



PROJECT FUNDING REQUEST

BOARD DATE: September 22, 2016

TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	Coryell City Water Supply District
TYPE OF ASSISTANCE	\$2,000,000 Loan
LEGAL PLEDGE	First lien on the net revenues of the waterworks system

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the Coryell City Water Supply District (Bosque, Coryell, Hamilton, and McLennan Counties) for a \$2,000,000 loan from the Drinking Water State Revolving Fund to finance the planning, design and construction of a waterline replacement project, and a request for a waiver from the requirement to include funds to mitigate water loss as part of this project.

PROJECT

Water System Improvements for Water Loss
Project Number 62705

BACKGROUND

The Coryell City Water Supply District (District) serves an area located approximately ten miles northeast of the City of Gatesville. Historically, the area served as one of seven forts established in Texas after the Mexican-American War. Fort Gates was established outside the City to provide protection to the local settlers.

The District proposes to replace approximately 10 miles of aged, corroded, and undersized water mains. The new water mains will allow the District to maintain required flow, pressure, and reduce unaccounted for water loss from leaking pipes.

FINANCIAL

Key Issues

None.

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

Pledge and Repayment

The District is pledging a first lien on the net revenues of the water system for the repayment of the proposed loan. The utility system generates approximately \$162,724 in net revenues available for debt service, which provides 1.39 times coverage of the annual existing and proposed debt service during the first year of principal repayment on the proposed debt. This is a strong coverage ratio.

Cost Savings

Based on a 20-year maturity and current interest rates, the District could save approximately \$414,346 in interest costs over the life of the loan.

Internal Risk Score

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

The District scores high on one of the short-term indicators of financial sustainability, but not as strongly with indicators of reinvestment in the utility system. As previously indicated, the District currently generates sufficient revenues for the proposed debt service. Despite the good debt service coverage, the District's cash balance has been nearly level for the past 5 years and reinvestment in infrastructure has been low with an estimated nine years of useful life remaining. Assets with a useful life of 12 to 24 years is considered typical.

The District maintains a relatively low level of debt, which is a significant reason why the District has a strong debt service coverage ratio. It also reduces the level of risk associated with the proposed financing. The District's debt is 1.73 times the operating revenues of the system. Less than 2.00 times is considered to be a very low debt level.

In addition to having a low level of debt, the District's average monthly water bill of \$58.00 is relatively high, representing 1.26% of the estimated median household income of the service area. The industry standard is 1% of the median household for a single utility service. However, because the District can not charge a tax rate, all expenses related to the system are paid with direct system rates. Municipalities typically pay some utility system expenses with a separate tax rate that is not reflected in the average monthly water bill.

The District's service area includes portions of four counties west of Waco. Based on data from the census tracts in the District's service area, the estimated median household is \$55,354, which is 105% of the median household for the State.

Considering these additional factors, the District's rates are assessed as being high. The District is likely to have some pricing flexibility with the capacity for moderate additional rate increases. The District increased the average monthly bill for its customers in 2014 by \$5.00.

The area served by the District has grown slowly and maintained an unemployment rate similar to the State overall. The major employer in the region is the Texas Department of Criminal Justice, which operates five prisons locally with approximately 8,500 total inmates.

The District maintains a moderate level of liquidity, with cash and short-term investments equivalent to 119 days of operating expenses. An amount over 150 days is considered to be a high level of liquidity. Adequate liquidity provides greater stability to a utility system by providing the resources needed to cover short-term, unplanned needs.

The District generates revenues within the utility system that exceed the debt service requirements of the debt with a pledge of utility system revenues. For the past five years the District's cash balance has been stable, but there's been a low level of reinvestment in its infrastructure. A positive aspect of the low level of reinvestment is that the District utilizes a low amount of debt. The service area of the District is growing slowly and maintaining an unemployment level similar to the State overall. The economic region has stable employment in State-operated correctional facilities. Based on an assessment of the financial stability, socioeconomic conditions, liquidity and debt level of the applicant, the District is assigned a risk score of 2B.

