Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 3, 2018 TEAM MANAGER: Luis Farias

APPLICANT	Greater Texoma Utility Authority on behalf of the City of Paradise
TYPE OF ASSISTANCE	$935,000 Financing $300,000 Principal Forgiveness
LEGAL PLEDGE	Contract Revenues

STAFF RECOMMENDATION
☒ Approve ☐ No Action

ACTION REQUESTED
Approve by resolution, a request from the Greater Texoma Utility Authority on behalf of the City of Paradise (Wise County) for $1,235,000 in financial assistance consisting of $935,000 in financing and $300,000 in principal forgiveness from the Drinking Water State Revolving Fund for the planning, acquisition, design, and construction of water system improvements.

PROJECT
GTUA/City of Paradise Water System Improvements Project
Project Number 62791

BACKGROUND
The Greater Texoma Utility Authority (Authority) provides its member cities with assistance in financing and construction of water and wastewater facilities. The Authority may also be requested to provide operations services for water and wastewater facilities by member cities and others.

The City of Paradise (City) is located approximately 40 miles northwest of Fort Worth and provides drinking water services to approximately 206 water connections in Wise County.

The City's water distribution system does not reach all its residents within its city limits and is proposing to extend its water lines to connect residents and businesses currently unserved. Additionally, the City is under an Agreed Order with the Texas Commission on Environmental Quality (TCEQ) for exceeding maximum contaminate levels (MCL) for trihalomethanes (TTHM), and haloacetic acids (HAA5). In December 2017, the Texas Water Development Board provided funding from the Drinking Water State Revolving Fund-Very Small System program to address the MCL issues. Due to construction costs fluctuation in this area, the City would also like to use any remaining funds from this financing, if needed, to cover any unexpected cost increases for the MCL project.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE NOVEMBER 30, 2018.

The City will install approximately 12,860 linear feet of distribution lines to serve approximately 40 new residents and businesses currently without City water supply. The City has a mandatory hook-up policy in place which will require connection to the City's water supply. It will also use any remaining funds, if needed, to complete work associated with the elevated storage tank project which includes modifying the intake piping for the elevated storage tank, to increase circulation and increase aeration within the tank, and install a new chloramination system.

FINANCIAL

Key Issues

In December 2017, the City received $300,000 in principal forgiveness as a very small system. The City is now applying for additional financing with the assistance of the Authority.

Pledge and Repayment

The Authority is pledging contract revenues from the City, who is pledging the gross revenues of the water system for the repayment of the proposed financing. The City's current average monthly water rate is $80.79. Based on staff's analysis of financial documentation received, a no growth scenario, and current interest rates, the City may need to increase the average monthly water rate by approximately $3.33 to meet the existing and proposed debt service.

Cost Savings

The City qualifies for $300,000 in principal forgiveness as a very small system.

Cost Savings

Based on a 30-year maturity and current interest rates, the City through its contract with the Authority could save approximately $286,771 over the life of the financing. They are also saving $300,000 in principal forgiveness.

Internal Risk Score

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

The results of the City's financial sustainability indicators are adequate. 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 represent 0.86 times the current and proposed debt service requirements in the first year of principal repayment. The City plans to increase rates prior to closing to provide sufficient debt service coverage. In addition, the City's level of reinvestment in the assets of the utility's infrastructure is moderate with as asset condition ratio of 23 years. An asset condition ratio of 12 to 24 years is considered typical.

The City's socioeconomic indicators are mixed compared to the state overall. The City's population has increased at an average annual rate of 0.23 percent since 2010, compared to an increase at an annual rate of 1.72 percent for the population of the state overall. The

City's median household income is $49,688, which is 91 percent of the median for the state overall. The average, unadjusted, unemployment rate for Wise County was 3.2 percent in December 2017, compared to 3.7 percent in the state overall.

The projected household cost factor, which includes the estimated rate increase, is high at 2.03 percent for water service. The industry benchmark for the household cost factor is 1 percent for one service. The system does maintain strong reserves with unrestricted cash and short-term investments of approximately 909 days of the operating expenses of the utility system. This is a high level of liquidity. Any amount between 30 and 150 days is considered to be a moderate level of liquidity.

The City does not currently have any tax supported debt outstanding. The existing and proposed debt is supported by the utility system. The utility system self-supporting debt compared to operating revenues, including the proposed loan, is moderate at 5.94. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. However, the overall debt burden is moderate since the City currently has no tax-supported debt outstanding.

