

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: February 18, 2016

TEAM MANAGER: Luis Farias

<b>APPLICANT</b>	City of Arlington
<b>TYPE OF ASSISTANCE</b>	\$2,080,000 Loan \$359,700 Loan Forgiveness
<b>LEGAL PLEDGE</b>	First Lien on Revenues of the Water and Wastewater System

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve by resolution, a request from the City of Arlington (Tarrant County) for financial assistance of \$2,439,700 consisting of a \$2,080,000 loan and \$359,700 in loan forgiveness from the Clean Water State Revolving Fund to finance construction of wastewater collection system improvements.

### PROJECT

Collection System Improvements 2015  
Project Number 73723

### BACKGROUND

The City of Arlington (City) is located in Tarrant County between Dallas and Fort Worth. Due to the deterioration and age of the wastewater pipelines, the City is currently under enforcement action by the Texas Commission on Environmental Quality and has entered into a Sanitary Sewer Overflow Initiative agreement.

In order to resolve this issue, the City will replace wastewater pipelines which will result in reduced infiltration inflow and energy savings.

**COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE ON AUGUST 31, 2016**

**FINANCIAL**Key Issues

None

Pledge and Repayment

The City is pledging a first lien on revenues of the water and wastewater system for the repayment of the proposed loan. The City's current combined average monthly water and sewer bill is \$55.76. Based on staff's analysis of financial documentation received, the City generates sufficient revenues to meet the current and proposed debt service.

Principal Forgiveness

The City qualifies for \$359,700 in loan forgiveness from the Clean Water State Revolving Fund as green, due to the conservation aspect of the project.

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the City could save approximately \$267,307 over the life of the loan. The City is also saving \$359,700 in loan forgiveness.

Internal Risk Score

The City is assigned a risk score of 2A. A risk score of 2A means that the applicant's repayment capacity is strong. The applicant's earnings trends and coverage ratios, while sound, may be more susceptible to adverse effects of changes in circumstances and economic conditions than the higher rated obligations.

Overall, the City is in good financial condition with strong reserves and a growing customer base. Operating revenues have steadily increased over the last 3 years, along with connections to the system. The City's maintains approximately 3 months of operating expenses in the form of liquid net assets in the utility system. For determination of an appropriate internal risk score, the benchmark is 2 to 3 months of cash operating expenses in the utility system fund.

The City's population has increased an average of 1.24% per year since 2005, to its current population of 369,308, compared to the State's average annual population increase of 2% during the same period. The City's median household income of \$53,055 is slightly above the median income of \$52,576 for the State overall. The unemployment rate of the City for the month of November was 4%, which is lower than the current State unemployment rate of 4.5%.

Including the proposed financing, the per capita debt level would be \$1,244. This is a low level of debt for a City this size. On average, the residential user pays 1.26% of their annual income for water and sewer service. This is below the TWDB's benchmark of 2% for two services.

Staff's risk score is based on the City's positive socioeconomic indicators, affordable rates, and strong reserves.

**LEGAL**

Key Issues

None

Conditions

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

- Standard emergency discovery conditions;
- Executed loan forgiveness agreement;
- Return surplus funds; and
- Fiscal sustainability plan certification.

- 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**

<b>Authority</b>	City of Arlington
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Code</b>	L1000491, LF1000498
<b>Project Number</b>	73723
<b>Intended Use Plan Year</b>	2016
<b>Fund Number</b>	651
<b>Type of Pledge</b>	2- Revenue
<b>Revenue Pledge Level</b>	First
<b>Legal Description</b>	\$2,080,000 Water and Wastewater System Revenue Bonds, Series 2016 \$359,700 Loan Forgiveness Agreement
<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
<b>Population</b>	369,308
<b>Rural</b>	No
<b>Water Connections</b>	101,107
<b>Wastewater Connections</b>	99,279
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	Equivalency
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Project Type</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Funding Phase Code</b>	Construction
<b>Pre-Design</b>	No
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2A
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	AAA
<b>Moody's</b>	Aa2
<b>Fitch</b>	AAA
<b>Special Issues</b>	None

