

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 5, 2016

TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	City of Cameron
TYPE OF ASSISTANCE	\$12,000,000 Loan \$ 691,538 Loan forgiveness
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 Cameron (Milam County) for financial assistance in the amount of \$12,691,538 consisting of a \$12,000,000 loan and \$691,538 in loan forgiveness from the Clean Water State Revolving Fund to finance the planning, design and construction of water system improvements.

PROJECT

New Wastewater Treatment Plant, Lift Stations, and Collection System Improvements
Project Number 73727

BACKGROUND

The City of Cameron's (City) wastewater treatment plant has reached the end of its service life and is experiencing operational and structural issues. In addition, some existing lift stations have multiple deficiencies.

The proposed project would construct a new wastewater treatment plant adjacent to the existing plant, using the later for additional treatment capacity as needed. Collection system improvements are proposed to bring lift stations in compliance with Texas Commission on Environmental Quality rules. The City also proposes to smoke test gravity sewer lines to determine areas needing repair.

FINANCIAL

Key Issues

The City also applied for a \$9,305,000 Drinking Water State Revolving Fund loan and \$2,680,175 in loan forgiveness for a separate project. The financial review and calculations in this request include both proposed loans.

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

Pledge and Repayment

The City is pledging ad valorem taxes and surplus net revenues for the repayment of the proposed Drinking Water and Clean Water State Revolving Fund loans. The City's current combined average monthly water and wastewater rate is \$61.00. In 2015, the City produced \$836,309 in net revenues available for debt service, which is 71% of the average annual debt service for the existing and proposed debt.

To provide sufficient net revenues available for debt service for the proposed project the City increased the average monthly water and wastewater bill by \$33.40 in April. The rate increase is projected to increase net revenues available for debt service to \$1,798,630, which is 153% of the average annual debt service for the existing and proposed debt service.

Principal Forgiveness

The City qualifies for \$691,538 in principal forgiveness as a disadvantaged community.

Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$2,127,866 in interest costs over the life of the loan. The City is also saving \$691,538 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. This means that the City's payment capacity is adequate.

The City's population has decreased at an average annual rate of .85% 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 \$36,294, 69% of the median for the State overall, and the unemployment rate for Milam County was 4.9% in December 2015, compared to 4.2% in the State overall.

The City's current total outstanding per capita debt is \$904, and would increase to \$4,817 with the proposed financing, which is considered to be a very high level of debt.

The City maintains 230 days of cash on hand for meeting the operating expenses of the utility system, which is considered to be a moderately high level of liquidity. The City also has approximately \$1.3 million in cash and short-term investments in the governmental funds, and an additional \$1.6 million that is dedicated to capital improvements and debt service. These additional funds indicate that the City overall maintains reserves for unforeseen events, and for future infrastructure investment.

The City's utility system averaged \$118,941 in net revenues available for debt service from 2012 to 2014. In 2015, net revenues were \$836,309, which is a significant increase above the prior 3-year average. These figures do not include periodic water and wastewater infrastructure grants that the City has received twice in the past 4 years. The increase in net revenues in recent years is primarily attributable to a combination of a 20% increase in system rates in 2014, and approximately a 20% decrease in the cost of services.

The City's utility system rates are high with a current household cost factor of 3.12% for water and wastewater services. This calculation includes the April 2016 system rate increase implemented to repay the debt service for the proposed project. A household cost factor of less than 2% is considered affordable.

The City's socioeconomic indicators are below the State overall, their total debt will be high on a per capita basis with the proposed debt, and the projected system rates will be considered unaffordable according to the 2% benchmark for water and wastewater services. However the City maintains a moderately high level of liquidity and has recently implemented sufficient rates and charges for the proposed debt service. 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:

- Loan forgiveness agreement, executed;
- Fiscal sustainability plan; and
- Return surplus funds.