With the support of the Authority, the financial management of the utility system is strong. The utility system rates are reviewed annually and increased as necessary to meet all debt service and reserve requirements. While the utility system self-supporting debt is moderate, the overall debt burden is moderately low, and the system maintains a high level of liquidity. Based on these factors, the Authority's project with the City is assigned a risk score of 2B.

LEGAL

Key Issues

None.

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

- Principal forgiveness agreement;
- Return of surplus principal forgiveness funds;
- No amendment to contract without approval by Executive Administrator;
- Notification prior to any change in legal status;
- Notice of conveyance of obligations;
- Notification of conversion; and
- Useful life.

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	Greater Texoma Utility Authority on behalf of the City of Paradise
Program	Drinking Water State Revolving Fund
Commitment Code	L1000783 & LF1000799
Project Number	62791
Intended Use Plan Year	2018
Fund Number	951
Type of Pledge	4- Contract Revenue
Revenue Pledge Level	First
Legal Description	$935,000 Greater Texoma Utility Authority Contract Revenue Bonds (City of Paradise Water Projects), Proposed Series 2018 $300,000 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	468
Rural	Yes
Water Connections	206
Wastewater Connections	N/A
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	Yes
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Greater Texoma Utility Authority (City of Paradise)

$935,000 Greater Texoma Utility Authority Contract Revenue Bonds (City of Paradise Water Projects), Proposed Series 2018

Dated Date:	**7/15/2018**	**Source:**	**DWSRF**
Delivery Date:	**7/15/2018**	**Rate:**	**2.02%**
First Interest:	**10/1/2018**	**Insurance:**	**No**
First Principal	**10/1/2019**	**Case:**	**Revenues**
Last Principal:	**10/1/2048**	**Admin.Fee:**	**$19,679**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**7/15/2018**
Required Coverage:	**1.0**		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$935,000 ISSUE PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2019	$51,288	$21,645	$0	-	$13,431	$13,431	$35,076	1.46
2020	59,323	25,588	15,000	2.02%	18,736	33,736	59,323	1.00
2021	59,323	-	20,000	2.02%	18,382	38,382	38,382	1.55
2022	59,323	-	25,000	2.02%	17,928	42,928	42,928	1.38
2023	59,323	-	25,000	2.02%	17,423	42,423	42,423	1.40
2024	59,323	-	25,000	2.02%	16,918	41,918	41,918	1.42
2025	59,323	-	25,000	2.02%	16,413	41,413	41,413	1.43
2026	59,323	-	25,000	2.02%	15,908	40,908	40,908	1.45
2027	59,323	-	25,000	2.02%	15,403	40,403	40,403	1.47
2028	59,323	-	25,000	2.02%	14,898	39,898	39,898	1.49
2029	59,323	-	30,000	2.02%	14,342	44,342	44,342	1.34
2030	59,323	-	30,000	2.02%	13,736	43,736	43,736	1.36
2031	59,323	-	30,000	2.02%	13,130	43,130	43,130	1.38
2032	59,323	-	30,000	2.02%	12,524	42,524	42,524	1.40
2033	59,323	-	30,000	2.02%	11,918	41,918	41,918	1.42
2034	59,323	-	30,000	2.02%	11,312	41,312	41,312	1.44
2035	59,323	-	30,000	2.02%	10,706	40,706	40,706	1.46
2036	59,323	-	30,000	2.02%	10,100	40,100	40,100	1.48
2037	59,323	-	30,000	2.02%	9,494	39,494	39,494	1.50
2038	59,323	-	35,000	2.02%	8,838	43,838	43,838	1.35
2039	59,323	-	35,000	2.02%	8,131	43,131	43,131	1.38
2040	59,323	-	35,000	2.02%	7,424	42,424	42,424	1.40
2041	59,323	-	35,000	2.02%	6,717	41,717	41,717	1.42
2042	59,323	-	35,000	2.02%	6,010	41,010	41,010	1.45
2043	59,323	-	35,000	2.02%	5,303	40,303	40,303	1.47
2044	59,323	-	35,000	2.02%	4,596	39,596	39,596	1.50
2045	59,323	-	40,000	2.02%	3,838	43,838	43,838	1.35
2046	59,323	-	40,000	2.02%	3,030	43,030	43,030	1.38
2047	59,323	-	40,000	2.02%	2,222	42,222	42,222	1.41
2048	59,323	-	40,000	2.02%	1,414	41,414	41,414	1.43
2049	59,323	-	50,000	2.02%	505	50,505	50,505	1.17
		$47,233	$935,000		$330,722	$1,265,722	$1,312,955	

AVERAGE (MATURITY) LIFE	**17.51 YEARS**
NET INTEREST RATE	**2.020%**
COST SAVINGS	**$742,820**
AVERAGE ANNUAL REQUIREMENT	**$42,353**

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.

