

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2015

TEAM MANAGER: Lee Huntoon

APPLICANT	City of Tahoka
TYPE OF ASSISTANCE	\$4,443,000 Grant \$1,871,000 Loan
LEGAL PLEDGE	Combination Tax and Waterworks System Revenues

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve, by resolution, a request from the **City of Tahoka (Lynn County)** for a \$4,443,000 grant and \$1,871,000 loan from the Economically Distressed Areas Program, to finance the construction of water distribution system improvements.

PROJECT

Distribution System Rehabilitation
Project Number 10420

BACKGROUND

The City of Tahoka (City) received a grant commitment in the amount of \$239,000 for the purpose of planning and design of their water system improvements on August 18, 2011. The planning and design phase was completed on March 12, 2015. The City is requesting \$6.3 million from the Economically Distressed Areas Program (EDAP) to fund the construction phase of the project. The project will include the replacement of water mains and the addition of valves and looping in several areas of the water system within the city.

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

FINANCIAL

Key Issues

The City will have to increase water and sewer system rates in order make debt service for the existing and proposed debt.

Pledge and Repayment

The City has offered a pledge of ad valorem tax and net revenues of the waterworks and sewer system for the repayment of the proposed debt. The City has indicated a preference toward increasing water and sewer utilities rates. Property tax rates have remained at \$0.747 with no interest and sinking fund allocation since 2009. A moderate increase to water system or sewer system rates will be required for the first ten years of debt service at varying rates. With average combined water and sewer rates of \$67.98, an increase of \$6.50 to the average bills of all water system connections would be needed through 2018 in order to accommodate the largest annual shortage of \$158,644 in 2018. These utility rates could then be reduced gradually through 2025, the final year of existing debt service.

Financial, Managerial and Technical Assessment

Pursuant to 31 TAC §363.510, the Texas Water Development Board (TWDB) may make a determination on whether an entity has the necessary financial, managerial, and technical (FMT) capabilities to operate the proposed project. The City completed the FMT Assessment as of May 24, 2011 prior to receiving the planning and design funds. No findings were made other than the known contaminants in the water quality and that historic excessive expenditures were mainly attributed to water line breakage and a system in general need of repair or replacement.

Nuisance Determination

The Texas Department of State and Health Services (DSHS) issued a letter on April 4, 2011 with a determination that a nuisance does exist as defined in Chapter 341 of the Texas Health and Safety code.

Grant to Loan Calculation

Pursuant to TWDB's rules, the capital component methodology is used to calculate the EDAP loan amount when the applicant has an existing system and related debt. The City has outstanding water system debt in the amount of \$1,243,553 which is divided by the years of existing debt service (10) for a current water system average annual debt service amount of \$123,355. The annual debt service amount is then divided by the number of current connections (1204) resulting in a monthly current water system capital component of \$8.61. This is multiplied times the number of EDAP-eligible connections (1,204) and then multiplied times 12 months to produce an area annual debt service of \$124,355. Assuming a 20-year maturity schedule and a 3.02% current TWDB estimated lending rate; this results in a \$1,871,000 EDAP loan and a \$4,443,000 grant. This is reflected as 70% grant / 30% loan.

Cost Savings

Based on a 20-year maturity schedule, current interest rates, and a loan amount of \$1,871,000 the City would save \$185,329 over the life of the loan portion as well as \$6,190,545 for the grant portion as compared to market rates.

Internal Risk Score

Staff assigns a risk score of 2C. A risk score of 2C means that the applicant's 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 has a stable population of 2,638. The 2009-2013 five year average median household income (MHI) for Tahoka is currently \$44,886 which is 86.48% of the State's 2009-2013 5-year average of \$51,900. EDAP status was granted in August of 2011 for water system improvements. At that time, the City of Tahoka's MHI was \$35,344 which was below the 75% MHI threshold for EDAP funding eligibility. The service area's unemployment rate is currently low at 3.8% compared to 4.1% in the state overall. The City currently has average monthly water and wastewater costs of \$39.73 and \$28.25 respectively per connection. Increases to these rates would be required in order to meet debt service requirements.

