

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 28, 2019

TEAM MANAGER: Luis Farias

APPLICANT	Parker County Special Utility District
TYPE OF ASSISTANCE	\$15,080,000 Financing
LEGAL PLEDGE	First Lien on Gross System Revenues of the Utility District

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the Parker County Special Utility District (Parker and Palo Pinto Counties) for \$15,080,000 in financing from the Drinking Water State Revolving Fund for planning, acquisition, design, and construction for Phase I of a water system improvement project.

PROJECT

Phase I Water System Improvements
Project Number 62843

BACKGROUND

Parker County Special Utility District (District) is located in Millsap, Texas, and is approximately 50 miles west of Fort Worth. The District serves approximately 5,205 customers with about 1,563 water connections throughout parts of Palo Pinto and Parker Counties. The District does not provide wastewater services.

Due to the District's increase of water connections in its service area, it is facing multiple operational challenges since the initial construction of its water treatment plant (WTP) in 2014. The WTP has had significant fouling effects on its micro-filtration and reverse osmosis treatment processes, as well as challenges with internal buildup of manganese and organics from the water in the Brazos River. Furthermore, ongoing development within the District's service area continues to stress current water supplies, which is further exacerbated by the existing operational challenges at the WTP.

The District's proposed improvements to the WTP include modifications to the intake structure, expansion to the raw water pump station, installation of preliminary treatment, micro-filtration and reverse osmosis system improvements, and high service pump station expansion at the existing WTP site.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON MARCH 31, 2020.

FINANCIALKey Issues

None.

Pledge and Repayment

The District is pledging a first lien on the gross revenues of the utility system for repayment of the proposed financing. The District's current average monthly water rate is \$60.11. The District has increased rates several times over the past three years. Although the District's pledge is based on gross revenues, net revenues were used for analysis purposes. Based on staff's analysis of financial documentation received, the current rate produces system revenues that are sufficient to meet current and proposed debt service requirements for the life of the loan.

Cost Savings

Based on a 30-year maturity and current interest rates, the District could save approximately \$3,504,832 over the life of the financing.

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 results of the District's financial sustainability indicators are adequate. These more heavily weighted risk score indicators show the District's short-term and long-term ability to repay the debt. The revenues available for debt service provide a coverage ratio of 1.20 times the current and proposed debt service in the first year of principal repayment. Existing rate covenants require the District to maintain rates and charges that produce gross revenues of 1.0 times the amount required to pay all principal and interest requirements on outstanding bond obligations.

In addition, the District's level of reinvestment in the assets of the utility's infrastructure is high with an asset condition ratio of 31 years. An asset condition ratio of 12 to 24 years is considered typical for utility systems.

The District's socioeconomic indicators are better than the state overall. The average, unadjusted, unemployment rate for both Parker and Palo Pinto Counties combined is 3.1 percent in December 2018, compared to 3.6 percent in the state overall. The District's median household income is \$57,838, which is 101 percent of the median for the state overall. Finally, the population of the census tracts where the District resides within both Parker and Palo Pinto Counties has increased 1.06 percent over the past five years, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. While the population increase for the census tracts is nominal compared to the state, the District's number of water connections have grown by 454 connections, or 31.6 percent, from 2014 to 2018.

The household cost factor compares the annual cost of water and wastewater services, including any anticipated rate increases required to pay the proposed debt, to the median

household income for the service area. The District's household cost factor is 1.25 percent for water services only. The industry benchmark for the household cost factor is one percent for one service.

Since the District does not have taxing authority, all of the District's debt is self-supported by the utility system. The utility system self-supporting debt compared to operating revenues, including the proposed loan, is elevated at 7.43. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. The system does maintain strong reserves with unrestricted cash and short-term investments of approximately 223 days of the operating expenses of the utility system. This is considered to be a high level of liquidity. Any amount between 30 and 150 days is considered to be a moderate level of liquidity.