Greater Texoma UA
62791 GTUA/City of Paradise Water System Improvements Project
Engineering and Environmental Review

Engineering:

Key Issues:

None.

Project Need/Description

Project Need: The City of Paradise's (City) water distribution system does not reach all its residents within its city limits and is proposing to extend its water lines to connect residents and businesses currently unserved. Additionally, the City is under an Agreed Order with the Texas Commission on Environmental Quality (TCEQ) for exceeding maximum contaminate levels (MCL) for trihalomethanes (TTHM), and haloacetic acids (HAA5). In December 2017, the Texas Water Development Board provided funding from the Drinking Water State Revolving Fund-Very Small System program to address the MCL issues. Due to construction costs fluctuation in this area, the City would also like to use any remaining funds from this financing, if needed, to cover any unexpected cost increases for the MCL project.

Project Description: The City will install approximately 12,860 linear feet of distribution lines to serve it residents and businesses currently without City water supply. It will also use any remaining funds, if needed for cost increases to complete work associated with the elevated storage tank project which includes modifying the intake piping for the elevated storage tank, to increase circulation and increase aeration within the tank, and install a new chloramination system.

Project Schedule:

Project Task	Schedule Date
Closing	7/15/2018
Engineering Feasibility Report Completion (End of Planning Phase)	8/31/2018
Design Phase Complete	9/15/2018
Start of Construction	10/15/2018
Construction Completion	7/1/2019

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 Chapter 375, Subchapter E, 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 environmental determination has been issued.

Texas Water Development Board

Project Budget Summary

Attachment 4

Greater Texoma UA

62791 - GTUA/City of Paradise Water System Improvements Project

Budget Items	This Commitment	Project 62762	Total
Construction			
Construction	$846,285.00	$251,000.00	$1,097,285.00
Subtotal for Construction	**$846,285.00**	**$251,000.00**	**$1,097,285.00**
Basic Engineering Services			
Construction Engineering	$3,362.00	$3,380.00	$6,742.00
Design	$49,436.00	$34,000.00	$83,436.00
Planning	$12,450.00	$7,800.00	$20,250.00
Subtotal for Basic Engineering Services	**$65,248.00**	**$45,180.00**	**$110,428.00**
Special Services			
Application	$7,000.00		$7,000.00
Environmental	$20,000.00		$20,000.00
Inspection	$35,000.00		$35,000.00
Surveying	$2,000.00		$2,000.00
Water Conservation Plan	$1,000.00		$1,000.00
Subtotal for Special Services	**$65,000.00**		**$65,000.00**
Fiscal Services			
Bond Counsel	$10,550.00		$10,550.00
Financial Advisor	$9,950.00		$9,950.00
Fiscal/Legal	$1,240.00		$1,240.00
Issuance Costs	$2,000.00		$2,000.00
Loan Origination Fee	$26,099.00		$26,099.00
Subtotal for Fiscal Services	**$49,839.00**		**$49,839.00**
Other			
Administration	$7,000.00		$7,000.00
Other (Paying Agent)	$3,000.00		$3,000.00
Project Legal Expenses	$1,750.00		$1,750.00
Subtotal for Other	**$11,750.00**		**$11,750.00**
Contingency			
Contingency	$196,878.00	$3,820.00	$200,698.00
Subtotal for Contingency	**$196,878.00**	**$3,820.00**	**$200,698.00**
Total	$1,235,000.00	$300,000.00	$1,535,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $1,235,000 TO
GREATER TEXOMA UTILITY AUTHORITY
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
$935,000 GREATER TEXOMA UTILITY AUTHORITY CONTRACT REVENUE BONDS
(CITY OF PARADISE WATER PROJECTS),
PROPOSED SERIES 2018
AND
$300,000 IN PRINCIPAL FORGIVENESS

(18-)

WHEREAS, the Greater Texoma Utility Authority (Authority) located in Denton County, on behalf of the City of Paradise (City) located in Wise County, has filed an application for financial assistance in the amount of $1,235,000 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. 62791; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of $935,000 Contract Revenue Bonds (City of Paradise Water Projects), Proposed Series 2018 (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of $300,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the Authority has offered a pledge of contract revenue from the City 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 § 371.13; and

WHEREAS, the TWDB hereby finds:

1. that the revenue pledged by the Authority will be sufficient to meet all the Obligations assumed by the Authority, 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 Authority 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); and

5. that the City meets the definition of a very small system in accordance with the current Intended Use Plan, and the Authority is therefore eligible to receive principal forgiveness on behalf of the City through the DWSRF.