The City has \$2,446,200 in total outstanding debt. General Obligation debt totals only \$1.2 million. On a per capita basis the City has \$927 of total debt. With the proposed loan, total debt per capita would increase to \$1,637. This is reasonable for a small city.

The City's most current 3-year average revenue available for debt service is \$257,630. In 2014 the City reported only \$184,437 in available net revenue to meet new debt service which is insufficient to meet even the existing debt service from 2016-2018. As of Sept. 30, 2014 the Water and Sewer Fund has \$55,993 in unrestricted net assets and \$97,719 was restricted for bad debt.

Governmental activities have reported a deficit in the last two years. The City's unrestricted net assets as a whole represent just over one week of operating expenses. For the water and wastewater fund in isolation unrestricted net assets represent less than a month of operating expenses. Based on modest revenues and limited unrestricted net assets, staff supports a 2C risk rating.

LEGAL

Key Issues

None.

Model Subdivision Rules

Based on the information provided, the TWDB'S legal staff has determined that Lynn County and the City of Tahoka have adopted and are adequately enforcing the provisions of 31 TAC Chapter 364, the Model Subdivision Rules.

CONDITIONS

Standard EDAP loan and grant and revenue conditions and further conditioned as follows:

- Executed grant agreement;
- Return surplus grant funds; and
- U.S Iron and steel and manufactured goods provision.

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
8. Grant to Loan Calculation

Project Data Summary

Authority	City of Tahoka
Program	Economically Distressed Areas Program
Commitment Code	G1000449
Project Number	10420
Intended Use Plan Year	2016
Fund Number	375
Type of Pledge	3
Revenue Pledge Level	First
Legal Description	\$1,871,000 Combination Tax and Revenue Certificates of Obligation, Series 2015
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Population	2,638
Rural	Yes
Water Connections	1,063
Wastewater Connections	975
Qualifies as Disadvantaged	Yes
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Project Type	N/A
Financial Managerial & Technical Complete	Yes
Funding Phase Code	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	N/A
External Ratings (for SRF rates)	
Standard and Poor's	None
Moody's	None
Fitch	None
Special Issues	None

Project Team

Team Manager	Lee Huntoon
Financial Analyst	James Horan
Engineering Reviewer	Juan Moran
Environmental Reviewer	Chris Caran
Attorney	Alexis Lorick

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Tahoka

Combination Tax and Revenue Certificates of Obligation, Proposed Series 2015

Dated Date: 11/15/2015
Delivery Date: 11/15/2015
First Interest: 4/15/2016
First Principal: 10/15/2016
Last Principal: 10/15/2035
Fiscal Year End: 09/30
Required Coverage: 1.0

Source: EDAP
Rate: 3.02%
Insurance: N/A
Case: N/A
Admin.Fee: N/A
Admin. Fee Payment Date: N/A

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$1,871,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2016	243,112	214,860	-		28,252	28,252	243,112	1.00
2017	343,000	217,553	70,000	3.02%	55,447	125,447	343,000	1.00
2018	343,081	219,748	70,000	3.02%	53,333	123,333	343,081	1.00
2019	210,372	84,228	75,000	3.02%	51,144	126,144	210,372	1.00
2020	209,965	86,086	75,000	3.02%	48,879	123,879	209,965	1.00
2021	209,309	82,771	80,000	3.02%	46,538	126,538	209,309	1.00
2022	208,400	84,278	80,000	3.02%	44,122	124,122	208,400	1.00
2023	212,120	85,489	85,000	3.02%	41,631	126,631	212,120	1.00
2024	210,464	86,400	85,000	3.02%	39,064	124,064	210,464	1.00
2025	208,561	82,140	90,000	3.02%	36,421	126,421	208,561	1.00
2026	184,437	-	90,000	3.02%	33,703	123,703	123,703	1.49
2027	184,437	-	95,000	3.02%	30,910	125,910	125,910	1.46
2028	184,437	-	95,000	3.02%	28,041	123,041	123,041	1.50
2029	184,437	-	100,000	3.02%	25,096	125,096	125,096	1.47
2030	184,437	-	100,000	3.02%	22,076	122,076	122,076	1.51
2031	184,437	-	105,000	3.02%	18,981	123,981	123,981	1.49
2032	184,437	-	110,000	3.02%	15,734	125,734	125,734	1.47
2033	184,437	-	110,000	3.02%	12,412	122,412	122,412	1.51
2034	184,437	-	115,000	3.02%	9,015	124,015	124,015	1.49
2035	184,437	-	120,000	3.02%	5,466	125,466	125,466	1.47
2036	184,437	-	121,000	3.02%	1,827	122,827	122,827	1.50
		\$ 1,243,553	\$ 1,871,000		\$ 648,092	\$ 2,519,092	\$ 3,762,645	