The financial management of the utility system is strong. The District has employed a professional engineering firm to develop a long-range capital improvement plan and address the needs for the surface water treatment plant expansion as soon as project funding is acquired. Overall strong planning coupled with strong financial factors, including a high coverage ratio, existing rate covenants, and favorable socioeconomic indicators, support the assigned risk score of 2B.

LEGAL

Key Issues

None.

Conditions

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

- Conversion and Conveyance; and
- Water rights certification

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (19-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	Parker County Special Utility District
Program	Drinking Water State Revolving Fund
Commitment Code	L1000979
Project Number	62843
Intended Use Plan Year	2019
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$15,080,000 Parker County Special Utility District Utility System Revenue Bonds, Proposed Series 2019
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	5,205
Rural	Yes
Water Connections	1,563
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, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	Yes
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	Laura Jarzombek
Engineering Reviewer	Joe Koen
Environmental Reviewer	Chris Caran
Attorney	Ashley Nwonuma

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Parker County Special Utility District

\$15,080,000, Parker County Special Utility District, Utility System Revenue Bonds, Proposed Series 2019

Dated Date:	5/1/2019	Source:	DWSRF
Delivery Date:	5/1/2019	Rate:	2.29%
First Interest:	12/1/2019	IUP Year:	2019
First Principal:	12/1/2021	Case:	Revenues
Last Principal:	12/1/2050	Admin.Fee:	\$317,396
Fiscal Year End:	12/31	Admin. Fee Payment Date:	5/1/2019
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$15,080,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2019	\$1,228,539	\$389,072	-	-	\$201,444	\$201,444	\$590,515	2.08
2020	1,228,539	385,600	-	-	345,332	345,332	730,932	1.68
2021	1,228,539	386,438	\$290,000	2.29%	345,332	635,332	1,021,770	1.20
2022	1,228,539	386,906	305,000	2.29%	338,691	643,691	1,030,597	1.19
2023	1,228,539	385,946	315,000	2.29%	331,707	646,707	1,032,653	1.19
2024	1,228,539	385,658	325,000	2.29%	324,493	649,493	1,035,151	1.19
2025	1,228,539	389,740	335,000	2.29%	317,051	652,051	1,041,791	1.18
2026	1,228,539	388,198	345,000	2.29%	309,379	654,379	1,042,577	1.18
2027	1,228,539	386,214	360,000	2.29%	301,479	661,479	1,047,693	1.17
2028	1,228,539	383,926	370,000	2.29%	293,235	663,235	1,047,160	1.17
2029	1,228,539	386,012	385,000	2.29%	284,762	669,762	1,055,774	1.16
2030	1,228,539	387,565	400,000	2.29%	275,945	675,945	1,063,510	1.16
2031	1,228,539	388,428	415,000	2.29%	266,785	681,785	1,070,213	1.15
2032	1,228,539	388,718	425,000	2.29%	257,282	682,282	1,070,999	1.15
2033	1,228,539	384,174	440,000	2.29%	247,549	687,549	1,071,723	1.15
2034	1,228,539	388,194	455,000	2.29%	237,473	692,473	1,080,667	1.14
2035	1,228,539	386,305	475,000	2.29%	227,054	702,054	1,088,358	1.13
2036	1,228,539	389,847	490,000	2.29%	216,176	706,176	1,096,023	1.12
2037	1,228,539	386,297	505,000	2.29%	204,955	709,955	1,096,252	1.12
2038	1,228,539	388,257	525,000	2.29%	193,391	718,391	1,106,647	1.11
2039	1,228,539	384,326	545,000	2.29%	181,368	726,368	1,110,694	1.11
2040	1,228,539	383,548	560,000	2.29%	168,888	728,888	1,112,436	1.10
2041	1,228,539	187,790	580,000	2.29%	156,064	736,064	923,853	1.33
2042	1,228,539	187,002	600,000	2.29%	142,782	742,782	929,783	1.32
2043	1,228,539	60,863	625,000	2.29%	129,042	754,042	814,904	1.51
2044	1,228,539	60,813	645,000	2.29%	114,729	759,729	820,542	1.50
2045	1,228,539	60,588	665,000	2.29%	99,959	764,959	825,546	1.49
2046	1,228,539	61,308	690,000	2.29%	84,730	774,730	836,038	1.47
2047	1,228,539	60,885	715,000	2.29%	68,929	783,929	844,814	1.45
2048	1,228,539	60,382	740,000	2.29%	52,556	792,556	852,938	1.44
2049	1,228,539	60,755	765,000	2.29%	35,610	800,610	861,365	1.43
2050	1,228,539	-	790,000	2.29%	18,091	808,091	808,091	1.52
		\$9,309,749	\$15,080,000		\$6,772,255	\$21,852,255	\$31,162,004	

