PROJECT FUNDING REQUEST

BOARD DATE: January 11, 2018 TEAM MANAGER: Dain Larsen

APPLICANT	City of Llano
TYPE OF ASSISTANCE	$3,390,000 Certificates of Obligation
LEGAL PLEDGE	$3,390,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A

STAFF RECOMMENDATION
☒ Approve ☐ No Action

ACTION REQUESTED
Approve by resolution, a request from the City of Llano (Llano County) for a $3,390,000 loan from the Clean Water State Revolving Fund for construction of a wastewater system improvements project.

PROJECT
Main Street Trunk Line Replacement
Project Number 73779

BACKGROUND
The City of Llano (City) is located 65 miles northwest of the City of Austin. In June 2016, the City experienced a gravity sewer main collapse, which caused sewage backup along Oatman Street and East Haynie Street. The City plans to regrade and replace over 7,000 feet of sewer main pipe and replace manholes in this area.

The project will result in increased system reliability through the replacement of deteriorating concrete piping, replacement of manholes, and the upsizing of lines that do not meet current system demand, and will reduce the occurrence of inflow and infiltration in the City's collection system.

FINANCIAL
Key Issues
In addition to this request, the January 11, 2018 agenda includes another Clean Water State Revolving Fund (CWSRF) and a Drinking Water State Revolving Fund request. The proposed loans for all three projects are considered in the financial analysis and the attached debt service schedules.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE JANUARY 31, 2019.

Pledge and Repayment

The City is pledging ad valorem taxes and surplus revenues of the City's combined utility system of electricity, water, wastewater, and other miscellaneous utility sales for the repayment of the proposed loans. The utility system generates approximately $1,737,303 million in net revenues available for debt service. Combined with interest & sinking fund revenues of approximately $482,432, this provides 2.59 times coverage of the annual existing and proposed debt service during the first year of principal repayment on the proposed debt. Approximately 60 percent of the utility system revenues are from electricity sales, 28 percent from water and wastewater sales, and 12 percent is from all other utility sales.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately $592,587 over the life of the CWSRF financing.

Internal Risk Score

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

The results of the City's financial sustainability indicators are strong. These more heavily weighted risk score indicators show the City's short-term and long-term ability to repay the debt. The revenues available for debt service provide a high coverage ratio, representing 2.59 times the current and proposed debt service in the first year of principal repayment. In addition, the level of reinvestment in the assets of the utility's infrastructure is moderately high with an asset condition ratio of 29 years. An asset condition ratio of 25 to 75 years is considered strong.

The City's socioeconomic indicators are lower than the State of Texas (state) overall. The City's population has increased at an average annual rate of 0.5 percent since 2010, compared to an increase at an annual rate of 1.08 percent for the population of the state overall. The City's median household income is $35,950, which is 68 percent of the median for the state overall. The average, unadjusted unemployment rate for Llano County was 3.5 percent in September 2017, compared to 4 percent in the state overall.

The current utility system rates are high with a household cost factor of 4.92 percent for water and wastewater services. The industry benchmark for the household cost factor is 2 percent for the two services.

The City currently has outstanding debt with a net direct debt to total assessed valuation ratio of 2.90 percent. A range of 2 percent to 4.99 percent is considered a typical level of debt. The proposed debt will be supported by the utility system. Including the proposed debt, the utility system's self-supporting debt compared to operating revenues is low at 1.57. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems.

The system maintains typical reserves with unrestricted cash and short-term investments of approximately 86 days of the operating expenses of the utility system. Any amount between 30 and 150 days is considered a moderate level of liquidity.

Financial operations of the utility system are sound with increasing net revenues and ample reserves. The City's debt burden will remain low with the proposed financing. A low unemployment rate, managed system rate increases, and a strong pledge further support the assigned risk score of 2A.

LEGAL

Key Issues

None.

Conditions

Standard CWSRF, tax-exempt, and tax and surplus revenue conditions.

