

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: April 11, 2016

TEAM MANAGER: Luis Farias

APPLICANT	City of Sulphur Springs
TYPE OF ASSISTANCE	\$18,200,000 Loan
LEGAL PLEDGE	Ad Valorem Tax and Surplus Net Revenues of the Waterworks and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Sulphur Springs (Hopkins County) for a \$18,200,000 loan from the Clean Water State Revolving Fund to finance the design and construction for the rehabilitation of the wastewater treatment plant.

PROJECT

WWTP Upgrade
Project Number 73725

BACKGROUND

The City of Sulphur Springs (City) needs to rehabilitate and expand its existing wastewater treatment plant to address recent Texas Commission on Environmental Quality enforcement actions and maintain treatment standards. The plant has exceeded permit limitations for carbonaceous biochemical oxygen demand, residual chlorine, ammonia, and total suspended solids. The City has entered into an Agreed Order requiring compliance with these effluent limits. This project is needed to replace aged infrastructure, improve treatment capacity in order to accommodate increased loading rates, and construct new processes to enable the plant to maintain compliance with the Agreed Order.

The City is requesting funding for both design and construction to rehabilitate the City's wastewater plant including expanded capacity. The City will expand the biological treatment capacity while the flow capacity of the plant will remain at 5.4 million gallons per day. During the project, the City will also prepare an Asset Management Plan for the newly rehabilitated Wastewater Treatment Plant.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE APRIL 30, 2017.

FINANCIALKey Issues

None

Pledge and Repayment

The City is pledging ad valorem taxes and surplus net revenues for the repayment of the proposed loan. The City currently levies an interest and sinking fund tax rate of \$0.0627 and the current combined average monthly water and sewer bill is \$53.35. Based on staff's analysis of financial documentation received, the City generates sufficient revenues to meet the current and proposed debt service.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$2,268,503 over the life of the loan.

Internal Risk Score

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

The City's socioeconomic indicators are slightly lower than the State of Texas (State) overall. The City's population has increased at an average annual rate of 0.53% since 2000, compared to an increase at an annual rate of 1.60% for the population of the State overall. The City's average median household income is \$39,936, 76% of the median for the State overall. The unemployment rate for Hopkins County was 3.8% in December 2015, compared to 4.2% in the State overall, and the national rate of 4.8%.

The results of the City's financial indicators are moderate. The City's current total outstanding per capita debt is \$1,760, and would increase to \$2,906 with the proposed financing. This is considered to be a moderate level of debt. The City maintains approximately 11 months of cash operating expenses of the utility system in the form of liquid net assets. This is considered to be a high level of liquidity. For determination of an appropriate internal risk score, the benchmark is 2 to 3 months of cash operating expenses.

The assessed valuation of taxable property in the City has increased approximately 8% since 2011. Similarly, sales tax collections have increased approximately 22% over the same period. The City's top ten customers of the water and wastewater system account for approximately 47% and 37% of system revenues respectively. This is considered to be a high concentration of revenues. The top water and wastewater user, Saputo Foods, is one of the top dairy producers in the nation. Like other food manufacturing companies, Saputo Foods relies heavily on water and wastewater for food processing. If the revenues generated from Saputo Foods were removed from the total system revenues in the attached proforma, the City would need to increase the average monthly wastewater bill by approximately \$11.28 to generate sufficient revenues to meet the current and proposed debt service.

The City's utility system rates are considered affordable based on a current household cost factor of 1.6% for water and wastewater service. This is below the Board's benchmark of 2% for two services.

The City's socioeconomic indicators are moderate but the City produces substantial net revenues in its utility system, and has a high level of liquidity. The average monthly bill is considered low, which gives the City flexibility to increase system rates if needed. The City is assigned a risk score of 2B.

LEGAL

Key Issues

None

Conditions

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

- Standard emergency conditions;
- Fiscal Sustainability Plan; and,
- Obtain necessary floodplain permits prior to construction.