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 Cameron
Program	Clean Water State Revolving Fund
Commitment Code	L1000516, LF1000523
Project Number	73727
Intended Use Plan Year	2016
Fund Number	651
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$12,000,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016B \$691,538 Loan Forgiveness
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	5,445
Rural	Yes
Water Connections	2,401
Wastewater Connections	2,401
Qualifies as Disadvantaged	Yes
Disadvantaged Level	6
Clean Water State Revolving Fund Type	Equivalency
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	N/A
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	

Project Team

Team Manager	Caaren Skrobarczyk
Financial Analyst	Dain Larsen
Engineering Reviewer	Kevin Smith
Environmental Reviewer	Jean Devlin
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Cameron

\$9,305,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016A

Dated Date: 7/1/2016
 Delivery Date: 6/1/2016
 First Interest: 10/1/2016
 First Principal: 4/1/2017
 Last Principal: 4/1/2046
 Fiscal Year End: 09/30
 Required Coverage: 1.1
 Source: DWSRF
 Rate: 2.54%
 Insurance: No
 Case: Tax and revenue
 Admin.Fee: \$ 204,756
 Admin. Fee Payment Date: 6/1/2016
 Total Assessed Valuation: \$ 172,972,611

\$12,000,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016B

Dated Date: 7/1/2016
 Delivery Date: 6/1/2016
 First Interest: 10/1/2016
 First Principal: 4/1/2017
 Last Principal: 4/1/2046
 Fiscal Year End: 9/30
 Required Coverage: 1.1
 Source: CWSRF-EQUIVALENCY
 Rate: 2.24%
 Insurance: No
 Case: Tax and revenue
 Admin.Fee: \$ 217,968
 Admin. Fee Payment Date: 6/1/2016

FISCAL YEAR	REQUIRED TAX	REQUIRED TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	\$9,305,000 ISSUE			\$12,000,000 ISSUE			DEBT SERVICE	ACTUAL COVERAGE	
							INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			TOTAL PAYMENT
2017	0.000	-	1,798,630	1,798,630	460,293	210,000	2.54%	177,260	387,260	285,000	2.24%	201,600	486,600	1,334,153	1.35
2018	0.000	-	1,798,630	1,798,630	450,401	215,000	2.54%	231,013	446,013	290,000	2.24%	262,416	552,416	1,448,830	1.24
2019	0.000	-	1,798,630	1,798,630	442,876	220,000	2.54%	225,552	445,552	300,000	2.24%	255,920	555,920	1,444,348	1.25
2020	0.000	-	1,798,630	1,798,630	442,308	225,000	2.54%	219,964	444,964	305,000	2.24%	249,200	554,200	1,441,472	1.25
2021	0.000	-	1,798,630	1,798,630	445,925	235,000	2.54%	214,249	449,249	310,000	2.24%	242,368	552,368	1,447,542	1.24
2022	0.000	-	1,798,630	1,798,630	449,648	240,000	2.54%	208,280	448,280	320,000	2.24%	235,424	555,424	1,453,352	1.24
2023	0.000	-	1,798,630	1,798,630	456,377	245,000	2.54%	202,184	447,184	325,000	2.24%	228,256	553,256	1,456,817	1.23
2024	0.000	-	1,798,630	1,798,630	375,032	250,000	2.54%	195,961	445,961	335,000	2.24%	220,976	555,976	1,376,969	1.31
2025	0.000	-	1,798,630	1,798,630	188,446	255,000	2.54%	189,611	444,611	340,000	2.24%	213,472	553,472	1,186,529	1.52
2026	0.000	-	1,798,630	1,798,630	189,020	265,000	2.54%	183,134	448,134	350,000	2.24%	205,856	555,856	1,193,010	1.51
2027	0.000	-	1,798,630	1,798,630	190,313	270,000	2.54%	176,403	446,403	355,000	2.24%	198,016	553,016	1,189,732	1.51
2028	0.000	-	1,798,630	1,798,630	190,355	280,000	2.54%	169,545	449,545	365,000	2.24%	190,064	555,064	1,194,964	1.51
2029	0.000	-	1,798,630	1,798,630	191,148	285,000	2.54%	162,433	447,433	370,000	2.24%	181,888	551,888	1,190,469	1.51
2030	0.000	-	1,798,630	1,798,630	186,745	290,000	2.54%	155,194	445,194	380,000	2.24%	173,600	553,600	1,185,539	1.52
2031	0.000	-	1,798,630	1,798,630	196,004	300,000	2.54%	147,828	447,828	390,000	2.24%	165,088	555,088	1,198,920	1.50
2032	0.000	-	1,798,630	1,798,630	195,831	305,000	2.54%	140,208	445,208	395,000	2.24%	156,352	551,352	1,192,391	1.51
2033	0.000	-	1,798,630	1,798,630	29,224	315,000	2.54%	132,461	447,461	405,000	2.24%	147,504	552,504	1,029,189	1.75
2034	0.000	-	1,798,630	1,798,630	28,331	325,000	2.54%	124,460	449,460	415,000	2.24%	138,432	553,432	1,031,223	1.74
2035	0.000	-	1,798,630	1,798,630	28,415	330,000	2.54%	116,205	446,205	425,000	2.24%	129,136	554,136	1,028,756	1.75
2036	0.000	-	1,798,630	1,798,630	28,451	340,000	2.54%	107,823	447,823	435,000	2.24%	119,616	554,616	1,030,890	1.74
2037	0.000	-	1,798,630	1,798,630	28,440	350,000	2.54%	99,187	449,187	445,000	2.24%	109,872	554,872	1,032,499	1.74
2038	0.000	-	1,798,630	1,798,630	29,359	355,000	2.54%	90,297	445,297	455,000	2.24%	99,904	554,904	1,029,560	1.75
2039	0.000	-	1,798,630	1,798,630	28,231	365,000	2.54%	81,280	446,280	465,000	2.24%	89,712	554,712	1,029,223	1.75
2040	0.000	-	1,798,630	1,798,630	28,080	375,000	2.54%	72,009	447,009	475,000	2.24%	79,296	554,296	1,029,385	1.75
2041	0.000	-	1,798,630	1,798,630	27,881	385,000	2.54%	62,484	447,484	485,000	2.24%	68,656	553,656	1,029,021	1.75
2042	0.000	-	1,798,630	1,798,630	27,635	395,000	2.54%	52,705	447,705	495,000	2.24%	57,792	552,792	1,028,132	1.75
2043	0.000	-	1,798,630	1,798,630	-	405,000	2.54%	42,672	447,672	505,000	2.24%	46,704	551,704	999,376	1.80
2044	0.000	-	1,798,630	1,798,630	-	415,000	2.54%	32,385	447,385	520,000	2.24%	35,392	555,392	1,002,777	1.79
2045	0.000	-	1,798,630	1,798,630	-	425,000	2.54%	21,844	446,844	530,000	2.24%	23,744	553,744	1,000,588	1.80
2046	0.000	-	1,798,630	1,798,630	-	435,000	2.54%	11,049	446,049	530,000	2.24%	11,872	541,872	987,921	1.82
				\$ 53,958,900	\$ 5,334,769	\$ 9,305,000		\$ 4,045,680	\$ 13,350,680	\$ 12,000,000		\$ 4,538,128	\$ 16,538,128	\$ 35,223,577	

