

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: January 19, 2016

TEAM MANAGER: Nancy Richards

APPLICANT	Sequoia Improvement District
TYPE OF ASSISTANCE	\$1,380,000 Loan and \$677,442 in Loan Forgiveness
LEGAL PLEDGE	Unlimited Tax

STAFF RECOMMENDATION

Approve No Action

Approve, by resolution, a request from the **Sequoia Improvement District (Harris County)** for \$2,057,442 consisting of a \$1,380,000 loan and \$677,442 in loan forgiveness from the Clean Water State Revolving Fund to finance planning, design and construction costs of sanitary sewer improvements in the District.

PROJECT

Sewer System Improvements
Project Number 73717

BACKGROUND

Sequoia Improvement District (District) is in need of substantial rehabilitation to its sewer infrastructure. This project involves rehabilitation work on approximately 18,500 LF of existing sewer lines with associated manholes and sewer service connections that were constructed in mid-1960s through mid-1970s. The District is requesting funding for planning, design, and construction phases of the sewer system rehabilitation project to improve reliability and quality of service.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON JANUARY 31, 2017

FINANCIALKey Issues

None.

Pledge and Repayment

The District is pledging unlimited tax to repay the proposed debt. The District currently levies \$0.35 for operations and maintenance. With the loan forgiveness subsidy, only \$0.19 of the original \$0.28 pledged by the District is required for repayment of proposed debt. Utilizing a no-growth scenario, the District's current tax pledge is sufficient to fund the proposed debt service.

Principal Forgiveness

The District received \$677,442 in principal forgiveness subsidy from the fiscal year (FY) 2015 Clean Water State Revolving Fund Disadvantaged Funds Program.

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the District could save approximately \$243,505 over the life of the loan. The District is also saving \$677,442 in loan forgiveness for a total of \$920,947.

Internal Risk Score

Staff assigns a risk score of 2B. A risk score of 2B means that the District's repayment capacity is adequate. The applicant's earning trends and coverage ratios, while sound, may be more susceptible to moderate changes in circumstances and economic conditions than higher rated obligations.

The District's repayment capacity is sufficient to cover the existing and proposed debt. Assessed Valuation (AV) and tax rate in the District's service area remain level from FY2011-13 with 15% increase in AV and \$0.10 tax rate in 2014. The District's debt service reserve fund has a balance in excess of 1.5 years of average annual debt service payments. The household cost factor is 2.1% of the average annual income of a residential user. This is above the Texas Water Development Board's (TWDB) benchmark of 2% for two services. The unemployment rate for the Houston Metropolitan Statistical Area is 4.9%, compared to the state average of 4.8%.

Although the District is substantially increasing its debt burden with the proposed loan, the current tax pledge is sufficient to meet the proposed debt service requirements. Staff's risk score of 2B is based on the District's no current debt and no requirement for an additional tax increase.

LEGAL

Key Issues

None.

CONDITIONS

Standard tax-exempt, tax, and Clean Water State Revolving Fund conditions and additional conditions as follows.

- Executed Loan Forgiveness Agreement;
- Fiscal sustainability plan;
- Pre-design;
- Surplus funds;
- Standard emergency condition;
- Conveyance; and
- Conversion

- Attachments:
1. Project Data Summary
 2. Debt Service Schedule
 3. Engineering/Environmental Review
 4. Project Budget
 5. Resolution (16-)
 6. Water Conservation Review
 7. Location Map

PROJECT DATA SUMMARY

Responsible Authority	Sequoia Improvement District
Program	Clean Water State Revolving Fund
Commitment Code	L1000466 LF1000497
Project Number	73717
Intended Use Plan Year	2015
Fund Number	651
Type of Pledge	1
Revenue Pledge Level	N/A
Legal Description	\$1,380,000 Unlimited Tax Bonds Proposed Series 2016 and \$677,422 in Loan Forgiveness
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Population	419
Rural	Yes
Water Connections	340
Wastewater Connections	341
Qualifies as Disadvantaged	Yes
Disadvantaged Level	6
Clean Water State Revolving Fund Type	Equivalency
Financial, Managerial, and Technical Review Complete?	No
Phase Committing	Planning, Design, and 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	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Sequoia Improvement District
\$1,380,000 Unlimited Tax Bonds Proposed Series 2016