**Project Team**

Team Manager	Luis Farias
Financial Analyst	Ben Munguia
Engineering Reviewer	Dean Crenshaw
Environmental Reviewer	Kathy Calnan
Attorney	Annette Mass

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Arlington  
Water and Wastewater System Revenue Bonds, Series 2016

**Dated Date:** 4/1/2016  
**Delivery Date:** 4/1/2016  
**First Interest:** 6/1/2016  
**First Principal:** 6/1/2016  
**Last Principal:** 6/1/2035  
**Fiscal Year End:** 09/30  
**Required Coverage:** 1.0

**Source:** CWSRF-EQUIVALENCY  
**Rate:** 1.35%  
**Insurance:** No  
**Case:** Revenues  
**Admin.Fee:** \$37,781  
**Admin. Fee Payment Date:** 4/1/2016

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$2,080,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2016	37,473,000	16,238,087	100,000	1.43%	3,718	103,718	16,341,805	2.29
2017	37,473,000	15,284,218	105,000	1.43%	22,308	127,308	15,411,526	2.43
2018	37,473,000	14,912,968	105,000	1.43%	22,308	127,308	15,040,276	2.49
2019	37,473,000	14,132,178	105,000	1.43%	22,308	127,308	14,259,486	2.63
2020	37,473,000	13,838,473	105,000	1.43%	22,308	127,308	13,965,781	2.68
2021	37,473,000	12,380,906	105,000	1.43%	22,308	127,308	12,508,214	3.00
2022	37,473,000	11,241,648	105,000	1.43%	20,807	125,807	11,367,455	3.30
2023	37,473,000	10,956,859	105,000	1.43%	19,305	124,305	11,081,164	3.38
2024	37,473,000	9,909,400	105,000	1.43%	17,804	122,804	10,032,204	3.74
2025	37,473,000	8,807,928	105,000	1.43%	16,302	121,302	8,929,230	4.20
2026	37,473,000	8,554,686	105,000	1.43%	14,801	119,801	8,674,486	4.32
2027	37,473,000	8,311,598	105,000	1.43%	13,299	118,299	8,429,897	4.45
2028	37,473,000	6,929,006	105,000	1.43%	11,798	116,798	7,045,803	5.32
2029	37,473,000	4,839,096	105,000	1.43%	10,296	115,296	4,954,392	7.56
2030	37,473,000	4,705,512	105,000	1.43%	8,795	113,795	4,819,307	7.78
2031	37,473,000	3,399,976	105,000	1.43%	7,293	112,293	3,512,269	10.67
2032	37,473,000	3,297,792	105,000	1.43%	5,792	110,792	3,408,584	10.99
2033	37,473,000	2,365,472	100,000	1.43%	4,290	104,290	2,469,762	15.17
2034	37,473,000	1,840,941	100,000	1.43%	2,860	102,860	1,943,801	19.28
2035	37,473,000	942,988	100,000	1.43%	1,430	101,430	1,044,418	35.88
		\$ 172,889,731	\$ 2,080,000		\$ 270,127	\$ 2,350,127	\$ 175,239,858	

<b>AVERAGE (MATURITY) LIFE</b>	<b>9.63 YEARS</b>
<b>NET INTEREST RATE</b>	<b>1.349%</b>
<b>COST SAVINGS</b>	<b>\$740,606</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$8,761,993</b>



**Arlington**  
**73723 Collection System Improvements 2015**  
**Engineering and Environmental Review**

**Engineering:**

**Key Issues:**

Proposed project qualifies for 100% Green Project Reserve for energy efficiency. It will address infiltration and inflow to reduce the amount of wastewater that is pumped and treated.

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**

**Need:** The City of Arlington has entered into a Sanitary Sewer Overflow Initiative and subsequent Enforcement Order with the Texas Commission on Environmental Quality that has established a plan for the City to improve the performance of its wastewater collection system. That plan calls for a commitment of \$3,500,000 per year by the City to improve the system, and they are in need of CWSRF assistance to meet that obligation.