AVERAGE (MATURITY) LIFE	11.47 YEARS
NET INTEREST RATE	3.020%
COST SAVINGS	\$6,375,874
AVERAGE ANNUAL REQUIREMENT	\$179,174

Tahoka
10420 Distribution System Rehabilitation
Engineering and Environmental Review

Engineering:

Key Issues:

The City experiences high water loss due to the age of the distribution lines; this project should reduce real losses.

According to their 2013 and 2014 water loss audits, the City exceeds their apparent loss threshold; therefore, a portion of funds must be used to address apparent loss as well. The City has indicated they will address this with water meter replacement as well as the water line replacement.

Project Need/Description

Need: The City of Tahoka's (City) water distribution system is in need of rehabilitation; the dilapidated system is causing low water pressures and leaving the City at risk for potential contamination.

Project Description: The proposed project will include installation of approximately 60,000 linear feet of water lines, 70 gate valves, 24 fire hydrants, five (5) booster pump drives and water meter replacement.

Project Schedule:

Project Task	Schedule Date
Closing	11/15/2015
Start of Construction	12/14/2015
Construction Completion	12/19/2016

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

Pursuant to 31 Texas Administrative Code Subchapter 363.14, the Texas Water Development Board issued an Environmental Determination for the proposed project on March 10, 2014. As a result, the pre-construction environmental review of this project has been completed, with the requirement that the project adhere to the standard emergency discovery conditions for cultural resources and threatened or endangered species.

Tahoka
10420 - Distribution System Rehabilitation

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Total Cost
Construction				
Construction	\$0	\$5,633,613	\$5,633,613	\$5,633,613
Construction Total	\$0	\$5,633,613	\$5,633,613	\$5,633,613
Basic Engineering Services				
Construction Engineering	\$0	\$117,000	\$117,000	\$117,000
Design	\$133,000	\$0	\$133,000	\$133,000
Planning - Category A	\$3,000	\$0	\$3,000	\$3,000
Planning - Category B	\$3,500	\$0	\$3,500	\$3,500
Planning - Category C	\$4,000	\$0	\$4,000	\$4,000
Planning - Category D	\$3,000	\$0	\$3,000	\$3,000
Basic Engineering Services Total	\$146,500	\$117,000	\$263,500	\$263,500
Special Services				
Application	\$7,500	\$0	\$7,500	\$7,500
Environmental	\$25,000	\$0	\$25,000	\$25,000
Permits	\$5,000	\$0	\$5,000	\$5,000
Surveying	\$40,000	\$0	\$40,000	\$40,000
Water Distribution Modeling	\$15,000	\$0	\$15,000	\$15,000
Special Services Total	\$92,500	\$0	\$92,500	\$92,500
Contingency				
Contingency	\$0	\$472,387	\$472,387	\$472,387
Contingency Total	\$0	\$472,387	\$472,387	\$472,387
Fiscal Services				
Bond Counsel	\$0	\$30,000	\$30,000	\$30,000
Financial Advisor	\$0	\$47,500	\$47,500	\$47,500
Issuance Costs	\$0	\$13,500	\$13,500	\$13,500
Fiscal Services Total	\$0	\$91,000	\$91,000	\$91,000
Grand Total	\$239,000	\$6,314,000	\$6,553,000	\$6,553,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$6,314,000 TO
CITY OF TAHOKA
FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE PROPOSED PURCHASE OF \$1,871,000
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2015 AND THE EXECUTION OF A GRANT AGREEMENT IN THE
AMOUNT OF \$4,443,000