Attachments:
1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (18-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	City of Llano
Program	Clean Water State Revolving Fund
Commitment Code	L1000685
Project Number	73779
Intended Use Plan Year	2018
Fund Number	651
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	$3,390,000 City of Llano Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow
Population	3,313
Rural	Yes
Water Connections	1,756
Wastewater Connections	1,369
Qualifies as Disadvantaged	Yes
Disadvantaged Level	9
Clean Water State Revolving Fund Type	Equivalency
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2A
External Ratings (for SRF rates)	
Standard and Poor's	A+
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None.

Project Team

Team Manager	Dain Larsen
Financial Analyst	Hector Estrada
Engineering Reviewer	Sara Sopczynski
Environmental Reviewer	Kristin Miller
Attorney	Alexis Lorick

Attachment 2

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Llano

City of Llano, $3,390,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A

Dated Date:	**5/1/2018**	**Source:**	**CWSRF-EQUIVALENCY**
Delivery Date:	**5/1/2018**	**Rate:**	**1.00%**
First Interest:	**8/15/2018**	**Insurance:**	**No**
First Principal	**8/15/2018**	**Case:**	**-**
Last Principal:	**8/15/2037**	**Admin.Fee:**	**$58,305**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**5/1/2018**
Required Coverage:	**1.1**	**Total Assessed Valuation:**	**$178,678,444**

City of Llano, $630,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018C

Dated Date:	**5/1/2018**	**Source:**	**CWSRF-EQUIVALENCY**
Delivery Date:	**5/1/2018**	**Rate:**	**1.00%**
First Interest:	**8/15/2018**	**Insurance:**	**-**
First Principal	**8/15/2018**	**Case:**	**-**
Last Principal:	**8/15/2037**	**Admin.Fee:**	**$10,835**
Fiscal Year End:	**9/30**	**Admin. Fee Payment Date:**	**5/1/2018**
Required Coverage:	**1.1**		