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

Authority	City of Sulphur Springs
Program	Clean Water State Revolving Fund
Commitment Code	L1000505
Project Number	73725
Intended Use Plan Year	2016
Fund Number	651
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$18,200,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow
Population	17,435
Rural	No
Water Connections	6,448
Wastewater Connections	5,754
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	Non-Equivalency
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	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	A+
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Sulphur Springs, Texas
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016

Dated Date: 8/1/2016
 Delivery Date: 8/1/2016
 First Interest: 3/1/2017
 First Principal: 9/1/2017
 Last Principal: 9/1/2037
 Fiscal Year End: 09/30
 Required Coverage: 1.1

Source: CWSRF-NON-EQUIVALENCY
 Rate: 1.14%
 Insurance: No
 Case: Tax and Revenue
 Admin.Fee: \$ 330,584
 Admin. Fee Payment Date: 8/1/2016
 Total Assessed Valuation: \$ 881,510,683

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$18,200,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE
								INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE		
2017	0.063	497,436	4,580,788	5,078,224	3,347,722	770,000	1.14%	224,770	994,770	4,342,492	1.17	
2018	0.063	497,436	4,580,788	5,078,224	2,790,263	780,000	1.14%	198,702	978,702	3,768,965	1.35	
2019	0.063	497,436	4,580,788	5,078,224	2,813,406	790,000	1.14%	189,810	979,810	3,793,216	1.34	
2020	0.063	497,436	4,580,788	5,078,224	2,698,235	800,000	1.14%	180,804	980,804	3,679,039	1.38	
2021	0.063	497,436	4,580,788	5,078,224	2,458,630	810,000	1.14%	171,684	981,684	3,440,314	1.48	
2022	0.063	497,436	4,580,788	5,078,224	2,469,580	815,000	1.14%	162,450	977,450	3,447,030	1.47	
2023	0.063	497,436	4,580,788	5,078,224	1,671,806	825,000	1.14%	153,159	978,159	2,649,965	1.92	
2024	0.063	497,436	4,580,788	5,078,224	1,670,113	835,000	1.14%	143,754	978,754	2,648,867	1.92	
2025	0.063	497,436	4,580,788	5,078,224	1,672,288	845,000	1.14%	134,235	979,235	2,651,523	1.92	
2026	0.063	497,436	4,580,788	5,078,224	1,552,031	855,000	1.14%	124,602	979,602	2,531,633	2.01	
2027	0.063	497,436	4,580,788	5,078,224	1,566,113	865,000	1.14%	114,855	979,855	2,545,968	1.99	
2028	0.063	497,436	4,580,788	5,078,224	1,048,306	875,000	1.14%	104,994	979,994	2,028,300	2.50	
2029	0.063	497,436	4,580,788	5,078,224	1,055,969	885,000	1.14%	95,019	980,019	2,035,988	2.49	
2030	0.063	497,436	4,580,788	5,078,224	822,306	895,000	1.14%	84,930	979,930	1,802,236	2.82	
2031	0.063	497,436	4,580,788	5,078,224	818,563	905,000	1.14%	74,727	979,727	1,798,290	2.82	
2032	0.063	497,436	4,580,788	5,078,224	823,688	915,000	1.14%	64,410	979,410	1,803,098	2.82	
2033	0.063	497,436	4,580,788	5,078,224	522,438	925,000	1.14%	53,979	978,979	1,501,417	3.38	
2034	0.063	497,436	4,580,788	5,078,224	525,613	935,000	1.14%	43,434	978,434	1,504,047	3.38	
2035	0.063	497,436	4,580,788	5,078,224	522,888	945,000	1.14%	32,775	977,775	1,500,663	3.38	
2036	0.063	497,436	4,580,788	5,078,224	464,438	955,000	1.14%	22,002	977,002	1,441,440	3.52	
2037	0.063	497,436	4,580,788	5,078,224	462,088	975,000	1.14%	11,115	986,115	1,448,203	3.51	
				\$ 106,642,714	\$ 31,776,479	\$ 18,200,000		\$ 2,386,210	\$ 20,586,210	\$ 52,362,689		

AVERAGE (MATURITY) LIFE	11.5 YEARS
NET INTEREST RATE	1.140%
COST SAVINGS	\$ 2,268,503
AVERAGE ANNUAL REQUIREMENT	\$2,493,461



**Sulphur Springs
73725 WWTP Upgrade
Engineering and Environmental Review**

Engineering:

Key Issues:

None

Project Need/Description

Need: The City of Sulphur Springs (City) needs to rehabilitate and expand its existing wastewater treatment plant to address recent Texas Commission on Environmental Quality enforcement actions and maintain treatment standards. The plant has exceeded permit limitations for carbonaceous biochemical oxygen demand, residual chlorine, ammonia, and total suspended solids. The City has entered into an Agreed Order requiring compliance with these effluent limits.

Description: The City is requesting funding for both design and construction to rehabilitate the City's wastewater plant including expanded capacity. This project is needed to replace aged infrastructure, improve treatment capacity in order to accommodate increased loading rates, and construct new processes to enable the plant to maintain compliance with the Agreed Order. The City will expand the biological treatment capacity. The flow capacity of the plant will remain at 5.4 million gallons per day. During the project, the City will also prepare an Asset Management Plan for the newly rehabilitated Wastewater Treatment Plant.

