

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: April 10, 2015

TEAM MANAGER: Nancy Richards

<b>APPLICANT</b>	City of Port Arthur
<b>TYPE OF ASSISTANCE</b>	\$2,080,000 Loan
<b>LEGAL PLEDGE</b>	Ad Valorem Taxes and Surplus Revenues of the System

**STAFF RECOMMENDATION**

Approve                       No Action

Consider approving by resolution a request from the **City of Port Arthur (Jefferson County)** to amend TWDB Resolution No. 14-49 authorizing a \$710,000 increase in financial assistance for a total loan of \$2,080,000 from the Drinking Water State Revolving Fund to finance planning and design costs relating to water main replacement and new distribution lines to address water loss, low pressure and water main replacements.

**PROJECT**

Water Line Replacement  
Project Number 62633

**FINANCIAL SUMMARY**

Risk Score:	2C
Pledge for Repayment:	Tax and Surplus Revenues
Proposed Repayment Method:	Tax and Surplus Revenues
Operating Trends:	Positive
Assessed Valuation Trend:	Increasing

<b>COMMITMENT PERIOD: TWO (2) MONTHS EXPIRES ON JUNE 30, 2015</b>
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## **FINANCIAL**

### Key Issues

The City of Port Arthur (City) is presently pursuing an additional \$710,000 increase commitment from the Drinking Water State Revolving Program to expand the planning and design area; the City's original commitment in June 2014, was for \$1,370,000.

The City currently has a request to increase their Clean Water loan commitment from \$5,960,000 to \$6,995,000. Both loans are scheduled to close June 1, 2015. The attached debt service schedule reflects the impact of the proposed funding increase requests.

### Pledge and Repayment

The City is pledging ad valorem taxes and surplus revenues of the system for repayment of loan. In analyzing loan requests from the City, a no-growth scenario and 90% collection rate for ad valorem tax was utilized. Although the City is pledging ad valorem taxes and surplus revenues, their intention is to repay the proposed debt with tax revenues only. The City has accumulated approximately \$3,000,000 in unrestricted funds from tax payments and interest earned that will be utilized in lieu of a tax rate increase to meet their debt services requirements.

Staff's analysis is based on documentation received, an estimated Drinking Water State Revolving Fund tax-exempt interest rate, and a 10-year maturity schedule.

### Cost Savings

Based on a 10-year maturity schedule and current interest rates, the City could save approximately \$101,107 over the life of the loan.

### Internal Risk Score

The City is assigned a risk score of 2C. A risk score of 2C means that the applicant's repayment capacity is sufficient to cover the existing and proposed debt. The applicant's earnings trends and coverage ratios are marginal and are more susceptible to slight deviations in economic conditions. Changes in economic, financial or business conditions or any other adverse circumstances may weaken the entity's capacity to meet its financial obligations.

The City's population has decreased at an average rate of 0.11% since 2000, compared to the State average annual population increase of 1.59% during the same period. The City's median household income of \$33,456 in 2013, is approximately 64% of the median (\$51,900) for the State overall. The City's current unemployment rate is 10.4% compared to the State's 4.6% average unemployment rate.

On average, the residential user pays 2.7 % of their annual income for water and sewer service. This is above the TWDB's benchmark of 2% for two services. Staff has assigned a 2C risk rating to the proposed project. The risk score is established on an analysis of the City's economic indicators and utility management policies.

**LEGAL**

Key Issues

None.

**CONDITIONS**

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

1. Adopt Water Conservation Plan.

- Attachments:
1. Project Data Summary
  2. Debt Service Schedule
  3. Engineering/Environmental Review
  4. Project Budget
  5. Resolution (14- )
  6. Water Conservation Review
  7. Location Map

**PROJECT DATA SUMMARY**

<b>Responsible Authority</b>	City of Port Arthur
<b>Program</b>	Drinking Water State Revolving Fund
<b>Commitment Code</b>	L10003319
<b>Project Number</b>	62633
<b>Intended Use Plan Year</b>	2014
<b>Fund Number</b>	951
<b>Type of Pledge</b>	3
<b>Revenue Pledge Level</b>	Third
<b>Legal Description</b>	\$2,080,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015B
<b>Tax-exempt or Taxable</b>	Tax-exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Population</b>	53,937
<b>Rural</b>	No
<b>Water Connections</b>	17,435
<b>Wastewater Connections</b>	17,435
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>Financial, Managerial, and Technical Review Complete?</b>	No
<b>Phase Committing</b>	Planning and Design
<b>Pre-Design</b>	No
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Approvable
<b>Water Rights Certification Required</b>	N/A
<b>Internal Risk Score</b>	2C
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	A+
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	James Bronikowski
Environmental Reviewer	Chris Caran
Attorney	Annette Mass