FISCAL YEAR	CURRENT TAX 0.3	REQUIRED TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	$3,390,000 ISSUE PRINCIPAL PAYMENT	$3,390,000 ISSUE INTEREST RATE	$3,390,000 ISSUE INTEREST PAYMENT	$3,390,000 ISSUE TOTAL PAYMENT	$630,000 ISSUE PRINCIPAL PAYMENT	$630,000 ISSUE INTEREST RATE	$630,000 ISSUE INTEREST PAYMENT	$630,000 ISSUE TOTAL PAYMENT	$890,000 ISSUE TOTAL PAYMENT	TOTAL DEBT SERVICE	ACTUAL COVERAGE
2018	0.300	$482,432	$1,737,303	$2,219,735	$577,865	$180,000	1.00%	$9,793	$189,793	$35,000	1.00%	$1,820	$36,820	$53,857	$858,335	2.59
2019	0.300	482,432	1,737,303	2,219,735	576,615	130,000	1.00%	32,100	162,100	25,000	1.00%	5,950	30,950	45,920	815,585	2.72
2020	0.300	482,432	1,737,303	2,219,735	478,445	130,000	1.00%	30,800	160,800	25,000	1.00%	5,700	30,700	45,465	715,410	3.10
2021	0.300	482,432	1,737,303	2,219,735	563,295	135,000	1.00%	29,500	164,500	25,000	1.00%	5,450	30,450	45,010	803,255	2.76
2022	0.300	482,432	1,737,303	2,219,735	528,347	140,000	1.00%	28,150	168,150	25,000	1.00%	5,200	30,200	44,555	771,252	2.88
2023	0.300	482,432	1,737,303	2,219,735	505,813	145,000	1.00%	26,750	171,750	25,000	1.00%	4,950	29,950	49,100	756,613	2.93
2024	0.300	482,432	1,737,303	2,219,735	490,393	150,000	1.00%	25,300	175,300	25,000	1.00%	4,700	29,700	48,580	743,973	2.98
2025	0.300	482,432	1,737,303	2,219,735	501,912	155,000	1.00%	23,800	178,800	30,000	1.00%	4,450	34,450	48,060	763,222	2.91
2026	0.300	482,432	1,737,303	2,219,735	494,513	155,000	1.00%	22,250	177,250	30,000	1.00%	4,150	34,150	47,540	753,453	2.95
2027	0.300	482,432	1,737,303	2,219,735	491,913	160,000	1.00%	20,700	180,700	30,000	1.00%	3,850	33,850	47,020	753,483	2.95
2028	0.300	482,432	1,737,303	2,219,735	493,913	165,000	1.00%	19,100	184,100	30,000	1.00%	3,550	33,550	51,500	763,063	2.91
2029	0.300	482,432	1,737,303	2,219,735	485,363	170,000	1.00%	17,450	187,450	30,000	1.00%	3,250	33,250	50,915	756,978	2.93
2030	0.300	482,432	1,737,303	2,219,735	486,613	175,000	1.00%	15,750	190,750	35,000	1.00%	2,950	37,950	50,330	765,643	2.90
2031	0.300	482,432	1,737,303	2,219,735	487,313	180,000	1.00%	14,000	194,000	35,000	1.00%	2,600	37,600	54,745	773,658	2.87
2032	0.300	482,432	1,737,303	2,219,735	482,463	190,000	1.00%	12,200	202,200	35,000	1.00%	2,250	37,250	54,095	776,008	2.86
2033	0.300	482,432	1,737,303	2,219,735	487,213	195,000	1.00%	10,300	205,300	35,000	1.00%	1,900	36,900	53,445	782,858	2.84
2034	0.300	482,432	1,737,303	2,219,735	481,213	200,000	1.00%	8,350	208,350	35,000	1.00%	1,550	36,550	52,795	778,908	2.85
2035	0.300	482,432	1,737,303	2,219,735	479,563	205,000	1.00%	6,350	211,350	40,000	1.00%	1,200	41,200	57,145	789,258	2.81
2036	0.300	482,432	1,737,303	2,219,735	252,350	210,000	1.00%	4,300	214,300	40,000	1.00%	800	40,800	56,430	563,880	3.94
2037	0.300	482,432	1,737,303	2,219,735	113,575	220,000	1.00%	2,200	222,200	40,000	1.00%	400	40,400	55,715	431,890	5.14
				$44,394,696	$9,458,690	$3,390,000		$359,143	$3,749,143	$630,000		$66,670	$696,670	$1,012,222	$15,295,273	

*DWSRF loan included for capacity calculation purposes under column listed "$890,000 Issue"

$3,390,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	10.59 YEARS
NET INTEREST RATE	1.000%
COST SAVINGS	$592,587
AVERAGE ANNUAL REQUIREMENT	$187,457

$630,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	10.58 YEARS
NET INTEREST RATE	1.000%
COST SAVINGS	$110,006
AVERAGE ANNUAL REQUIREMENT	$34,834

TOTAL AVERAGE ANNUAL REQUIREMENTS
$764,764

Disclaimer: 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.

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Llano

City of Llano, $890,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018B

		Source:	**DWSRF**
Dated Date:	**5/1/2018**	**Rate:**	**1.30%**
Delivery Date:	**5/1/2018**	**Insurance:**	**-**
First Interest:	**8/15/2018**	**Case:**	**-**
First Principal	**8/15/2018**	**Admin.Fee:**	**$18,732**
Last Principal:	**8/15/2037**	**Admin. Fee Payment Date:**	**5/1/2018**
Fiscal Year End:	**09/30**	**Total Assessed Valuation:**	**$178,678,444**
Required Coverage:	**1.1**		

