

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: March 21, 2016

TEAM MANAGER: Luis Farias

<b>APPLICANT</b>	Greater Texoma Utility Authority on behalf of the City of Sadler
<b>TYPE OF ASSISTANCE</b>	\$165,000 Loan \$69,219 Loan Forgiveness
<b>LEGAL PLEDGE</b>	Contract Revenues

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve by resolution, a request from the Greater Texoma Utility Authority (Grayson County) on behalf of the City of Sadler for financial assistance of \$234,219 consisting of a \$165,000 loan and \$69,219 in loan forgiveness from the Clean Water State Revolving Fund to finance the planning, design, and construction phases of wastewater treatment plant improvements.

### PROJECT

Sadler WWTP Rehab  
Project Number 73724

### BACKGROUND

Greater Texoma Utility Authority (Authority) on behalf of the City of Sadler (City) received a Notice of Violation from the Texas Commission on Environmental Quality (TCEQ) for violations of the effluent limits at their wastewater plant and has entered into an agreed order to address the deficiencies.

The Authority on behalf of the City is proposing to use funding from a Clean Water State Revolving Fund (CWSRF) loan to rehabilitate the City's wastewater treatment plant (WWTP). This project will allow the City to reliably meet TCEQ effluent limits, and fulfill the agreed order with TCEQ.

**COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE SEPTEMBER 30, 2016**

## **FINANCIAL**

### Key Issues

The City will receive an estimated \$149,000 grant from the Texas Department of Agriculture (TDA) that is set to expire on October 15, 2016. The TDA grant will be used in combination with the Texas Water Development Board (TWDB) loan proceeds to complete the proposed project.

### Pledge and Repayment

The Authority is pledging contract revenues for the repayment of the proposed loan. The contract revenues pledged by the Authority are secured by the gross revenues of the City's system.

In 2015, the City produced \$11,361 in annual net revenues available for debt service, a decrease from the 2014 net revenues of \$41,231. The decrease in net revenues was primarily due to flooding in the area which reduced water demands, and higher than normal professional fees due to the wastewater treatment plant being out of compliance.

The City's average annual debt service requirement is \$13,068. Assuming no growth in the number of connections or other potential revenue sources, and a 3-year average of net revenues of the system, the City produces sufficient revenues to meet the proposed debt service. The City projects to increase the average monthly water and wastewater bill by \$1.74 to a total of \$77.04. This projected rate increase will generate an additional \$4,104 in revenues annually and provide additional debt service coverage.

### Principal Forgiveness

The City qualifies for \$69,219 in loan forgiveness from the Clean Water State Revolving Fund Disadvantaged Funds Program.

### Cost Savings

Based on a 25-year maturity and current interest rates, the City could save approximately \$32,311 over the life of the loan. The City is also saving \$69,219 in loan forgiveness.

### Internal Risk Score

Staff assigns a 2B to the City, and the proposed project to be funded by the Texas Water Development Board (TWDB). This means that the City's payment capacity is adequate.

The City's socioeconomic indicators are below the State overall. The population of the City has decreased slightly since 2000, compared to a 1.8% average annual increase for the State overall during the same period. However, the City has grown slightly in recent years. The median household income for the City is \$37,143 which is 71% of the median for the State overall. In December 2015, the unemployment rate in Grayson County was 3.7% compared to 4.2% in the State overall.

The results of the City's financial indicators are mixed. The City does not currently have any debt outstanding. However, the debt per capita will increase to an amount of \$435 with the proposed loan. The City has a high level of liquidity with approximately 14 months of cash 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 top 10 water customers account for approximately 24% of total water revenues. This is a slightly higher concentration of revenues than a standard of less than 10%, but no single user accounts for more than 8% of the total water revenues. The total revenues of the wastewater system are much more diversified with the top 10 customers accounting for less than 1% of total wastewater revenues. In addition, the number of connections to the system has grown steadily at an average annual rate of 2.9% since 2011.

The City's current average monthly water and sewer bill of \$75.30 represents 2.43% of the median household income of the City. This current household cost factor is above the TWDB benchmark of 2% for water and wastewater service. Additionally, with the projected rate increase, the projected household cost factor would increase to 2.49%.