Dated Date: 4/1/2016
 Delivery Date: 4/1/2016
 First Interest: 10/1/2016
 First Principal: 4/1/2017
 Last Principal: 4/1/2036
 Fiscal Year End: 09/30
 Required Coverage: 1.0

Source: CWSRF-EQUIVALENCY
 Rate: 2.00%
 Insurance: No
 Case: -
 Admin.Fee: \$ 25,066
 Admin. Fee Payment Date: 4/1/2016
 Total Assessed Valuation: \$ 49,250,088

FISCAL YEAR	REQUIRED TAX RATE	TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$1,380,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE
								INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE		
2017	0.186	82,432	-	82,432	-	60,000	0.00%	22,432	82,432	82,432	1.00	
2018	0.186	82,432	-	82,432	-	60,000	0.12%	22,432	82,432	82,432	1.00	
2019	0.186	82,360	-	82,360	-	60,000	0.38%	22,360	82,360	82,360	1.00	
2020	0.185	82,132	-	82,132	-	60,000	0.63%	22,132	82,132	82,132	1.00	
2021	0.196	86,754	-	86,754	-	65,000	0.90%	21,754	86,754	86,754	1.00	
2022	0.194	86,169	-	86,169	-	65,000	1.11%	21,169	86,169	86,169	1.00	
2023	0.193	85,447	-	85,447	-	65,000	1.31%	20,447	85,447	85,447	1.00	
2024	0.191	84,596	-	84,596	-	65,000	1.48%	19,596	84,596	84,596	1.00	
2025	0.189	83,634	-	83,634	-	65,000	1.61%	18,634	83,634	83,634	1.00	
2026	0.186	82,587	-	82,587	-	65,000	1.74%	17,587	82,587	82,587	1.00	
2027	0.195	86,456	-	86,456	-	70,000	1.85%	16,456	86,456	86,456	1.00	
2028	0.192	85,161	-	85,161	-	70,000	1.94%	15,161	85,161	85,161	1.00	
2029	0.189	83,803	-	83,803	-	70,000	2.03%	13,803	83,803	83,803	1.00	
2030	0.186	82,382	-	82,382	-	70,000	2.12%	12,382	82,382	82,382	1.00	
2031	0.194	85,898	-	85,898	-	75,000	2.19%	10,898	85,898	85,898	1.00	
2032	0.190	84,256	-	84,256	-	75,000	2.24%	9,256	84,256	84,256	1.00	
2033	0.186	82,576	-	82,576	-	75,000	2.29%	7,576	82,576	82,576	1.00	
2034	0.194	85,858	-	85,858	-	80,000	2.34%	5,858	85,858	85,858	1.00	
2035	0.189	83,986	-	83,986	-	80,000	2.39%	3,986	83,986	83,986	1.00	
2036	0.196	87,074	-	87,074	-	85,000	2.44%	2,074	87,074	87,074	1.00	
				\$ 1,685,988	\$ -	\$ 1,380,000		\$ 305,988	\$ 1,685,988	\$ 1,685,988		

AVERAGE (MATURITY) LIFE	11.08 YEARS
NET INTEREST RATE	2.002%
COST SAVINGS	\$ 243,505
AVERAGE ANNUAL REQUIREMENT	\$84,299

**Sequoia ID
73717 Sanitary Sewer Rehabilitation
Engineering and Environmental Review**

Engineering:

Key Issues:

None known at this time.

The applicant has considered innovative and alternative methods of treatment in their application and will evaluate alternatives in greater detail through the Planning phase of the project.

Project Need/Description

Project Need: The Sequoia Improvement District's (District) wastewater collection system was primarily constructed in the late 1960's, and has not been subjected to any significant rehabilitation work. These lines and manholes have exceeded their useful design life and are in need of replacement.

Project Description: The District is seeking financial assistance for the planning, design, and construction of wastewater collection system improvements for components that are past their useful life. These proposed improvements will replace corroded manholes and approximately 18,500 linear feet of deteriorated lines which contribute to potential sanitary sewer issues and increased inflow & infiltration.

