

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: August 25, 2016

TEAM MANAGER: Clay Schultz

<b>APPLICANT</b>	City of San Antonio, acting by and through the San Antonio Water System
<b>TYPE OF ASSISTANCE</b>	\$12,500,000 Loan
<b>LEGAL PLEDGE</b>	Junior Lien on the Net Revenues of the Water and Wastewater System

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve by resolution, a request from the City of San Antonio, acting by and through the San Antonio Water System, (Bexar County) for a \$12,500,000 loan from the Drinking Water State Revolving Fund to finance construction phase costs associated with improvements to the 34<sup>th</sup> Street Pump Station.

### PROJECT

34<sup>th</sup> Street Pump Station Improvements  
Project Number 62703

### BACKGROUND

The San Antonio Water System (Utility) was created in 1992 through the consolidation of the City of San Antonio's (City) City Water Board, the City Wastewater Department, and the Alamo Water Conservation and Reuse District. This consolidation created a single utility responsible for managing the City's water, wastewater, stormwater, and reuse systems. The City has a rich history and will be celebrating its 300<sup>th</sup> anniversary in 2018. SAWS provides water and wastewater service to a population of nearly 2.7 million. The requested funding will be used to construct improvements to an existing pump station to bring it into compliance with current standards and address failing electrical systems.

### FINANCIAL

#### Key Issues

Also on the agenda is a request from the City, acting by and through SAWS, for a \$14,360,000 loan from the Clean Water State Revolving Fund. Both proposed loans are included in the attached debt service schedule.

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

### Pledge and Repayment

The City is offering a junior lien pledge on the net revenues of the water and wastewater system for repayment of the debt. This pledge is on parity with the City's previous financial assistance from the Texas Water Development Board (TWDB).

The City's current combined average monthly water and wastewater bill is \$55.29. A rate adjustment is in effect with yearly increases planned through 2020 for capital improvement projects in the long term. The proposed rate increases are not required to facilitate TWDB financing, but will provide additional funding to address aging infrastructure issues, additional water supplies, and to meet other operational requirements. Current rates and chares are sufficient to support existing and proposed debt service.

### Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$2,849,042 over the life of the loan by utilizing the Drinking Water State Revolving Fund (DWSRF) program.

### Internal Risk Score

Staff assigns a 2A to the applicant, and the proposed project to be funded by TWDB. This means that the applicant's payment capacity is strong.

The financial sustainability indicators for the water and wastewater system are strong. These indicators show the short-term and long-term ability to repay the debt. The utility system produces net revenues of 1.36 times the annual debt service requirements for the first year of principal repayment. This coverage level indicates greater flexibility to withstand unexpected expenses or declines in demand while still assuring repayment of debt. Additionally, the long term condition of the system is sound. A measure to show the long-term condition of the system is the asset condition ratio. The applicant's asset condition ratio is 40 years. This shows a high level of reinvestment in the system's long-term assets to generate future revenues.

In addition to scoring high on financial indicators of the utility system, the City also scored high on other indicators showing the overall health of the system. The City has been able to increase its operating revenues, as evidenced by 3.25% overall growth over the last five years. In addition, the City's taxable property has increased steadily over the last five years. This has resulted in a high net taxable assessed valuation per capita of \$61,634.

The City's socioeconomic indicators are higher than the State of Texas (State) overall and indicate a strong and healthy economy. The City's population has increased at an average annual rate of 2.06% since 2010, compared to an increase at an annual rate of 1.60% for the population of the State overall. The average median household income of \$46,317 is 88% of the median for the State overall. The median household income results in a projected household cost factor of 1.43%, which is well below the industry benchmark of 2% of the median household income for water and wastewater service. Unemployment rates are considered low, at 3.4%, which is below the state's overall.

SAWS maintains good liquidity with cash and short-term investments equivalent to 291 days of operating expenses. Any amount over 250 days is considered to be a very high level of liquidity. Adequate liquidity provides greater stability to a utility system by providing the resources needed to cover short-term, unplanned needs.

Debt indicators are moderate, where SAWS has 5.03 times self-supporting debt to operating revenues. A ratio of 2 is considered strong, and above 9 is not recommended. The City's debt that is paid with ad valorem tax revenues is low at 1.60% of the total taxable value of properties in the City. A ratio of 5% is high, and over 12% is not recommended

A risk score of 2A has been assigned based on the applicant's consistent positive operating trends, low debt per capita, and strong liquidity.