The City's financial performance is mixed with high liquidity, but varying system revenues. In addition, the average monthly bill for the City's utility system customers with the additional debt is above the TWDB benchmark. The City does have the expertise of the Authority, which has demonstrated strong management in providing financing and other services for its member cities. Based on these outcomes, staff assigns the City a risk score of 2B at this time.

**LEGAL**

Key Issues

None

Conditions

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

- Executed loan forgiveness agreement;
- Return surplus funds;
- Standard emergency discovery;
- Fiscal Sustainability Plan;
- Notification prior to actions altering the legal status of the Authority; and
- TWDB approval of any conveyance and assumption of the Obligations.

- 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>	Greater Texoma Utility Authority on behalf of the City of Sadler
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Code</b>	L1000506, LF1000520
<b>Project Number</b>	73724
<b>Intended Use Plan Year</b>	2016
<b>Fund Number</b>	651
<b>Type of Pledge</b>	4- Contract Revenue
<b>Revenue Pledge Level</b>	First
<b>Legal Description</b>	\$165,000 Greater Texoma Utility Authority Contract Revenue Bonds, Proposed Series 2016 (City of Sadler Projects) \$69,219 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>	343
<b>Rural</b>	Yes
<b>Water Connections</b>	187
<b>Wastewater Connections</b>	196
<b>Qualifies as Disadvantaged</b>	Yes
<b>Disadvantaged Level</b>	6
<b>Clean Water State Revolving Fund Type</b>	Equivalency
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Funding Phase Code</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Exempt
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2B
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

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

ISSUE BEING EVALUATED  
 FOR ILLUSTRATION PURPOSES ONLY  
 Greater Texoma Utility Authority on behalf of the City of Sadler  
 Greater Texoma Utility Authority Contract Revenue Bonds, Series 2016 (City of Sadler Projects)

**Dated Date:** 4/21/2016  
**Delivery Date:** 4/21/2016  
**First Interest:** 10/1/2016  
**First Principal:** 10/1/2017  
**Last Principal:** 10/1/2041  
**Fiscal Year End:** 09/30  
**Required Coverage:** 1.0

**Source:** CWSRF-EQUIVALENCY  
**Rate:** 2.24%  
**Insurance:** No  
**Case:** Contract Revenues  
**Admin.Fee:** \$2,997  
**Admin. Fee Payment Date:** 4/21/2016

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$165,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	30,933	10,000	-	0.00%	3,491	3,491	13,491	2.29
2018	30,933	10,000	5,000	2.24%	3,640	8,640	18,640	1.66
2019	30,933	4,000	5,000	2.24%	3,528	8,528	12,528	2.47
2020	30,933	4,000	5,000	2.24%	3,416	8,416	12,416	2.49
2021	30,933	4,000	5,000	2.24%	3,304	8,304	12,304	2.51
2022	30,933	4,000	5,000	2.24%	3,192	8,192	12,192	2.54
2023	30,933	4,000	5,000	2.24%	3,080	8,080	12,080	2.56
2024	30,933	4,000	5,000	2.24%	2,968	7,968	11,968	2.58
2025	30,933	4,000	5,000	2.24%	2,856	7,856	11,856	2.61
2026	30,933	4,000	5,000	2.24%	2,744	7,744	11,744	2.63
2027	30,933	4,000	5,000	2.24%	2,632	7,632	11,632	2.66
2028	30,933	4,000	5,000	2.24%	2,520	7,520	11,520	2.69
2029	30,933	4,000	5,000	2.24%	2,408	7,408	11,408	2.71
2030	30,933	4,000	5,000	2.24%	2,296	7,296	11,296	2.74
2031	30,933	4,000	5,000	2.24%	2,184	7,184	11,184	2.77
2032	30,933	4,000	5,000	2.24%	2,072	7,072	11,072	2.79
2033	30,933	4,000	5,000	2.24%	1,960	6,960	10,960	2.82
2034	30,933	4,000	5,000	2.24%	1,848	6,848	10,848	2.85
2035	30,933	4,000	5,000	2.24%	1,736	6,736	10,736	2.88
2036	30,933	4,000	5,000	2.24%	1,624	6,624	10,624	2.91
2037	30,933	4,000	10,000	2.24%	1,456	11,456	15,456	2.00
2038	30,933	4,000	10,000	2.24%	1,232	11,232	15,232	2.03
2039	30,933	4,000	10,000	2.24%	1,008	11,008	15,008	2.06
2040	30,933	4,000	10,000	2.24%	784	10,784	14,784	2.09
2041	30,933	4,000	10,000	2.24%	560	10,560	14,560	2.12
2042	30,933	4,000	20,000	2.24%	224	20,224	24,224	1.28
		\$ 116,000	\$ 165,000		\$ 58,763	\$ 223,763	\$ 339,763	