ISSUE BEING EVALUATED  
City of Port Arthur

1ST ISSUE				2ND ISSUE			
\$6,995,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015A				\$2,080,000 Combination Tax and Surplus Revenues Certificates of Obligation, Proposed Series 2015B			
Dated Date	06/01/15	Source:	SRF	Dated Date	06/01/15	Source:	DWSRF
Delivery Date	06/01/15	Rate:	1.45%	Delivery Date	06/01/15	Rate:	1.40%
First Interest	12/15/15	Insurance:	no	First Interest	12/15/15	Insurance:	no
First Principal	12/15/15	Case:	Tax and Surplus Revenues	First Principal	12/15/15	Case:	Tax and Surplus Revenues
Last Principal	12/15/25	Admin. Fee Payment Date:	6/1/2015	Last Principal	12/15/25	Admin. Fee Payment Date:	6/1/2015
Fiscal Year End	9/30	Administrative Fee:	\$127,057	Fiscal Year End	9/30	Administrative Fee:	\$45,770

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	-----\$6,995,000 1ST ISSUE-----			-----\$2,080,000 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	2,893,801,395	0.788	20,529,333	-	20,529,333	7,322,324	590,000	1.45%	101,094	691,094	175,000	1.40%	29,027	204,027	8,217,446	1.10	2.50	
2017	2,893,801,395	0.409	10,644,916	-	10,644,916	7,352,608	600,000	1.45%	88,523	688,523	180,000	1.40%	25,410	205,410	8,246,541	1.10	1.29	
2018	2,893,801,395	0.410	10,669,868	-	10,669,868	7,368,470	610,000	1.45%	79,750	689,750	180,000	1.40%	22,890	202,890	8,261,110	1.10	1.29	
2019	2,893,801,395	0.410	10,673,391	-	10,673,391	7,374,158	615,000	1.45%	70,869	685,869	185,000	1.40%	20,335	205,335	8,265,362	1.10	1.29	
2020	2,893,801,395	0.412	10,720,138	-	10,720,138	7,405,586	625,000	1.45%	61,879	686,879	185,000	1.40%	17,745	202,745	8,295,210	1.10	1.29	
2021	2,893,801,395	0.351	9,137,562	-	9,137,562	6,280,009	635,000	1.45%	52,744	687,744	190,000	1.40%	15,120	205,120	7,172,873	1.10	1.27	
2022	2,893,801,395	0.290	7,545,184	-	7,545,184	5,152,514	645,000	1.45%	43,464	688,464	190,000	1.40%	12,460	202,460	6,043,438	1.10	1.25	
2023	2,893,801,395	0.134	3,501,166	-	3,501,166	2,278,985	655,000	1.45%	34,039	689,039	195,000	1.40%	9,765	204,765	3,172,789	1.10	1.10	
2024	2,893,801,395	0.135	3,523,062	-	3,523,062	2,293,031	665,000	1.45%	24,469	689,469	195,000	1.40%	7,035	202,035	3,184,535	1.10	1.11	
2025	2,893,801,395	0.136	3,539,041	-	3,539,041	2,307,919	675,000	1.45%	14,754	689,754	200,000	1.40%	4,270	204,270	3,201,943	1.10	1.11	
2026	2,893,801,395	0.137	3,563,807	-	3,563,807	2,324,091	680,000	1.45%	4,930	684,930	205,000	1.40%	1,435	206,435	3,215,456	1.10	1.11	
							\$ 94,047,468	\$ 57,459,695	\$ 6,995,000		\$ 576,513	\$ 7,571,513	\$ 2,080,000		\$ 165,492	\$ 2,245,492	\$ 67,276,701	

\$6,995,000 1ST ISSUE			\$2,080,000 2ND ISSUE			TOTAL AVERAGE ANNUAL REQUIREMENTS \$6,116,064
AVERAGE (MATURITY) LIFE	5.68 YEARS		AVERAGE (MATURITY) LIFE	5.68 YEARS		
NET INTEREST RATE	1.450%		NET INTEREST RATE	1.400%		
COST SAVING	\$ 342,714.00		COST SAVING	\$ 101,107.00		
AVERAGE ANNUAL REQUIREMENT	\$688,319		AVERAGE ANNUAL REQUIREMENT	\$204,136		

**Port Arthur**  
**Engineering and Environmental Review**

**Engineering:**Key Issues

None known at this time.

Project Need / Description

Need: Many of the aging water distribution pipelines in the City of Port Arthur (City) are experiencing problems with water loss and low pressure.

Project Description: The City received a commitment for financial assistance in June 2014 to plan and design the replacement of approximately 75,000 linear feet of existing 6 to 20-inch waterlines and the installation of approximately 19,000 linear feet of new PVC waterlines. At this time, the City is requesting an amendment to their current unclosed commitment for an increase in financial assistance from \$1,370,000 to \$2,080,000. The project scope will expand slightly to increase the amount of line work.