## **LEGAL**

### Key Issues

None

### Conditions

Standard tax-exempt, net revenue and DWSRF conditions, and further conditioned as follows:

- Useful life;
- Reserve Fund language as in previous issues;
- Additional bonds test language as in previous issues; and,
- Standard emergency discovery.

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>Responsible Authority</b>	City of San Antonio, acting by and through the San Antonio Water System
<b>Program</b>	Drinking Water State Revolving Fund
<b>Commitment Code</b>	L1000547
<b>Project Number</b>	62703
<b>Intended Use Plan /Fund Year</b>	2016
<b>Fund Number</b>	951
<b>Type of Pledge</b>	2- Revenue
<b>Revenue Pledge Level</b>	Second
<b>Legal Description</b>	\$12,500,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Proposed Series 2016
<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>	2,693,321
<b>Rural</b>	No
<b>Water Connections</b>	376,475
<b>Wastewater Connections</b>	427,602
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	No
<b>Funding Phase Code</b>	Construction
<b>Pre-Design</b>	No
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2A
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	AA
<b>Moody's</b>	Aa2
<b>Fitch</b>	AA
<b>Special Issues</b>	None

**Project Team**

Team Manager	Clay Schultz
Financial Analyst	Hector Estrada
Engineering Reviewer	David Firgens
Environmental Reviewer	Lauren Dill
Attorney	Alexis Lorick

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
San Antonio Water System

34th Street Pump Station

Dos Rios Electrical Rehabilitation

Dated Date: 10/31/2016 Source: DWSRF  
 Delivery Date: 10/31/2016 Insurance: No  
 First Interest: 4/1/2017 Case: -  
 First Principal 10/1/2017 Admin.Fee: \$ 275,061  
 Last Principal: 10/1/2046 Admin. Fee Payment Date: 10/31/2016  
 Fiscal Year End: 12/31 Required Coverage: 1.0