<b>AVERAGE (MATURITY) LIFE</b>	<b>15.9 YEARS</b>
<b>NET INTEREST RATE</b>	<b>2.240%</b>
<b>COST SAVINGS</b>	<b>\$101,530</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$13,068</b>



**Greater Texoma UA  
73724 Sadler WWTP Rehab  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

The City of Sadler (City) has received a grant from the Texas Department of Agriculture, that will be used as additional funding for planning and construction of the project.

Project Need/Description

**Project Need:** The City received a Notice of Violation from the Texas Commission on Environmental Quality (TCEQ) for violations of the effluent limits at their Wastewater Plant and has entered into an agreed order to address the deficiencies at its wastewater plant.

**Project Description:** The Greater Texoma Utility Authority on behalf of the City is proposing to rehabilitate the City's wastewater treatment plant. This project will allow the City to reliably meet TCEQ effluent limits, and fulfill the agreed order with TCEQ.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Engineering Feasibility Report Completion (End of Planning Phase)	2/29/2016
Design Phase Complete	3/31/2016
Closing	4/21/2016
Start of Construction	5/31/2016
Construction Completion	10/31/2016

**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 January 13, 2016. The proposed project is in compliance with the National Environmental Policy Act.



**Project Budget Summary**  
 Greater Texoma UA  
 73724 - Sadler WWTP Rehab

Budget Items	This Commitment	TWDB Funds	Local and Other Funds	Total
<b>Construction</b>				
Construction	\$115,200.00	\$115,200.00	\$149,000.00	\$264,200.00
<b>Subtotal for Construction</b>	<b>\$115,200.00</b>	<b>\$115,200.00</b>	<b>\$149,000.00</b>	<b>\$264,200.00</b>
<b>Basic Engineering Services</b>				
Construction Engineering	\$5,500.00	\$5,500.00	\$0.00	\$5,500.00
Design	\$30,000.00	\$30,000.00	\$0.00	\$30,000.00
Planning	\$20,000.00	\$20,000.00	\$0.00	\$20,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$55,500.00</b>	<b>\$55,500.00</b>	<b>\$0.00</b>	<b>\$55,500.00</b>
<b>Special Services</b>				
Inspection	\$9,565.00	\$9,565.00	\$0.00	\$9,565.00
Water Conservation Plan	\$3,000.00	\$3,000.00	\$0.00	\$3,000.00
<b>Subtotal for Special Services</b>	<b>\$12,565.00</b>	<b>\$12,565.00</b>	<b>\$0.00</b>	<b>\$12,565.00</b>
<b>Fiscal Services</b>				
Bond Counsel	\$2,500.00	\$2,500.00	\$0.00	\$2,500.00
Financial Advisor	\$5,000.00	\$5,000.00	\$0.00	\$5,000.00
Fiscal/Legal	\$2,750.00	\$2,750.00	\$0.00	\$2,750.00
Issuance Costs	\$2,000.00	\$2,000.00	\$0.00	\$2,000.00
Loan Origination Fee	\$2,997.00	\$2,997.00	\$0.00	\$2,997.00
<b>Subtotal for Fiscal Services</b>	<b>\$15,247.00</b>	<b>\$15,247.00</b>	<b>\$0.00</b>	<b>\$15,247.00</b>
<b>Other</b>				
Administration	\$7,000.00	\$7,000.00	\$0.00	\$7,000.00
Project Legal Expenses	\$1,000.00	\$1,000.00	\$0.00	\$1,000.00
<b>Subtotal for Other</b>	<b>\$8,000.00</b>	<b>\$8,000.00</b>	<b>\$0.00</b>	<b>\$8,000.00</b>
<b>Contingency</b>				
Contingency	\$27,707.00	\$27,707.00	\$0.00	\$27,707.00
<b>Subtotal for Contingency</b>	<b>\$27,707.00</b>	<b>\$27,707.00</b>	<b>\$0.00</b>	<b>\$27,707.00</b>
<b>Total</b>	<b>\$234,219.00</b>	<b>\$234,219.00</b>	<b>\$149,000.00</b>	<b>\$383,219.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
 \$234,219 TO GREATER TEXOMA UTILITY AUTHORITY  
 FROM THE CLEAN WATER STATE REVOLVING FUND  
 THROUGH THE PROPOSED PURCHASE OF  
 \$165,000 GREATER TEXOMA UTILITY AUTHORITY CONTRACT REVENUE BONDS,  
 PROPOSED SERIES 2016 (CITY OF SADLER PROJECTS)  
 AND  
 \$69,219 IN LOAN FORGIVENESS

