and financial advisor costs.

Project Need / Description

Need:

The construction of several new subdivisions within the Casa Verde area has resulted in low water pressure within the City of Laredo's (City) water distribution system.

Project Description:

The City proposes to construct approximately 12,250 linear feet of 24-inch water transmission line to loop its water system and improve water pressure to new developed areas. The new waterline will be an extension of an existing 24-inch water transmission line from the El Pico Water Treatment Plant to run through Casa Verde Road, Jacaman Road, and Sinatra Drive and to tie-in at the East Corridor booster station.

Project Schedule

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	6/30/2015
Closing	11/15/2015
Design Phase Complete	12/31/2015
Start of Construction	3/30/2016

Environmental:Key Issues

None known at this time.

Environmental Summary

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §371.41 all financial assistance shall be conditioned to read that funding for construction costs for specific project elements will not be released until the environmental review has been completed and a favorable Finding of No Significant Impact (FONSI) has been issued by the Director of Regional Water Planning & Development. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

Laredo
62657 - 24" Waterline Casa Verde Rd.

Budget Items	TWDB Funds	Local & Other Funds	Total Cost
Construction			
Construction	\$4,290,643	\$0	\$4,290,643
Construction Total	\$4,290,643	\$0	\$4,290,643
Basic Engineering Services			
Construction			
Engineering	\$0	\$69,992	\$69,992
Design	\$0	\$349,960	\$349,960
Basic Engineering Services Total	\$0	\$419,952	\$419,952
Special Services			
Special Service Other (Describe) - TxDOT			
Coordination	\$0	\$19,500	\$19,500
Surveying	\$0	\$104,988	\$104,988
Testing	\$0	\$39,300	\$39,300
Special Services Total	\$0	\$163,788	\$163,788
Fiscal Services			
Bond Reserve Fund	\$205,107	\$0	\$205,107
Fiscal/Legal	\$750	\$0	\$750
Loan Origination Fee	\$101,222	\$0	\$101,222
Fiscal Services Total	\$307,079	\$0	\$307,079
Contingency			
Contingency	\$2,278		\$2,278
Contingency Total	\$2,278		\$2,278
Grand Total	\$4,600,000	\$583,740	\$5,183,740

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,600,000 TO CITY OF LAREDO
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$4,600,000 CITY OF LAREDO, TEXAS SUBORDINATE WATERWORKS
AND SEWER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2015-A

(15-)

WHEREAS, the City of Laredo (City) has filed an application for financial assistance in the amount of \$4,600,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62657; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$4,600,000 City of Laredo, Texas Subordinate Waterworks and Sewer System Revenue Bonds, Proposed Series 2015-A (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 a subordinate lien on the net revenues of the City's combined waterworks and sewer 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 LAREDO for financial assistance in the amount of \$4,600,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$4,600,000 City of Laredo, Texas Subordinate Waterworks and Sewer System Revenue Bonds, Proposed Series 2015-A. 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 require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
35. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
36. the Obligations must contain a provision providing that no installment or series of additional bonds shall be issued unless:
 - a. a certificate is executed by the Mayor and City Secretary of the Issuer to the effect that no default exists in connection with any of the covenants or requirements of the ordinance authorizing the issuance of all then outstanding Bonds and Additional Bonds;
 - b. a certificate is executed by the Mayor and City Secretary of the Issuer to the effect that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be on deposit therein;
 - c. a certificate is executed by an independent certified public account, to the effect that, in his or its opinion, the Net Revenues of the System for the last complete fiscal year of the Issuer, or for any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the ordinance authorizing the issuance of such Additional Bonds were at least 1.25 times the average annual principal and interest requirements for all then outstanding First Lien Bonds, Outstanding Subordinate Bonds, and all Outstanding Subordinate Waterworks and Sewer System Revenue Bonds and any Additional Bonds issued pursuant to this Ordinance;

- d. the ordinance authorizing the issuance of such installment or series of Additional Bonds provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased by an additional amount not less than the average annual principal and interest requirements for said Additional Bonds; and that such additional amount shall be so accumulated within 60 months from the date of the Additional Bonds, by the deposit in the Reserve Fund of the necessary sums in equal monthly installments; provided, however, that the aggregate amount to be accumulated in the Reserve Fund shall never be required to exceed the average annual principal and interest requirements for all then Outstanding Subordinate Waterworks and Sewer System Revenue Bonds and for the installment or series of Additional Bonds then proposed to be issued; and
- e. all calculations of average annual principal and interest requirements made pursuant to this provision are made as of and from the date of the bonds then proposed to be issued.

Special Conditions:

- 37. the loan is approved for funding under the TWDB’s pre-design funding option, and initial and future releases of funds are subject to 31 TAC Chapter 371; and
- 38. 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.

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 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 Laredo, Webb County