AVERAGE (MATURITY) LIFE	19.61 YEARS
NET INTEREST RATE	2.290%
COST SAVINGS	\$3,504,832
AVERAGE ANNUAL REQUIREMENT	\$973,813

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. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.

**Parker County SUD
62843 Phase I Water System Improvements
Engineering and Environmental Review**

Engineering:

Key Issues:

Significant growth in the service area has resulted in water demands approaching 80 percent of Parker County Special Utility District's (District) water system capacity (1.10 mgd). In accordance with the Texas commission on Environmental Quality, the District has begun planning for improvements to its existing water treatment plant (WTP) to address current operational issues as well as identifying necessary improvements to support expansion of the WTP in the future.

Project Need/Description

Project Need: The District has faced multiple operational challenges since the initial construction of its WTP in 2014. The WTP has had significant fouling effects on its micro-filtration and reverse osmosis treatment processes, as well as challenges with internal buildup of manganese and organics from the water in the Brazos River. Furthermore, ongoing development within the District's service area continue to stress current water supplies, which is further exacerbated by the existing operational challenges at the WTP.

Project Description: The District's improvements to the WTP include modifications to the intake structure, expansion of the raw water pump station, installation of preliminary treatment, micro-filtration and reverse osmosis system improvements, and high service pump station expansion at the existing WTP site.

Project Schedule:

Project Task	Schedule Date
Closing	5/01/2019
Engineering Feasibility Report Completion (End of Planning Phase)	8/14/2019
Design Phase Complete	9/25/2019
Start of Construction	11/13/2019
Construction Completion	11/30//2020

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 completion of the project. Based on this initial review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect implementation of the project.

Pursuant to the requirements of 31 Texas Administrative Code Chapter 371, Subchapter E, all financial assistance shall be conditioned that funding for design and construction of specific project elements will not be released until an environmental review has been completed and a favorable environmental determination has been issued.

Budget Items	This Commitment	Total
Construction		
Construction	\$11,437,000.00	\$11,437,000.00
Subtotal for Construction	\$11,437,000.00	\$11,437,000.00
Basic Engineering Services		
Construction Engineering	\$286,000.00	\$286,000.00
Design	\$744,000.00	\$744,000.00
Planning	\$114,000.00	\$114,000.00
Subtotal for Basic Engineering Services	\$1,144,000.00	\$1,144,000.00
Special Services		
Application	\$10,000.00	\$10,000.00
Environmental	\$30,000.00	\$30,000.00
Geotechnical	\$20,000.00	\$20,000.00
Inspection	\$288,000.00	\$288,000.00
O&M Manual	\$25,000.00	\$25,000.00
Permits	\$50,000.00	\$50,000.00
Project Management (by engineer)	\$20,000.00	\$20,000.00
Surveying	\$20,000.00	\$20,000.00
Testing	\$40,000.00	\$40,000.00
Water Conservation Plan	\$10,000.00	\$10,000.00
Subtotal for Special Services	\$513,000.00	\$513,000.00
Fiscal Services		
Bond Counsel	\$52,500.00	\$52,500.00
Financial Advisor	\$61,000.00	\$61,000.00
Fiscal/Legal	\$9,500.00	\$9,500.00
Issuance Costs	\$1,750.00	\$1,750.00
Loan Origination Fee	\$317,396.00	\$317,396.00
Subtotal for Fiscal Services	\$442,146.00	\$442,146.00
Contingency		
Contingency	\$1,543,854.00	\$1,543,854.00
Subtotal for Contingency	\$1,543,854.00	\$1,543,854.00
Total	\$15,080,000.00	\$15,080,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$15,080,000 TO PARKER COUNTY SPECIAL UTILITY DISTRICT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$15,080,000 PARKER COUNTY SPECIAL UTILITY DISTRICT
UTILITY SYSTEM REVENUE BONDS,
PROPOSED SERIES 2019