	$890,000 ISSUE				
FISCAL YEAR	**PRINCIPAL PAYMENT**	**INTEREST RATE**	**INTEREST PAYMENT**	**TOTAL PAYMENT**	**TOTAL DEBT SERVICE**
2018	$50,000	1.30%	$3,342	$53,342	$53,342
2019	35,000	1.30%	10,920	45,920	45,920
2020	35,000	1.30%	10,465	45,465	45,465
2021	35,000	1.30%	10,010	45,010	45,010
2022	35,000	1.30%	9,555	44,555	44,555
2023	40,000	1.30%	9,100	49,100	49,100
2024	40,000	1.30%	8,580	48,580	48,580
2025	40,000	1.30%	8,060	48,060	48,060
2026	40,000	1.30%	7,540	47,540	47,540
2027	40,000	1.30%	7,020	47,020	47,020
2028	45,000	1.30%	6,500	51,500	51,500
2029	45,000	1.30%	5,915	50,915	50,915
2030	45,000	1.30%	5,330	50,330	50,330
2031	50,000	1.30%	4,745	54,745	54,745
2032	50,000	1.30%	4,095	54,095	54,095
2033	50,000	1.30%	3,445	53,445	53,445
2034	50,000	1.30%	2,795	52,795	52,795
2035	55,000	1.30%	2,145	57,145	57,145
2036	55,000	1.30%	1,430	56,430	56,430
2037	55,000	1.30%	715	55,715	55,715
	$890,000		$121,707	$1,011,707	$1,011,707

AVERAGE (MATURITY) LIFE	**10.52 YEARS**
NET INTEREST RATE	**1.300%**
COST SAVINGS	**$ 126,389**
AVERAGE ANNUAL REQUIREMENT	**$50,585**

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Llano
73779 Main Street Trunk Line Replacement
Engineering and Environmental Review

Engineering:

Key Issues:

The project area will likely include granite in the subgrade. The project budget includes a 20 percent contingency and an additional $568,580 for the cost of granite digging in the project area.

Project Need/Description

Project Need: In June 2016, the City of Llano (City) experienced a gravity sewer main collapse, which caused sewage backup along Oatman Street and East Haynie Street. The City also intends to reduce inflow and infiltration problems in this area.

Project Description: The City plans to regrade and replace over 7,000 feet of sewer main pipe and replace 30 wastewater manholes. The project will result in increased system reliability through the replacement of deteriorating concrete piping, replacement of manholes, and the upsizing of lines that do not meet current system demand. The project will also reduce the occurrence of inflow and infiltration in the City's collection system. Under a separate project, the City also requests Drinking Water State Revolving Fund financing to replace an asbestos concrete waterline in the same project area.

Project Schedule:

Project Task	Schedule Date
Closing	5/1/2018
Design Phase Complete	5/1/2018
Engineering Feasibility Report Completion (End of Planning Phase)	3/1/2018
Start of Construction	7/1/2018
Construction Completion	4/1/2019

Environmental Section:

Key Issues:

None.

Environmental Summary:

As set forth in the preliminary environmental 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.

Pursuant to the requirements of 31 Texas Administrative Code § 375.61 all financial assistance shall be conditioned to read that funding for construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental determination has been issued.