LEGAL

Key Issues

None.

Conditions

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

- Conversion and conveyance; and
- Adopt a water conservation plan.

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	Coryell City Water Supply District
Program	Drinking Water State Revolving Fund
Commitment Code	L1000544
Project Number	62705
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$2,000,000 System Revenue Bonds, Proposed Series 2016
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	5,412
Rural	Yes
Water Connections	1,792
Wastewater Connections	0
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
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	Approvable
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Coryell City Water Supply District
\$2,000,000 System Revenue Bonds, Proposed Series 2016

<p>Dated Date: 12/1/2016 Delivery Date: 12/1/2016 First Interest: 4/1/2017 First Principal: 10/1/2018 Last Principal: 10/1/2037 Fiscal Year End: 08/31 Required Coverage: 1.0</p>	<p>Source: DWSRF Rate: 1.25% Insurance: - Case: - Admin.Fee: \$ 44,010 Admin. Fee Payment Date: 12/1/2016</p>
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FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$2,000,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	162,724	67,065	-	0.00%	8,333	8,333	75,398	2.16
2018	162,724	67,065	-	0.00%	25,000	25,000	92,065	1.77
2019	162,724	67,065	25,000	1.25%	24,844	49,844	116,909	1.39
2020	162,724	67,065	50,000	1.25%	24,375	74,375	141,440	1.15
2021	162,724	44,652	90,000	1.25%	23,500	113,500	158,152	1.03
2022	162,724	-	90,000	1.25%	22,375	112,375	112,375	1.45
2023	162,724	-	95,000	1.25%	21,219	116,219	116,219	1.40
2024	162,724	-	95,000	1.25%	20,031	115,031	115,031	1.41
2025	162,724	-	95,000	1.25%	18,844	113,844	113,844	1.43
2026	162,724	-	100,000	1.25%	17,625	117,625	117,625	1.38
2027	162,724	-	100,000	1.25%	16,375	116,375	116,375	1.40
2028	162,724	-	105,000	1.25%	15,094	120,094	120,094	1.35
2029	162,724	-	105,000	1.25%	13,781	118,781	118,781	1.37
2030	162,724	-	110,000	1.25%	12,438	122,438	122,438	1.33
2031	162,724	-	110,000	1.25%	11,063	121,063	121,063	1.34
2032	162,724	-	110,000	1.25%	9,688	119,688	119,688	1.36
2033	162,724	-	115,000	1.25%	8,281	123,281	123,281	1.32
2034	162,724	-	115,000	1.25%	6,844	121,844	121,844	1.34
2035	162,724	-	120,000	1.25%	5,375	125,375	125,375	1.30
2036	162,724	-	120,000	1.25%	3,875	123,875	123,875	1.31
2037	162,724	-	125,000	1.25%	2,344	127,344	127,344	1.28
2038	162,724	-	125,000	1.25%	781	125,781	125,781	1.29
		\$ 312,912	\$ 2,000,000		\$ 312,083	\$ 2,312,083	\$ 2,624,995	

AVERAGE (MATURITY) LIFE	12.48 YEARS
NET INTEREST RATE	1.250%
COST SAVINGS	\$414,346
AVERAGE ANNUAL REQUIREMENT	\$119,318



**Coryell City WSD
62705 Water System Improvements for
Water Loss Reduction
Engineering and Environmental Review**

Engineering:Key Issues:

None known at this time.

Project Need/Description

Project Need: Coryell City Water Supply District (District) is experiencing high water loss and pressure issues within its aging and undersized distribution system.

Project Description: This proposed project will replace approximately 10 miles of deteriorated distribution water line with new poly vinyl chloride (PVC) mains. The new line will be designed to maintain required flow and pressure and should help the District reduce water losses.