(16- )

WHEREAS, the Greater Texoma Utility Authority (Authority) has filed an application for financial assistance in the amount of \$234,219 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design and construction of certain wastewater system improvements identified as Project No. 73724; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$165,000 Greater Texoma Utility Authority Contract Revenue Bonds, Proposed Series 2016 (City of Sadler Projects) (together with all authorizing documents, "Obligations"), and the execution of a Loan Forgiveness Agreement in the amount of \$69,219, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 375; and

WHEREAS, the Authority has offered a pledge of contract revenues of the City of Sadler's water and wastewater systems 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 Authority will be sufficient to meet all the Obligations assumed by the Authority, 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 of Sadler is exempt from requirements to adopt a water conservation program because the TWDB's financial assistance will be \$500,000 or less;
4. that the Authority has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;

5. that the City of Sadler 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 January 13, 2016, 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 Greater Texoma Utility Authority on behalf of the City of Sadler for financial assistance in the amount of \$234,219 from the Clean Water State Revolving Fund through the TWDB’s proposed purchase of \$165,000 Greater Texoma Utility Authority Contract Revenue Bonds, Proposed Series 2016 (City of Sadler Projects) and the execution of a Loan Forgiveness Agreement in the amount of \$69,219. This commitment will expire on September 30, 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 Authority;
3. this commitment is contingent upon the Authority’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 Authority, 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 Authority’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 Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;

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

#### Conditions Related To Tax-Exempt Status

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

#### State Revolving Fund Conditions

25. the Authority 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 Authority, 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 Authority 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 Authority 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 Authority will adhere to the approved project schedule;
29. the Obligations and Loan Forgiveness Agreement must contain a covenant that the Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority shall not amend or revise the Water and Sewer Facilities Contract with the City of Sadler, which is the revenue source for the pledge, if the revision or amendment affects the financial condition of the Authority or its' ability to repay the loan described in this Commitment without receiving the written approval of the TWDB's Executive Administrator;

37. upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review;
38. the Obligations must contain a provision requiring the Authority to require its customers to maintain rates and charges sufficient to pay all of their revenue obligations arising from the operation of the water and sewer system;
39. the Obligations must contain a provision that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations; and
40. prior to closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Authority's debt service obligations and additional parity obligations.

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

Special Conditions:

41. the Authority 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;
42. the Obligations must include a provision requiring that, prior to any action by the Authority 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;
43. prior to closing, the Authority shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
44. the Loan Forgiveness Agreement must include a provision stating that the Authority shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;
45. prior to final disbursement, the Authority 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

46. the Authority 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 21st day of March, 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.

**GTUA-Sadler,  
Grayson County**