Dated Date: 10/31/2016 Source: CWSRF-NON-EQUIVALENCY  
 Delivery Date: 10/31/2016 Insurance: -  
 First Interest: 4/1/2017 Case: -  
 First Principal 10/1/2017 Admin.Fee: \$ 260,835  
 Last Principal: 10/1/2046 Admin. Fee Payment Date: 10/31/2016  
 Fiscal Year End: 12/31 Required Coverage: 1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$12,500,000 ISSUE				\$14,360,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2017	245,325,000	179,857,461	385,000	0.00%	104,230	489,230	440,000	0.00%	125,659	565,659	180,912,350	1.36
2018	245,325,000	188,181,612	385,000	0.00%	113,362	498,362	440,000	0.00%	136,669	576,669	189,256,643	1.30
2019	245,325,000	191,227,592	385,000	0.00%	113,362	498,362	440,000	0.00%	136,669	576,669	192,302,623	1.28
2020	245,325,000	189,810,720	385,000	0.00%	113,362	498,362	440,000	0.00%	136,669	576,669	190,885,751	1.29
2021	245,325,000	190,547,359	385,000	0.00%	113,362	498,362	440,000	0.00%	136,669	576,669	191,622,390	1.28
2022	245,325,000	191,447,846	385,000	0.00%	113,362	498,362	440,000	0.05%	136,669	576,669	192,522,877	1.27
2023	245,325,000	191,015,423	385,000	0.15%	113,362	498,362	440,000	0.20%	136,449	576,449	192,090,234	1.28
2024	245,325,000	185,424,336	385,000	0.31%	112,785	497,785	440,000	0.36%	135,569	575,569	186,497,689	1.32
2025	245,325,000	183,858,560	385,000	0.45%	111,591	496,591	440,000	0.50%	133,985	573,985	184,929,136	1.33
2026	245,325,000	181,901,613	390,000	0.57%	109,859	499,859	445,000	0.62%	131,785	576,785	182,978,256	1.34
2027	245,325,000	181,021,827	390,000	0.68%	107,636	497,636	445,000	0.73%	129,026	574,026	182,093,488	1.35
2028	245,325,000	182,822,800	395,000	0.77%	104,984	499,984	450,000	0.82%	125,777	575,777	183,898,561	1.33
2029	245,325,000	180,891,541	395,000	0.85%	101,942	496,942	455,000	0.90%	122,087	577,087	181,965,570	1.35
2030	245,325,000	148,463,901	400,000	0.92%	98,585	498,585	460,000	0.97%	117,992	577,992	149,540,478	1.64
2031	245,325,000	145,263,464	405,000	0.99%	94,905	499,905	460,000	1.04%	113,530	573,530	146,336,899	1.68
2032	245,325,000	144,509,911	405,000	1.05%	90,895	495,895	465,000	1.10%	108,746	573,746	145,579,552	1.69
2033	245,325,000	142,201,005	410,000	1.11%	86,643	496,643	470,000	1.16%	103,631	573,631	143,271,279	1.71
2034	245,325,000	142,975,695	415,000	1.17%	82,092	497,092	480,000	1.22%	98,179	578,179	144,050,966	1.70
2035	245,325,000	174,867,160	420,000	1.23%	77,236	497,236	485,000	1.28%	92,323	577,323	175,941,719	1.39
2036	245,325,000	141,331,266	425,000	1.28%	72,070	497,070	490,000	1.33%	86,115	576,115	142,404,451	1.72
2037	245,325,000	136,853,260	430,000	1.33%	66,630	496,630	495,000	1.38%	79,598	574,598	137,924,488	1.78
2038	245,325,000	135,888,465	435,000	1.38%	60,911	495,911	505,000	1.43%	72,767	577,767	136,962,143	1.79
2039	245,325,000	121,496,636	445,000	1.41%	54,908	499,908	510,000	1.46%	65,546	575,546	122,572,090	2.00
2040	245,325,000	117,619,970	450,000	1.43%	48,634	498,634	520,000	1.48%	58,100	578,100	118,696,703	2.07
2041	245,325,000	93,890,244	455,000	1.46%	42,199	497,199	525,000	1.51%	50,404	575,404	94,962,846	2.58
2042	245,325,000	46,383,516	460,000	1.48%	35,556	495,556	535,000	1.53%	42,476	577,476	47,456,548	5.17
2043	245,325,000	40,657,158	470,000	1.49%	28,748	498,748	540,000	1.54%	34,291	574,291	41,730,196	5.88
2044	245,325,000	28,735,715	475,000	1.50%	21,745	496,745	550,000	1.55%	25,975	575,975	29,808,434	8.23
2045	245,325,000	16,869,637	485,000	1.51%	14,620	499,620	560,000	1.56%	17,450	577,450	17,946,706	13.67
2046	245,325,000	7,515,672	480,000	1.52%	7,296	487,296	555,000	1.57%	8,714	563,714	8,566,682	28.64
		\$ 4,203,531,365	\$ 12,500,000		\$ 2,416,865	\$ 14,916,865	\$ 14,360,000		\$ 2,899,511	\$ 17,259,511	\$ 4,235,707,741	

\$12,500,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	16.07 YEARS
NET INTEREST RATE	1.203%
COST SAVINGS	\$2,849,042
AVERAGE ANNUAL REQUIREMENT	\$497,229

\$14,360,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	16.11 YEARS
NET INTEREST RATE	1.253%
COST SAVINGS	\$ 3,150,382
AVERAGE ANNUAL REQUIREMENT	\$575,317

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$141,190,258

This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable



**San Antonio Water System  
62703 34th Street Pump Station Improvements  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

None.

Project Need/Description

**Project Need:** The San Antonio Water System (SAWS) has experienced problems with the 34th Street Pump Station due to aging, obsolete, and unserviceable materials, equipment, and components. Improvements are needed to help bring the pump station into compliance with current standards and to address failing electrical systems.

**Project Description:** The San Antonio Water System (SAWS) is requesting construction funding to improve the 34th Street Pump Station. The improvements and upgrades include: 1) replacing the existing 3 million gallons per day (MGD) pump with a 6 MGD pump and discharge valves and piping; 2) installation of new chemical storage and feed facilities; 3) replacing valves and yard piping around the existing pressure reducing valve and around the existing chemical injection vault; and, 4) installation of a new control system.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	10/31/2016
Design Phase Complete	8/29/2016
Engineering Feasibility Report Completion (End of Planning Phase)	9/30/2016
Start of Construction	10/1/2016
Construction Completion	3/31/2018

**Environmental Section:**

Key Issues:

None.

Environmental Summary:

A Categorical Exclusion (CE) for this project was issued on April 28, 2016. As required by 31 Texas Administrative Code (TAC) Chapter 371.41, Subchapter E, environmental review of the proposed project has been completed. The proposed project is in compliance with the National Environmental Policy Act. Prior to construction activities located in the 100-year floodplain zone, SAWS shall obtain a Floodplain Management Development Permit and maintain compliance with its special provisions.