\$9,305,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.12 YEARS
NET INTEREST RATE	2.540%
COST SAVINGS	\$ 6,471,910
AVERAGE ANNUAL REQUIREMENT	\$430,667

\$12,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	16.88 YEARS
NET INTEREST RATE	2.240%
COST SAVINGS	\$ 3,289,019
AVERAGE ANNUAL REQUIREMENT	\$533,488

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$1,174,119



Cameron
73727 New WWTP, Lift Station Improvements, Collection System Smoke Test
Engineering and Environmental Review

Engineering:Key Issues:

None known at this time.

Project Need/Description

The City's 0.96 million gallon per day (MGD) conventional wastewater treatment plant (WWTP) has reached the end of its service life and is experiencing operational and structural issues. Likewise, the City's collection system is aged and requires repair. The lift stations have multiple deficiencies of TCEQ rules including insufficient back up pumps, emergency operation, lack of guide rails, lack of external signaling systems, power inadequacies and security items.

The proposed project would construct a new WWTP adjacent to the existing WWTP, using the later as standby for additional treatment capacity as needed. Collection system improvements would bring lift stations in compliance with TCEQ rules. It is also proposed to smoke test gravity sewer lines to determine areas needing repair due to Infiltration/Inflow. If there were remaining funds available, improvements would be proposed for sewer line repair identified by smoke testing.

Project Schedule:

Project Task	Schedule Date
Closing	7/1/2016
Engineering Feasibility Report Completion (End of Planning Phase)	9/1/2016
Design Phase Complete	1/1/2017
Start of Construction	3/1/2017
Construction Completion	2/28/2018

Environmental**Section:**Key Issues:

None known at this time.

Environmental Summary:

As set forth in the preliminary information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation. Some portions of the proposed project require regulatory agency coordination. For this reason, the environmental review was segmented.