Project Schedule

<b>Project Task</b>	<b>Schedule Date</b>
Closing	6/1/2015
Engineering Feasibility Report Completion (End of Planning Phase)	6/30/2016
Design Phase Complete	1/31/2017

**Environmental:**Key Issues

None known at this time.

Environmental Summary

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Code §371.41 all financial assistance shall be conditioned to read that funding for design costs for the proposed project will not be released until the environmental review has been completed and a favorable environmental determination has been issued by the Executive Administrator. A subsequent affirmation of commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

**Port Arthur  
62633 - Water Line Project**

<b>Budget Items</b>	<b>Original Commitment</b>	<b>Commitment Increase</b>	<b>TWDB Funds</b>	<b>Total Cost</b>
<b>Basic Engineering Services</b>				
Design	\$593,365	\$374,135	\$967,500	\$967,500
Planning	\$90,000	\$10,000	\$100,000	\$100,000
<b>Basic Engineering Services Total</b>	<b>\$683,365</b>	<b>\$384,135</b>	<b>\$1,067,500</b>	<b>\$1,067,500</b>
<b>Special Services</b>				
Environmental	\$50,000	-\$25,000	\$25,000	\$25,000
Geotechnical	\$80,000	-\$5,000	\$75,000	\$75,000
Project Management (by engineer)	\$125,000	-\$125,000	\$0	\$0
Surveying	\$225,000	\$150,000	\$375,000	\$375,000
<b>Special Services Total</b>	<b>\$480,000</b>	<b>-\$5,000</b>	<b>\$475,000</b>	<b>\$475,000</b>
<b>Contingency</b>				
Contingency	\$133,293	\$79,037	\$212,330	\$212,330
<b>Contingency Total</b>	<b>\$133,293</b>	<b>\$79,037</b>	<b>\$212,330</b>	<b>\$212,330</b>
<b>Other</b>				
Administration	\$0	\$208,000	\$208,000	\$208,000
<b>Other Total</b>	<b>\$0</b>	<b>\$208,000</b>	<b>\$208,000</b>	<b>\$208,000</b>
<b>Fiscal Services</b>				
Bond Counsel	\$17,500	\$11,000	\$28,500	\$28,500
Financial Advisor	\$17,000	\$900	\$17,900	\$17,900
Fiscal/Legal	\$0	\$5,000	\$5,000	\$5,000
Issuance Costs	\$8,695	\$11,305	\$20,000	\$20,000
Loan Origination Fee	\$30,147	\$15,623	\$45,770	\$45,770
<b>Fiscal Services Total</b>	<b>\$73,342</b>	<b>\$43,828</b>	<b>\$117,170</b>	<b>\$117,170</b>
<b>Grand Total</b>	<b>\$1,370,000</b>	<b>\$710,000</b>	<b>\$2,080,000</b>	<b>\$2,080,000</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TWDB RESOLUTION NO. 14-49  
TO INCREASE THE AMOUNT OF FINANCIAL ASSISTANCE FOR THE \$1,370,000 CITY  
OF PORT ARTHUR COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF  
OBLIGATION, PROPOSED SERIES 2014B TO BE ISSUED BY THE CITY OF PORT  
ARTHUR

(15- )

WHEREAS, at its June 18, 2014 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 14-49, made a commitment to provide financial assistance to the City of Port Arthur, (City) for the purpose of financing improvements to Port Arthur's water system in the amount of \$1,370,000, consisting of the TWDB's purchase of \$1,370,000 City of Port Arthur Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2014B, from the Drinking Water State Revolving Fund program, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made; and

WHEREAS, by letter dated October 31, 2014, Port Arthur has requested that the TWDB amend the previous resolution, TWDB Resolution No. 14-49, to increase the amount of financial assistance provided by the Board by \$710,000 to a total of \$2,080,000; and

WHEREAS, Port Arthur requested an extension of the Board's commitment until June 30, 2015, and on December 11, 2014, the Board granted the extension through Resolution No. 14-121; and

WHEREAS, the TWDB hereby finds that the amendment to the amount of this loan is reasonable and that the request is in the public interest and will serve a public purpose; and

WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law;

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

1. the commitment of the TWDB to purchase \$1,370,000 City of Port Arthur Combination Tax and Surplus Revenue Certificates of Obligation is amended to provide additional financial assistance in the amount of \$710,000 through the Board's purchase of \$2,080,000 City of Port Arthur Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015B; and
2. all other terms and conditions of TWDB Resolution No. 14-49 shall remain in full force and effect

APPROVED and ordered of record this the 10<sup>th</sup> day of April, 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
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**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 Port Arthur, Jefferson County