(15-)

WHEREAS, City of Tahoka (City), has filed an application seeking financial assistance in the amount of \$6,314,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, to finance certain water system improvements, identified as Project No. 10420; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (the TWDB) through the TWDB's proposed purchase of \$ 1,871,000 in Combination Tax and Revenue Certificates of Obligation, Proposed Series 2015 (together with all authorizing documents (Obligations)) and a grant of \$4,443,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, all as is more specifically set forth in the application and in recommendations of TWDB's staff; and

WHEREAS, the City has offered a tax and revenue pledge from its water and sewer utilities as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB has carefully considered all matters required by law and in particular the following:

1. the feasibility of creating a conservation and reclamation district to provide and finance the water supply or sewer services, in accordance with Texas Water Code § 16.346;
2. the need of the economically distressed area to be served by the water supply and sewer services in relation to the need of other political subdivisions requiring economically distressed areas financing, and the relative costs and benefits of all applications, in accordance with Texas Water Code § 17.929(a)(1);
3. the availability to the political subdivision of revenue from alternative sources for the payment of the cost of the proposed project, in accordance with Texas Water Code § 17.929 (a)(2);
4. financing of the proposed water supply or sewer project, in accordance with Texas Water Code § 17.929(a)(3);

5. the feasibility of achieving cost savings by providing a regional facility for water supply and wastewater service and the feasibility of financing the facilities by using funds from the economically distressed areas account or any other financial assistance, in accordance with Texas Water Code § 17.929(a)(5);
6. the rates, fees and charges that the average customer to be served by the project will be able to pay, sources of funding available to the City, and any local funds of the City, in accordance with Texas Water Code § 17.933(d)(1);
7. sources of funding available to the City from federal and private funds and from other state funds, in accordance with Texas Water Code § 17.933(d)(2);
8. any local funds of the City to be served by the project if the economically distressed area to be served is within the boundary of the City, in accordance with Texas Water Code § 17.933(d)(3); and
9. the just, fair, and reasonable charges for water and wastewater service as provided in the Texas Water Code, in accordance with Texas Water Code § 17.933(d)(4).

WHEREAS, the TWDB hereby finds:

1. 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;
2. that in accordance with TWDB Resolution No. 11-67 ordered on August 18th, 2011, the area to be served by the proposed project has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available, in accordance with Texas Water Code § 17.929(b);
3. that the County and City have adopted model subdivision rules as promulgated by the TWDB pursuant to Texas Water Code § 16.343 and the manner of enforcement, in accordance with Texas Water Code § 17.929(a) (4);
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 that 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, in accordance with 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 considerations and findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the City of Tahoka for financial assistance in the amount of \$6,314,000 from the Economically Distressed Areas Account of the Texas Water Development Funds through the TWDB's proposed purchase of \$1,871,000 Combination Tax and Revenue Certificates of Obligation, Proposed Series 2015 and a grant in the amount of \$4,443,000. This commitment will expire on July 31st, 2016.

This 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 City's compliance with all applicable requirements contained in 31 TAC Chapter 363;
3. 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 or that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. loan proceeds and grant funds 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;
5. loan proceeds and grant funds 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;
6. 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, under the contract, and acceptable to the Executive Administrator;
7. 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 agreement or trust agreement, approved as to form

and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

8. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
9. 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;
10. 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;
11. 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;
12. 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;
13. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds 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;
14. 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;

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;

EDAP Conditions

25. the Obligations must include a provision that requires compliance with Texas Water Code § 16.356 that no revenues received from rates or fees collected from the water/wastewater system to be constructed through this commitment shall be used for any purposes other than utility purposes and that the annual financial statement prepared by the City under Texas Local Government Code § 103.001 shall include a specific report on compliance with this condition;
26. prior to the release of funds provided for construction, the City must provide the TWDB with evidence satisfactory to the Executive Administrator that the City has received and will maintain a designation as an authorized agent of the Texas Commission on Environmental Quality, in compliance with Texas Health and Safety Code § 366.035;