Project Schedule:

Project Task	Schedule Date
Closing	12/1/2016
Engineering Feasibility Report Completion (End of Planning Phase)	1/1/2017
Design Phase Complete	3/1/2017
Start of Construction	11/1/2017
Construction Completion	3/1/2018

Environmental Section:Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for this project has been proposed. Pursuant to the requirements of 31 Texas Administrative Code (TAC) §371.41, 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.

Project Budget Summary
Coryell City WSD
62705 - Water System Improvements for
Water Loss Reduction

Budget Items	2016 TWDB Funds	Total
Construction		
Construction	\$1,400,000.00	\$1,400,000.00
Subtotal for Construction	\$1,400,000.00	\$1,400,000.00
Basic Engineering Services		
Construction Engineering	\$45,000.00	\$45,000.00
Design	\$125,000.00	\$125,000.00
Subtotal for Basic Engineering Services	\$170,000.00	\$170,000.00
Special Services		
Environmental	\$30,000.00	\$30,000.00
Inspection	\$65,000.00	\$65,000.00
Surveying	\$80,000.00	\$80,000.00
Subtotal for Special Services	\$175,000.00	\$175,000.00
Fiscal Services		
Bond Counsel	\$30,000.00	\$30,000.00
Financial Advisor	\$36,000.00	\$36,000.00
Issuance Costs	\$13,500.00	\$13,500.00
Loan Origination Fee	\$44,010.00	\$44,010.00
Subtotal for Fiscal Services	\$123,510.00	\$123,510.00
Contingency		
Contingency	\$131,490.00	\$131,490.00
Subtotal for Contingency	\$131,490.00	\$131,490.00
Total	\$2,000,000.00	\$2,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT
OF \$2,000,000 TO CORYELL CITY WATER SUPPLY DISTRICT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$2,000,000 CORYELL CITY WATER SUPPLY DISTRICT UTILITY SYSTEM
REVENUE BONDS, PROPOSED SERIES 2016

(16-)

WHEREAS, the Coryell City Water Supply District (District) has filed an application for financial assistance in the amount of \$2,000,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design and construction of certain water system improvements identified as Project No. 62705; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$2,000,000 Coryell City Water Supply District Utility System 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 District has offered a pledge of a first lien on the net revenues of the water supply system 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 District requests a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the District's system water loss because the District initiated a meter replacement program in 2015 and completed it in June 2016 that addresses the District's apparent water loss; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, 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 District has submitted a proposed program of water conservation 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 District and filed with the TWDB in accordance with Texas Water Code § 16.053(j); and
6. that based on the conditions, as described above, that the District is satisfactorily addressing the District's system water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the District's system water loss in accordance with Texas Water Code § 16.0121(g).

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

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g); and
2. A commitment is made by the TWDB to the Coryell City Water Supply District for financial assistance in the amount of \$2,000,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$2,000,000 Coryell City Water Supply District Utility System Revenue Bonds, Proposed Series 2016. This commitment will expire on September 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 District;
3. this commitment is contingent upon the District'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 District, 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 District'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 District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the District 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 District 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 District 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 District 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 District, 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 District 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 District 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 District 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 District 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 District'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 District when rendering this opinion;
17. the District'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 District when rendering this opinion;
18. the Obligations must include a provision prohibiting the District 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 District 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 District 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 District may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the District, provided that the District 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 District 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 District 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 District 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 District’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 District 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 District by the TWDB;

State Revolving Fund Conditions

26. the District 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. The District, 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 District 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 District 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;
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 the District will adhere to the approved project schedule;
30. The Obligations must contain a covenant that the District 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 District 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 the District 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 District 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 the District 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 net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the District certifies that the District is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the District must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

37. prior to closing, the District shall adopt and implement the water conservation program approved by the TWDB;
38. the District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility; and
39. the Obligations must include a provision requiring that, prior to any action by the District to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

APPROVED and ordered of record this 22nd day of September, 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
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.

**Coryell City WSD,
Coryell County**