Budget Items	This Commitment	Total
<b>Construction</b>		
Construction	\$11,808,000.00	\$11,808,000.00
<b>Subtotal for Construction</b>	<b>\$11,808,000.00</b>	<b>\$11,808,000.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$23,000.00	\$23,000.00
Financial Advisor	\$18,750.00	\$18,750.00
Issuance Costs	\$369,000.00	\$369,000.00
Loan Origination Fee	\$281,250.00	\$281,250.00
<b>Subtotal for Fiscal Services</b>	<b>\$692,000.00</b>	<b>\$692,000.00</b>
<b>Total</b>	<b>\$12,500,000.00</b>	<b>\$12,500,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$12,500,000 TO THE CITY OF SAN ANTONIO  
ACTING BY AND THROUGH  
THE SAN ANTONIO WATER SYSTEM  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$12,500,000 CITY OF SAN ANTONIO, TEXAS  
WATER SYSTEM JUNIOR LIEN REVENUE BONDS,  
PROPOSED SERIES 2016

(16- )

WHEREAS, the City of San Antonio, acting by and through the San Antonio Water System (SAWS), located in Bexar County, (City) has filed an application for financial assistance in the amount of \$12,500,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the of certain water system improvements identified as Project No. 62703; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$12,500,000 City of Antonio, Texas Water System Junior Lien Revenue Bonds, 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 a junior lien on its system's net revenues on parity with other junior lien pledges as sufficient security for the repayment of the Obligations;

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 SAWS, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the SAWS, as the retail public utility owned by 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 TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the SAWS and filed with the TWDB in accordance with Texas Water Code § 16.053(j); and
6. that the Executive Administrator issued a Categorical Exclusion on April 28, 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 San Antonio, acting by and through the San Antonio Water System, for financial assistance in the amount of \$12,500,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$12,500,000, City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Proposed Series 2016. This commitment will expire on August 31, 2017.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371;
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 or SAWS, as applicable, 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 SAWS 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 SAWS 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 SAWS 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 SAWS, 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, SAWS or the City, as applicable, 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, SAWS 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, SAWS 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 SAWS execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
15. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

#### Conditions Related To Tax-Exempt Status

16. 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;
17. 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;
18. the Obligations must include a provision prohibiting SAWS or the City, as applicable, 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);
19. 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;

20. 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;
21. 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;
22. 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;
23. 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;
24. 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;

25. 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

26. SAWS shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
27. 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. SAWS, 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;
28. the Obligations must include a provision stating that the SAWS 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. SAWS or the City, as applicable, shall obtain a Data Universal Numbering SAWS (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
29. 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 SAWS will adhere to the approved project schedule;
30. the Obligations must contain a covenant that SAWS 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;

#### Drinking Water State Revolving Fund Conditions

31. prior to or at closing, the City shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;
32. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that SAWS has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;

33. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the SAWS must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

Pledge Conditions for the Loan

34. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
35. if SAWS or the City, as applicable, has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
36. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:
  - a. the Chief Financial Officer of the City (or other official of the City having primary responsibility for the fiscal affairs of the City) shall have executed a certificate stating that (i) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any additional obligations secured by the same pledge as offered to secure the Obligations to satisfy the City's then outstanding additional debt, the City is not then in default as to any covenant, obligation, or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the net revenues of the system and (ii) all payments into the special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the net revenues of the system have been duly made and that the amounts on deposit in such special funds or accounts are the amount then required to be deposited therein;
  - b. the City has secured from a certified public accountant a certificate or opinion to the effect that, according to the books and records of the City, the net revenues of the system, for the preceding fiscal year, or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the additional obligations secured by the same pledge as these Obligations, are at least equal to 1.25 times the average annual debt service requirements for the payment of principal or and interest on all outstanding junior lien obligations after giving effect to the additional debt secured by the same pledge then proposed. In making a determination of net revenues, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the system that became effective at least sixty (60) days prior to the last day of the period for which net revenues are to be determined and, for purposes of satisfying the above net revenues test, make a pro forma determination of net revenues for the period of time covered by his certification or opinion based on such change in

rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

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

Special Conditions:

37. prior to the release of funds, SAWS shall provide 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; and
38. SAWS 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 25<sup>th</sup> day of August, 2016.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Bech K. Bruun, Chairman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Jeff Walker  
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.

# San Antonio Water System, Bexar County