Texas Water Development Board

Project Budget Summary

Llano

73779 - Main Street Trunk Line Replacement

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	$2,297,240.00	$0.00	$2,297,240.00
Subtotal for Construction	**$2,297,240.00**	**$0.00**	**$2,297,240.00**
Basic Engineering Services			
Construction Engineering	$0.00	$25,000.00	$25,000.00
Design	$0.00	$120,000.00	$120,000.00
Planning	$0.00	$25,000.00	$25,000.00
Subtotal for Basic Engineering Services	**$0.00**	**$170,000.00**	**$170,000.00**
Special Services			
Application	$0.00	$18,000.00	$18,000.00
Surveying	$0.00	$30,000.00	$30,000.00
Subtotal for Special Services	**$0.00**	**$48,000.00**	**$48,000.00**
Fiscal Services			
Bond Counsel	$0.00	$27,175.00	$27,175.00
Financial Advisor	$0.00	$30,000.00	$30,000.00
Fiscal/Legal	$0.00	$4,455.00	$4,455.00
Issuance Costs	$0.00	$2,970.00	$2,970.00
Loan Origination Fee	$58,305.00	$0.00	$58,305.00
Subtotal for Fiscal Services	**$58,305.00**	**$64,600.00**	**$122,905.00**
Contingency			
Contingency	$1,034,455.00	$0.00	$1,034,455.00
Subtotal for Contingency	**$1,034,455.00**	**$0.00**	**$1,034,455.00**
Total	$3,390,000.00	$282,600.00	$3,672,600.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
$3,390,000 TO THE CITY OF LLANO, TEXAS
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
$3,390,000 CITY OF LLANO, TEXAS, COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2018A

(18-)

WHEREAS, the City of Llano, Texas (City), located in Llano County, has filed an application for financial assistance in the amount of $3,390,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73779; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of $3,390,000 City of Llano, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018A (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 ad valorem tax and surplus revenues of the City's utility system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and 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; and

4. that the City has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007.

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

A commitment is made by the TWDB to the City of Llano, Texas for financial assistance in the amount of $3,390,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of $3,390,000 City of Llano, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018A. This commitment will expire on January 31, 2019.

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 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 remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds;

8. 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 and completion of a final accounting 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) deposit into a reserve fund;

9. 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;

10. 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;

11. 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;

12. 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;

13. 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;

14. 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;

15. 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:

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 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);

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. the City 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 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;

28. 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;

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 City will adhere to the approved project schedule;

30. the Obligations must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products

produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;

31. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq*. related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;

32. 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 projected useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions:

33. prior to or at closing, the City shall pay a 1.75% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375 and the applicable Intended Use Plan;

34. 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;

35. 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;

36. 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.* and 33 U.S.C. § 1382(b)(14).

Pledge Conditions for the Loan:

37. 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.

APPROVED and ordered of record this 11th day of January 2018.

TEXAS WATER DEVELOPMENT BOARD

_____
Peter Lake
Authorized Representative of the
Texas Water Development Board

DATE SIGNED: _____

ATTEST:

_____
Jeff Walker
Executive Administrator

WATER CONSERVATION REVIEW

Entity: City of Llano

Review date: October 2017

WATER CONSERVATION PLAN DATE: June 2014 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline	216	101	27	13
5-year Goal	205	96	24	12
10-year Goal	194	91	20	10

WATER LOSS AUDIT YEAR: 2016

Total water loss (GPCD): 7 Total water loss (percent): 4 Wholesale Water ☐

Total no. of connections: 1,782 Length of mains (miles): 53 Connections per mile: 34

If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (*ILI*): NA

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 :	NA	NA	NA	NA	NA	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	NA	NA	NA	NA	NA	NA

Does the applicant meet Water Loss Threshold requirements? Yes ☐ No ☐ NA ☑

ADDITIONAL INFORMATION:

Objectives of the city's water conservation plan are to reduce water use and water waste, promote conservation habits of residents, and reduce seasonal demand to defer the need for treatment facility expansions. To achieve these goals, all system connections are metered, including parks and municipal structures, and all meters are being replaced with automatic meter read infrastructure. Additionally, a monthly report is used to track metered production, metered consumption, uses, and losses, and an inventory is maintained of repair materials needed to ensure prompt repairs of all leaks detected or reported. Water conservation issues are also promoted by providing information to new customers and to all customers upon request, through community educational programs, school demonstrations, and presentations; lectures and presentations to local civic groups and organizations; publishing articles in the city newsletter; and participating in lawn and garden shows.

STAFF NOTES AND RECOMMENDATIONS:

This request for financial assistance is for a wastewater project; therefore, water loss thresholds are not applicable. The city should consider revising its water loss goals based on actual water loss audit data when revising its water conservation plan.