Project Schedule:

Project Task	Schedule Date
Closing	4/1/2016
Engineering Feasibility Report Completion (End of Planning Phase)	4/1/2016
Design Phase Complete	4/30/2016
Start of Construction	7/1/2016
Construction Completion	11/30/2016

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for this project was issued on September 29, 2015. As required by 31 Texas Administrative Code (TAC) §375, Subchapter E, environmental review of the proposed project has been completed. The proposed project is in compliance with the National Environmental Policy Act.

**Sequoia ID
73717 - Sanitary Sewer Rehabilitation**

Budget Items	TWDB Funds	Local & Other Funds	Total Cost
Construction			
Construction	\$1,480,000	\$0	\$1,480,000
Construction Total	\$1,480,000	\$0	\$1,480,000
Basic Engineering Services			
Construction Engineering	\$37,500	\$0	\$37,500
Design	\$87,500	\$0	\$87,500
Basic Engineering Services Total	\$125,000	\$0	\$125,000
Special Services			
I/I Studies/Sewer Evaluation	\$64,000	\$0	\$64,000
Inspection	\$27,000	\$0	\$27,000
Special Services Total	\$91,000	\$0	\$91,000
Contingency			
Contingency	\$222,501	\$0	\$222,501
Contingency Total	\$222,501	\$0	\$222,501
Fiscal Services			
Bond Counsel	\$41,425	\$0	\$41,425
Capitalized Interest	\$45,500	\$0	\$45,500
Financial Advisor	\$20,950	\$0	\$20,950
Issuance Costs	\$6,000	\$0	\$6,000
Loan Origination Fee	\$25,066	\$0	\$25,066
Fiscal Services Total	\$138,941	\$0	\$138,941
Grand Total	\$2,057,442	\$0	\$2,057,442

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$2,057,442 TO SEQUOIA IMPROVEMENT DISTRICT
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$1,380,000 SEQUOIA IMPROVEMENT DISTRICT UNLIMITED TAX BONDS,
PROPOSED SERIES 2016
AND
\$677,442 IN LOAN FORGIVENESS

(16-)

WHEREAS, the Sequoia Improvement District (District) has filed an application for financial assistance in the amount of \$2,057,442 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design and construction of certain wastewater system improvements identified as Project No. 73717; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,380,000 Sequoia Improvement District Unlimited Tax Bonds, Proposed Series 2016 (together with all authorizing documents, "Obligations"), and the execution of a Loan Forgiveness Agreement in an amount of \$677,442, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the District has offered a pledge of unlimited ad-valorem taxes 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 District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the District 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 District has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;
5. that the District meets the definition of "Disadvantaged Community" in 31 TAC § 375.1(21) and is therefore eligible for subsidy through the CWSRF; and

6. that the Executive Administrator issued a Categorical Exclusion on September 29, 2015, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

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

A commitment is made by the TWDB to the Sequoia Improvement District for financial assistance in the amount of \$2,057,442 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$1,380,000 Sequoia Improvement District Unlimited Tax Bonds, Proposed Series 2016 and the execution of a Loan Forgiveness Agreement in the amount of \$677,442. This commitment will expire on January 31, 2017.

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 District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the District, 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 District'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 District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;

6. the Obligations must contain a provision requiring the District 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 District 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 District 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 District 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 District, 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 District 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 District 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 District 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 District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related To Tax-Exempt Status

15. the District'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 District when rendering this opinion;
16. the District'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 District when rendering this opinion;
17. the Obligations must include a provision prohibiting the District 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 District 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 District 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 District may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the District, provided that the District 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 District 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 District 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 District 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 District'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 District 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 District by the TWDB;

State Revolving Fund Conditions

25. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
26. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
27. the Obligations must include a provision stating that the District 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 District shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
28. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the District will adhere to the approved project schedule;
29. the Obligations and Loan Forgiveness Agreement must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;
30. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in

accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;

31. the District shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions

32. prior to or at closing, the District shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
33. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;
34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District 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

35. the Obligations must contain a provision providing that for each year the Bonds are outstanding, the District will levy a debt service tax rate, and collect taxes sufficient for the repayment of annual principal and interest requirements on the Obligations;

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

Special Conditions:

36. 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 375;
37. the District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.
38. the Obligations must include a provision requiring that, prior to any action by the District to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB;

39. prior to closing, the District shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
40. the Loan Forgiveness Agreement must include a provision stating that the District shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;
41. prior to final disbursement, the District shall submit to the TWDB certification that it has developed and is currently implementing a fiscal sustainability plan for critical assets part of the treatment works receiving financial assistance as outlined in 33 U.S.C. §1383; and
42. the District must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator.