(19 -)

WHEREAS, the Parker County Special Utility District (District), located in Parker County, has filed an application for financial assistance in the amount of \$15,080,000 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. 62843; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$15,080,000 Parker County Special Utility District Utility System Revenue Bonds, Proposed Series 2019 (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 first lien on and pledge of the system gross revenues as sufficient security for the repayment of the Obligations; 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 adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the District and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the Parker County Special Utility District for financial assistance in the amount of \$15,080,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$15,080,000 Parker County Special Utility District Utility System Revenue Bonds, Proposed Series 2019. This commitment will expire on March 31, 2020.

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 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 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 District to submit a final accounting and disposition of any unused funds;
8. 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 and completion of a final accounting in a manner as approved by the Executive Administrator;
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 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;
12. 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;
13. 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;

14. 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;
15. the Executive Administrator may require that the District 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 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;
18. 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;
19. 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);
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 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;

22. 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;
23. 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;
24. 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;
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 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

27. the District 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 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;
29. 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;

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 District will adhere to the approved project schedule;
31. 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 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

32. prior to or at closing, the District 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 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;
34. 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

35. 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;
36. 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;
37. the Obligations must contain a provision providing that additional revenue obligations (Additional Bonds) may only be incurred if:
 - a. A certificate is executed by the President or the chief administrative officer of the Issuer to the effect that no default exists in connection with any of the

covenants or requirements of the Order or orders authorizing the issuance of all then outstanding Bonds and that the Interest and Sinking Fund and each debt service reserve fund created by the Issuer in its orders authorizing the issuance of Bonds, including the Series 2012 Reserve Fund, each contains the amount then required to be on deposit therein;

- b. An opinion of Bond Counsel is rendered to the effect that (i) such Additional Bonds are valid and binding obligations of the Issuer and enforceable in accordance with their terms subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or remedies generally or by general principles of equity which permit the exercise of judicial discretion and to the extent that certain equitable remedies, including specific performance may not be available; (ii) such Additional Bonds have been duly and validly authorized and issued in accordance with law;
- c. A certificate is prepared and executed by a certified public accountant or professional engineer to the effect that, in the opinion of such officer, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not later than 90 days preceding the month in which the order authorizing the issuance of the then proposed Additional Bonds is passed, the Net Earnings of the System were at least 1.25 times the average annual principal and interest requirements after the delivery of the then proposed Additional Bonds. It is specifically provided, however, that in calculating the amount of Net Earnings for the purposes of this subparagraph (iii), if there has been any increase in the rates or charges for services of the System which is then in effect and which has been in effect for at least 60 days prior to the month in which the order authorizing the issuance of the proposed Additional Bonds is passed, but which was not in effect during all of the entire period for which the Net Earnings of the System are being calculated (hereinafter referred to as the "entire period") then the implementation of such Net Earnings may be incorporated into the Issuer's certification if a certified public accountant or professional engineer shall determine and certify the amount of Net Earnings as being the total of (i) the actual Net Earnings of the System for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period; and
- d. The order authorizing the Additional Bonds makes provision for deposits to be made into the Interest and Sinking Fund adequate to pay the principal and interest requirements of the additional obligations as the same becomes due.

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

Special Conditions:

38. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the District has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
39. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the District has the right to use the water that the project financed by the TWDB will provide;
40. 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
41. 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 28th day of March, 2019.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake
Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

Water
 Wastewater
 Other

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

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.



Parker County SUD Parker County