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 bench marking 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.

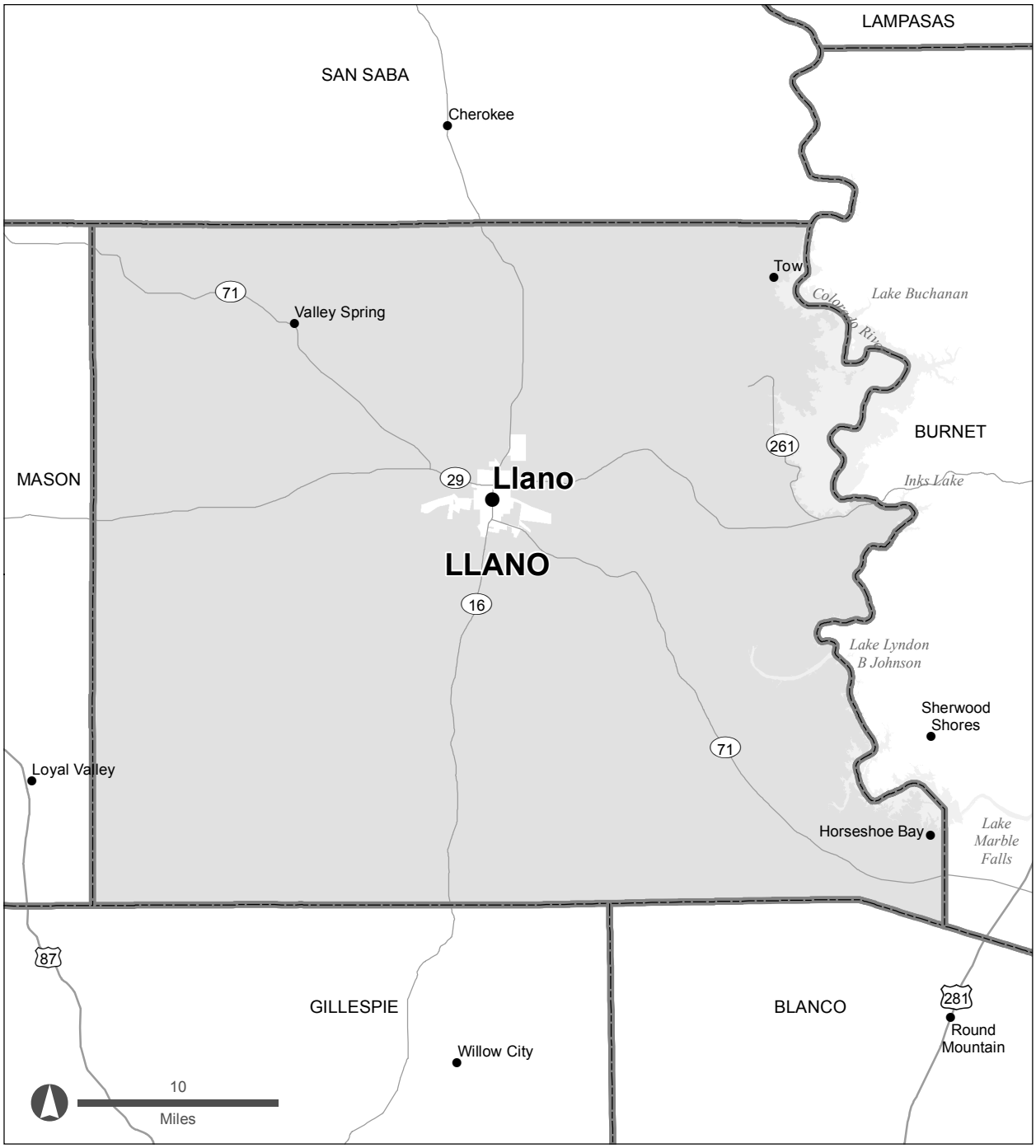
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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 Llano
Llano County