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

A commitment is made by the TWDB to the Greater Texoma Utility Authority for financial assistance in the amount of $1,235,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of $935,000 Contract Revenue Bonds (City of Paradise Water Projects), Proposed Series 2018 and the execution of a Principal Forgiveness Agreement in the amount of $300,000. This commitment will expire on November 30, 2018.

Such commitment is conditioned as follows:

<u>Standard Conditions:</u>

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 Authority;

3. this commitment is contingent upon the Authority'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 Authority, 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 Authority'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 Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;

6. the Obligations must contain a provision requiring the Authority 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 Authority 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 Authority to submit a final accounting and disposition of any unused funds;

8. the Obligations must include a provision requiring the Authority 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 Authority 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 Authority 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 Authority, 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 Authority 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 Authority 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 Authority 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 Authority execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

16. 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:

17. the Authority'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 Authority when rendering this opinion;

18. the Authority'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 Authority when rendering this opinion;

19. the Obligations must include a provision prohibiting the Authority 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);

20. 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;

21. the Obligations must include a provision requiring the Authority 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 Authority 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 Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the Authority, provided that the Authority 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 Authority 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;

22. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;

23. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;

24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;

25. 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;

26. the Obligations must provide that neither the Authority 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 Authority by the TWDB;

State Revolving Fund Conditions:

27. the Authority shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;

28. 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 Authority, 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;

29. the Obligations must include a provision stating that the Authority 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 Authority 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;

30. 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 Authority will adhere to the approved project schedule;

31. The Obligations must contain a covenant that the Authority 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 § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions:

32. prior to or at closing, the Authority shall pay a 2.15% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371 and the applicable Intended Use Plan;

33. 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 Authority 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;

34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Authority 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:

35. upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review;

36. the Obligations must contain a provision requiring the Authority to maintain rates and charges sufficient to meet the debt service requirements on the outstanding debt Obligations that are being supported by the pledged contract revenues and will further require its customers to maintain rates and charges sufficient to pay all of their revenue obligations arising from the operation of the water and sewer system;

37. the Obligations must contain a provision that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations;

38. prior to closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Authority's debt service obligations and additional parity obligations;

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

Special Conditions:

39. prior to closing, the Authority shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;

40. the Principal Forgiveness Agreement must include a provision stating that the Authority shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;

41. the Authority 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;

42. the Obligations must include a provision requiring that prior to any action by the Authority 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;

43. the Authority shall not amend or revise the Water and Sewer Facilities contract with the City, which is the revenue source for the pledge, if the revision or amendment affects the financial condition of the Authority or its ability to repay the loan described in this Commitment without receiving the written approval of the Executive Administrator;

44. prior to the release of funds, the Authority 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.

APPROVED and ordered of record this 3rd day of May 2018.

TEXAS WATER DEVELOPMENT BOARD

_____
Peter Lake, Chairman

DATE SIGNED: _____

ATTEST:

_____
Jeff Walker
Executive Administrator

Attachment 6

WATER CONSERVATION REVIEW

Entity: Greater Texoma UA - City of Paradise

Review date: January 2018

WATER CONSERVATION PLAN DATE: December 2017 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline	80	80	2	3
5-year Goal	78	78	2	3
10-year Goal	75	75	2	3

WATER LOSS AUDIT YEAR: 2015

Total water loss (GPCD): 3

Total water loss (percent): 4

Wholesale Water ☐

Total no. of connections: 180

Length of mains (miles): 15

Connections per mile: 12

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 :	4	38	NA	10	1600	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:

According to its water conservation plan, the city works to detect and repair leaks in the system, and provides regular monitoring of water loss. All treated water deliveries into and out of the distribution system are monitored and the master meters and customer meters are replaced when discrepancies are found. The city plans to replace all meters with new smart meters as soon as practical. Utility personnel look for and report evidence of leaks in the system. A city contractor inspects pipes and adheres to maintenance efforts to improve the distribution system and prevent leaks and breaks, Additionally the city conducts meter testing as necessary. Additional water loss measures include monitoring by meter readers for illegal connections, maintaining records on the leak detection program, and completing water audits.