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

Special Conditions:

27. prior to closing, the City and the Executive Administrator shall execute an Agreement that sets forth the terms and uses of the loan and grant funds;
28. the Grant Agreement must include a provision stating that the City shall return any grant funds that are determined to be Surplus Funds in a manner determined by the Executive Administrator; and
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 and manufactured goods produced in the United States, as required by Texas Water Code § 17.183.

APPROVED and ordered of record this 23rd day of July, 2015.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, 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:

Total water loss (GPCD): _____ Total water loss (percent): _____ Wholesale Water
 Total no. of connections: _____ Length of mains (miles): _____ Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements? Yes No NA

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent 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.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

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.

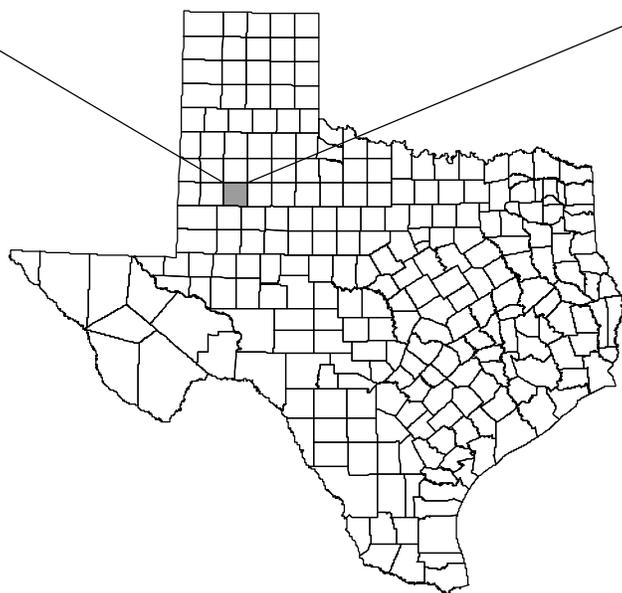
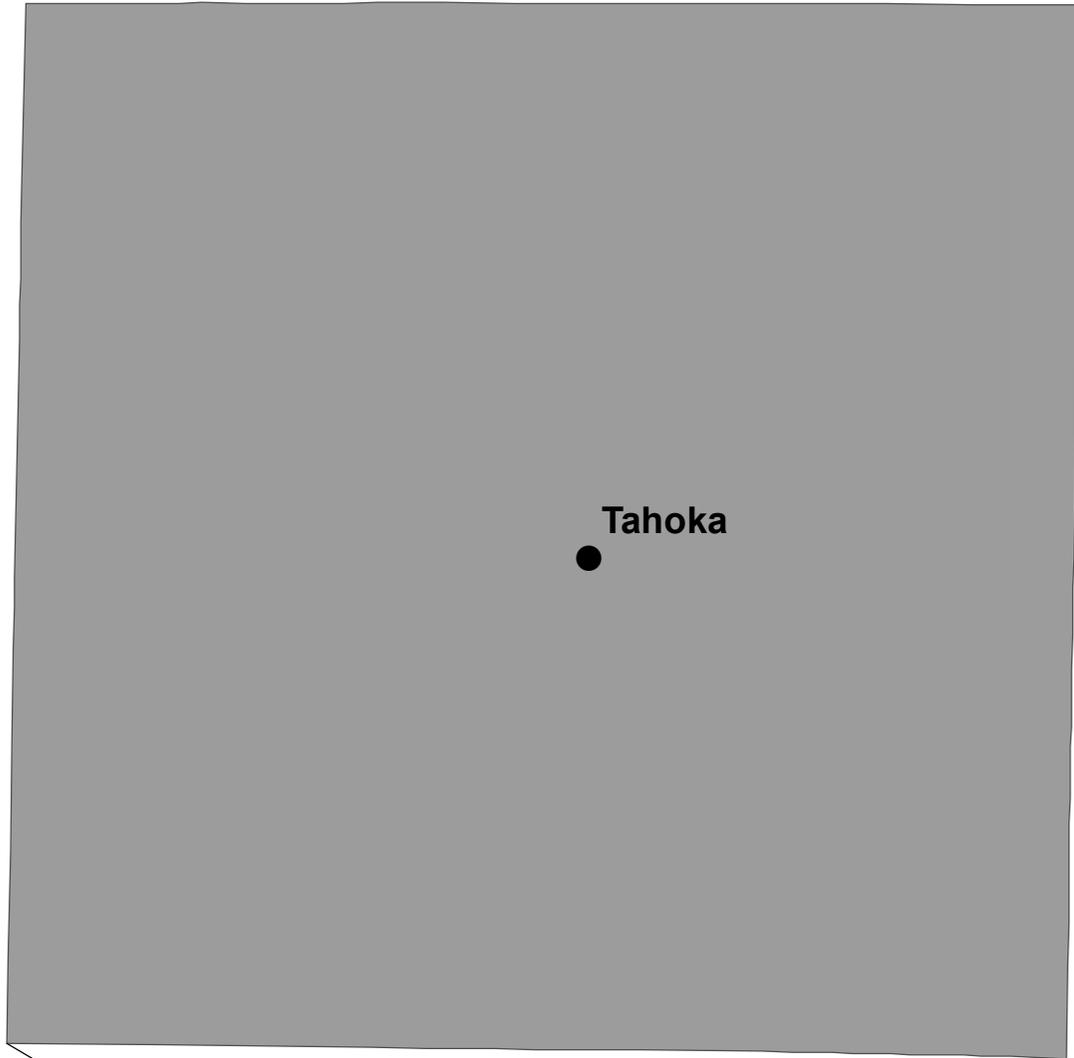
Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