APPROVED and ordered of record this 19th day of January, 2016.

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.

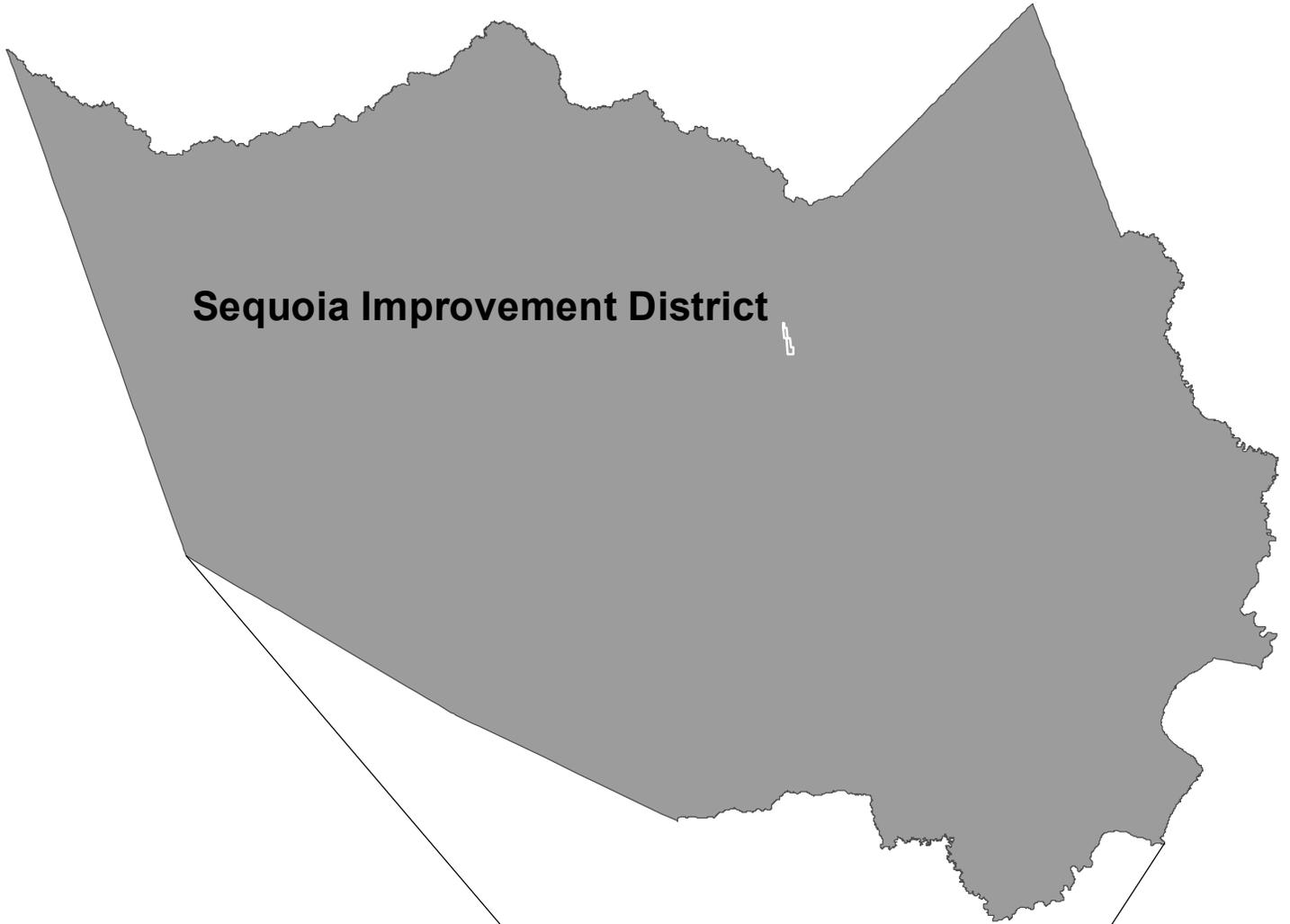
Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

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.

**Sequoia Improvement District,
Harris County**



Sequoia Improvement District