The city's continuing public education and information campaign includes sending conservation inserts with mail-outs at least twice per year, offering conservation presentations at local schools, and encouraging local media coverage of conservation issues.

STAFF NOTES AND RECOMMENDATIONS:

None.

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.

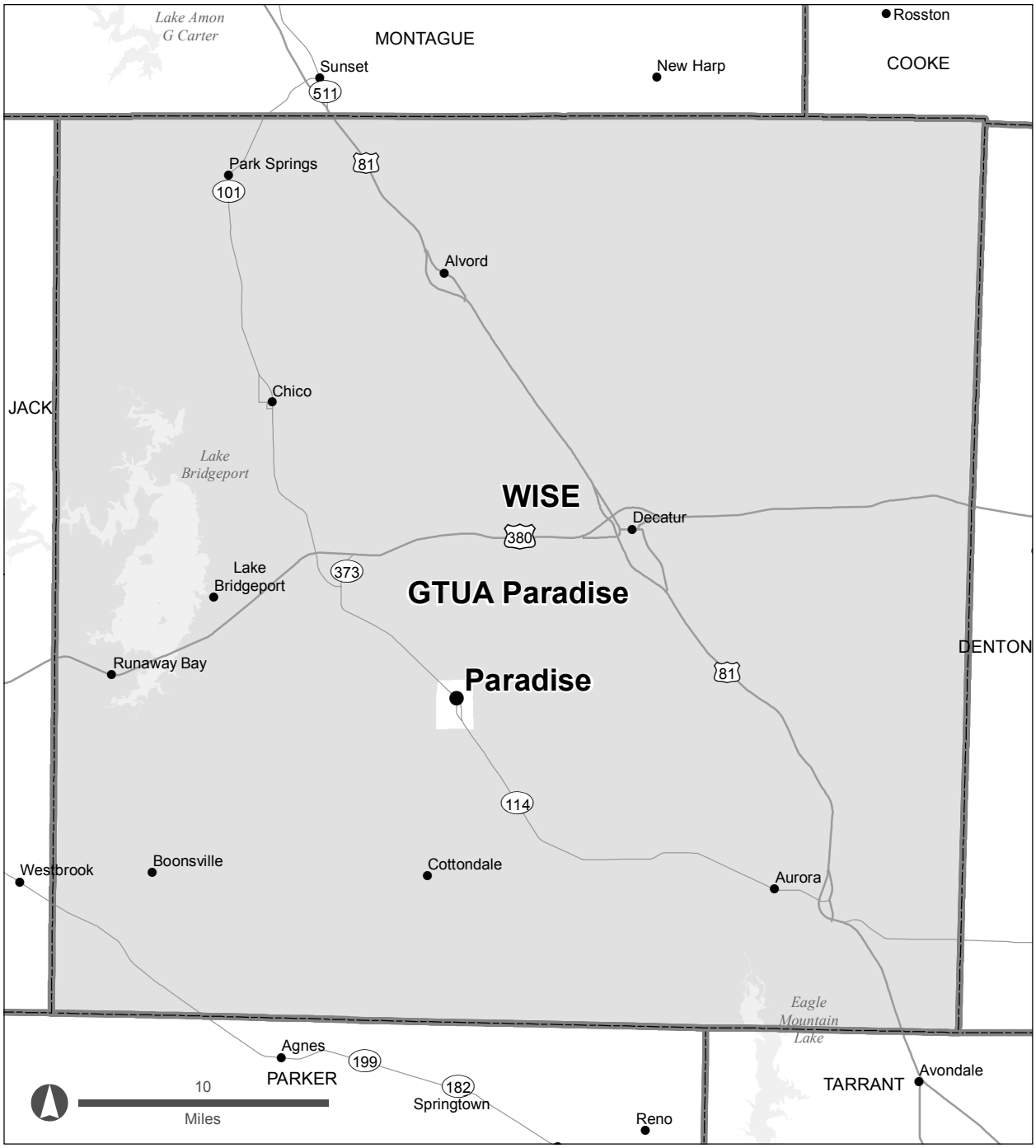
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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.

GTUA Paradise
Wise County