Project Schedule:

Project Task	Schedule Date
Closing	8/1/2016
Design Phase Complete	10/1/2016
Start of Construction	11/1/2016
Construction Completion	12/1/2018

**Environmental
Section:**

Key Issues:

None known at this time.

Environmental Summary:

As required by 31 Texas Administrative Code Chapter 375, Subchapter E, the environmental review of the proposed project has been completed. A Categorical Exclusion was issued on March 4, 2016. In addition to the standard emergency discovery conditions for threatened and endangered species and cultural resources, a floodplain permit or waiver must be obtained from the local Floodplain Administrator (National Flood Insurance Program) prior to construction within any given floodplain. The proposed project is in compliance with the National Environmental Policy Act.



Project Budget Summary
Sulphur Springs
73725 - WWTP Upgrade

Budget Items	This Commitment	TWDB Funds	Local and Other Funds	Total
Construction				
Construction	\$15,750,152.00	\$15,750,152.00	\$136,760.00	\$15,886,912.00
Subtotal for Construction	\$15,750,152.00	\$15,750,152.00	\$136,760.00	\$15,886,912.00
Basic Engineering Services				
Construction Engineering	\$500,000.00	\$500,000.00	\$0.00	\$500,000.00
Design	\$1,073,088.00	\$1,073,088.00	\$404,564.00	\$1,477,652.00
Subtotal for Basic Engineering Services	\$1,573,088.00	\$1,573,088.00	\$404,564.00	\$1,977,652.00
Special Services				
Application	\$0.00	\$0.00	\$15,380.00	\$15,380.00
Environmental	\$0.00	\$0.00	\$9,314.00	\$9,314.00
Geotechnical	\$0.00	\$0.00	\$32,038.00	\$32,038.00
Inspection	\$300,000.00	\$300,000.00	\$0.00	\$300,000.00
O&M Manual	\$80,000.00	\$80,000.00	\$0.00	\$80,000.00
Surveying	\$0.00	\$0.00	\$65,430.00	\$65,430.00
Testing	\$75,000.00	\$75,000.00	\$0.00	\$75,000.00
Subtotal for Special Services	\$455,000.00	\$455,000.00	\$122,162.00	\$577,162.00
Fiscal Services				
Bond Counsel	\$20,000.00	\$20,000.00	\$0.00	\$20,000.00
Financial Advisor	\$65,000.00	\$65,000.00	\$0.00	\$65,000.00
Loan Origination Fee	\$330,584.00	\$330,584.00	\$0.00	\$330,584.00
Subtotal for Fiscal Services	\$415,584.00	\$415,584.00	\$0.00	\$415,584.00
Contingency				
Contingency	\$6,176.00	\$6,176.00	\$400,000.00	\$406,176.00
Subtotal for Contingency	\$6,176.00	\$6,176.00	\$400,000.00	\$406,176.00
Total	\$18,200,000.00	\$18,200,000.00	\$1,063,486.00	\$19,263,486.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$18,200,000 TO THE CITY OF SULPHUR SPRINGS
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$18,200,000 CITY OF SULPHUR SPRINGS TEXAS, COMBINATION TAX AND SURPLUS
REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2016

(16-)

WHEREAS, the City of Sulphur Springs (City) has filed an application for financial assistance in the amount of \$18,200,000 from the Clean Water State Revolving Fund (CWSRF) to finance the design and construction of certain wastewater system improvements identified as Project No. 73725; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$18,200,000 City of Sulphur Springs, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016 (together with all authorizing documents, "Obligations"), 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 taxes and surplus system revenue as sufficient security for the repayment of the Obligations; 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 §375.14; 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 Executive Administrator issued a Categorical Exclusion on March 4, 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 City of Sulphur Springs for financial assistance in the amount of \$18,200,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$18,200,000 City of Sulphur Springs, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016. This commitment will expire on April 30, 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 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 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;

Pledge Conditions For The Loan

34. the Obligations must contain a provision that provides as follows:
 - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
 - b. if surplus revenues are based upon budgeted amounts:
 - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
 - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and

- iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than **1.10** times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of such Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

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

Special Conditions:

- 35. 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;
- 36. prior to final disbursement, the City 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
- 37. prior to construction within any floodplain, a floodplain permit or waiver must be obtained from the local Floodplain Administrator, the National Flood Insurance Program.

APPROVED and ordered of record this 11th day of April, 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.

**City of Sulphur Springs,
Hopkins County**