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

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

City of Tahoka, Lynn County



To be Tahoka
CAPITAL COMPONENT WITH ADDITIONAL DEBT
TO BE USED FOR ILLUSTRATIVE PURPOSES ONLY

CAPITAL COMPONENT METHODOLOGY

Current Water System Average Annual Debt Service	\$124,355	
Divided by the Current Number of Connections (LUEs)	1,204	
Divided by 12 Months Produces		
MONTHLY CURRENT WATER SYSTEM CAPITAL COMPONENT	\$8.61	
LESS OTHER DEBT TO BE INCURRED AS A RESULT OF THIS PROJECT		
Additional Loan	\$0.00	
Assuming a 20-Year Maturity Schedule and a 2.88% TWDB applicable Lending Rate		
Produces an Estimated Annual Debt Service	\$0.00	
Divided by the Total Number of Connections (LUEs) in the Project at the end of Construction	1,204	
Divided by 12 Months Produces		
CAPITAL COMPONENT OF ADDITIONAL LOAN	\$0.00	
Capital Component of Current Water System	\$8.61	
Minus Capital Component of Additional Loan	<u>\$0.00</u>	
PRODUCES AN OVERALL CAPITAL COMPONENT	\$8.60707	
Times Number of EDAP-eligible Connections (LUEs) at the end of Construction	1,204	
Times 12 Months Produces		
Produces an Estimated Annual Debt Service for the Economically Distressed Area	\$124,355.00	
Assuming a 20-Year Maturity Schedule and a 2.88% current TWDB applicable estimated Lending Rate		\$1,870,782.31
PRODUCES AN EDAP WATER LOAN		
(ROUNDED TO THE NEAREST THOUSAND)	\$1,871,000.00	30%
EDAP grant	\$ 4,442,974.00	70%
Total EDAP project cost	\$ 6,313,974.00	original request 100%
Grant to Loan Ratio	70/30	
	Loan	\$1,871,000 \$0.30
After rounding to the nearest thousand for EDAP Grant	<u>\$4,443,000</u>	\$0.70
	\$6,314,000	100% new total