**Project Description:** The City of Arlington is proposing to replace 16,525 linear feet of 6 and 10-inch pipelines with 8 thru 12-inch diameter pipe in five different segments throughout the City. Proposed work is 100% eligible for Green Project funding.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Engineering Feasibility Report Completion (End of Planning Phase)	4/1/2016
Closing	4/1/2016
Design Phase Complete	4/30/2016
Start of Construction	5/30/2016
Construction Completion	12/30/2017

**Environmental Section:**

**Key Issues:**

None known at this time.

**Environmental Summary:**

As required by 31 Texas Administrative Code §375 Subchapter E, environmental review of the proposed project has been completed. A Categorical Exclusion was issued on December 14, 2015. The proposed project is in compliance with the National Environmental Policy Act.



**Project Budget Summary**  
**Arlington**  
**73723 - Collection System Improvements 2015**

Budget Items	This Commitment	TWDB Funds	Local and Other Funds	Total
<b>Construction</b>				
Construction	\$2,401,919.00	\$2,401,919.00	\$348,081.00	\$2,750,000.00
<b>Subtotal for Construction</b>	<b>\$2,401,919.00</b>	<b>\$2,401,919.00</b>	<b>\$348,081.00</b>	<b>\$2,750,000.00</b>
<b>Basic Engineering Services</b>				
Construction Engineering	\$0.00	\$0.00	\$40,000.00	\$40,000.00
Design	\$0.00	\$0.00	\$133,500.00	\$133,500.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$173,500.00</b>	<b>\$173,500.00</b>
<b>Special Services</b>				
Application	\$0.00	\$0.00	\$6,000.00	\$6,000.00
Inspection	\$0.00	\$0.00	\$44,000.00	\$44,000.00
Project Management (by engineer)	\$0.00	\$0.00	\$5,500.00	\$5,500.00
Testing	\$0.00	\$0.00	\$24,000.00	\$24,000.00
<b>Subtotal for Special Services</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$79,500.00</b>	<b>\$79,500.00</b>
<b>Fiscal Services</b>				
Bond Counsel	\$0.00	\$0.00	\$15,600.00	\$15,600.00
Financial Advisor	\$0.00	\$0.00	\$20,688.00	\$20,688.00
Issuance Costs	\$0.00	\$0.00	\$13,945.00	\$13,945.00
Loan Origination Fee	\$37,781.00	\$37,781.00	\$0.00	\$37,781.00
<b>Subtotal for Fiscal Services</b>	<b>\$37,781.00</b>	<b>\$37,781.00</b>	<b>\$50,233.00</b>	<b>\$88,014.00</b>
<b>Total</b>	<b>\$2,439,700.00</b>	<b>\$2,439,700.00</b>	<b>\$651,314.00</b>	<b>\$3,091,014.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$2,439,700 TO THE CITY OF ARLINGTON  
FROM THE CLEAN WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$2,080,000 CITY OF ARLINGTON WATER AND WASTEWATER SYSTEM REVENUE BONDS,  
PROPOSED SERIES 2016  
AND  
\$359,700 IN LOAN FORGIVENESS

(16- )

WHEREAS, the City of Arlington (City) has filed an application for financial assistance in the amount of \$2,439,700 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73723; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$2,080,000 City of Arlington Water and Wastewater System Revenue Bonds, Proposed Series 2016 (together with all authorizing documents, "Obligations"), and the execution of a Loan Forgiveness Agreement in an amount of \$359,700, 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 the net revenues of the water and wastewater 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 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 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 City has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;
5. that the TWDB has made a timely and concerted effort to solicit projects that address green infrastructure, water, or energy efficiency improvements and other environmentally innovative activities and has determined that the entire Project, or a portion of the Project, satisfies the EPA's criteria for Green Projects; and

6. that the Executive Administrator issued a Categorical Exclusion on December 14, 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 City of Arlington for financial assistance in the amount of \$2,439,700 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$2,080,000 City of Arlington Water and Wastewater System Revenue Bonds, Proposed Series 2016 and the execution of a Loan Forgiveness Agreement in the amount of \$359,700. This commitment will expire on August 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 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 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;

### 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;

#### State Revolving Fund Conditions

- 25. the City 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 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;
27. 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;
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 City will adhere to the approved project schedule;
29. the Obligations and Loan Forgiveness Agreement 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;
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 City 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 City 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 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;
35. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)(C), the City must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq.*

#### Pledge Conditions For The Loan

36. 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;
37. 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;
38. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if the City has secured from a Certified Public Accountant a certificate showing that the Net Earnings of the System for either the completed fiscal year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of all bonds which will be outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for water and sewer services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings of the System covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of the Outstanding Bonds after giving effect to the issuance of the Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

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

Special Conditions:

39. prior to closing, the City 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 City 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 City Entity 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 City 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 18th day of February, 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
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**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.