A Categorical Exclusion (CE) for the following project components has been proposed: (1) smoke testing the existing collection system to identify inflow and infiltration within the system; and (2) rehabilitation of the City of Cameron's 15 Lift Stations to bring them up to TCEQ standards. Pursuant to the requirements of 31 Texas Administrative Code (TAC) §375, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable CE has been issued. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

A full environmental review for the construction of a new 0.99 MGD Wastewater Treatment Plant to replace the existing plant has been proposed. Pursuant to the requirements of 31 Texas Administrative Code (TAC) §375, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable Finding of No Significant Impact (FNSI) has been issued. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.



Project Budget Summary
Cameron
73727 - New WWTP, Lift Station
Improvements, Collection System
Smoke Test

Budget Items	This Commitment	TWDB Funds	Total
Construction			
Construction	\$9,981,194.00	\$9,981,194.00	\$9,981,194.00
Subtotal for Construction	\$9,981,194.00	\$9,981,194.00	\$9,981,194.00
Basic Engineering Services			
Construction Engineering	\$225,000.00	\$225,000.00	\$225,000.00
Design	\$524,000.00	\$524,000.00	\$524,000.00
Planning	\$105,000.00	\$105,000.00	\$105,000.00
Subtotal for Basic Engineering Services	\$854,000.00	\$854,000.00	\$854,000.00
Special Services			
Environmental	\$60,000.00	\$60,000.00	\$60,000.00
Geotechnical	\$15,000.00	\$15,000.00	\$15,000.00
I/I Studies/Sewer Evaluation	\$190,000.00	\$190,000.00	\$190,000.00
Inspection	\$70,000.00	\$70,000.00	\$70,000.00
O&M Manual	\$10,000.00	\$10,000.00	\$10,000.00
Permits	\$25,000.00	\$25,000.00	\$25,000.00
Surveying	\$10,000.00	\$10,000.00	\$10,000.00
Testing	\$10,000.00	\$10,000.00	\$10,000.00
Subtotal for Special Services	\$390,000.00	\$390,000.00	\$390,000.00
Fiscal Services			
Bond Counsel	\$40,000.00	\$40,000.00	\$40,000.00
Financial Advisor	\$100,000.00	\$100,000.00	\$100,000.00
Fiscal/Legal	\$40,000.00	\$40,000.00	\$40,000.00
Loan Origination Fee	\$217,968.00	\$217,968.00	\$217,968.00
Subtotal for Fiscal Services	\$397,968.00	\$397,968.00	\$397,968.00
Contingency			
Contingency	\$1,068,376.00	\$1,068,376.00	\$1,068,376.00
Subtotal for Contingency	\$1,068,376.00	\$1,068,376.00	\$1,068,376.00
Total	\$12,691,538.00	\$12,691,538.00	\$12,691,538.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT
 OF \$12,691,538 TO CITY OF CAMERON
 FROM THE CLEAN WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$12,000,000 CITY OF CAMERON, TEXAS COMBINATION TAX AND SURPLUS
 REVENUE CERTIFICATES OF OBLIGATION,
 PROPOSED SERIES 2016B
 AND
 \$691,538 IN LOAN FORGIVENESS

(16-)

WHEREAS, the City of Cameron (City) has filed an application for financial assistance in the amount of \$12,691,538 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design, and construction of certain wastewater system improvements identified as Project No. 73727; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$12,000,000 City of Cameron, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016B (together with all authorizing documents, (Obligations)), and the execution of a Loan Forgiveness Agreement in the amount of \$691,538, 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 ad valorem taxes and a lien on the surplus revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations; and

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

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; and
5. that the City meets the definition of “Disadvantaged Community” in 31 TAC § 375.1(21) and is therefore eligible for subsidy through the CWSRF.

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

A commitment is made by the TWDB to the City of Cameron for financial assistance in the amount of \$12,691,538 from the Clean Water State Revolving Fund through the TWDB’s proposed purchase of \$12,000,000 City of Cameron, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016B and the execution of a Loan Forgiveness Agreement in the amount of \$691,538. This commitment will expire on November 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 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 and Loan Forgiveness Agreement 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 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:

37. 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;
38. prior to closing, the City shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
39. 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.

APPROVED and ordered of record this 5th day of May, 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 Cameron, Milam County