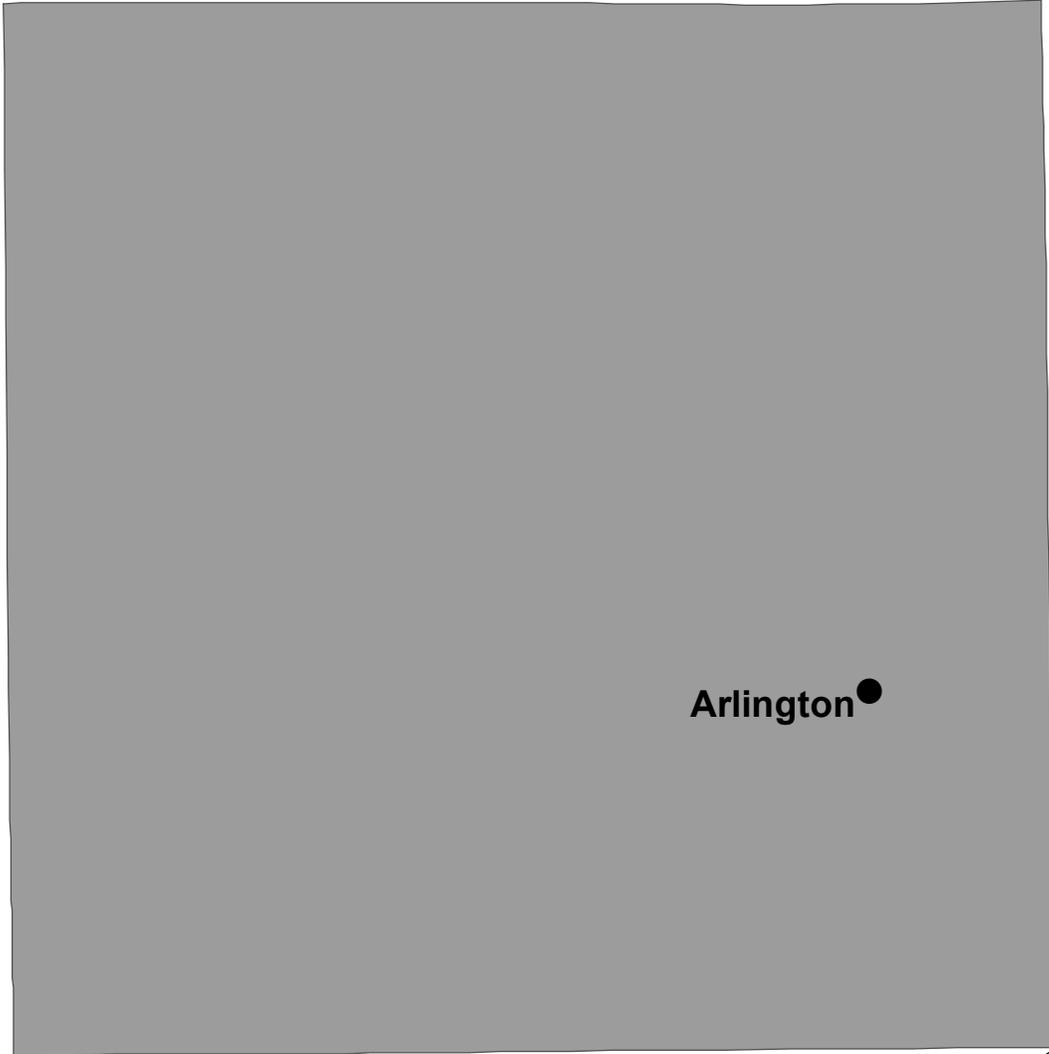
**Total baseline GPCD** is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

**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 Arlington,  
Tarrant County**



**Arlington**●

