

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: April 10, 2019

TEAM MANAGER: Nancy Richards

APPLICANT	Upper Jasper County Water Authority
TYPE OF ASSISTANCE	\$3,355,000 Financing
LEGAL PLEDGE	First lien on system revenues

STAFF RECOMMENDATION

Approve No Action

Approve by resolution a request from Upper Jasper County Water Authority (Jasper County) for \$3,355,000 in financial assistance from the Drinking Water State Revolving Fund for the planning, design, and construction of a water system improvements project.

PROJECT

Water System Improvements
Project Number 62847

BACKGROUND

Upper Jasper County Water Authority (Authority) is located 12 miles northwest of Jasper, Texas. The Authority provides water for 1,181 connections and services a population of approximately 2,427.

The Authority is proposing a new well to provide a reliable water source to its customers on the north side of the Angelina River. Currently, the Authority's water source is on the south side of the river which delivers water through a ten-inch aerial crossing line over the river. The aerial crossing line is old and has failed several times causing a loss of water service to approximately 370 households. The Authority proposes to drill a new well north of the river and directionally drill a new river crossing. The project will also include replacing the water line from the existing well site. The replacement of the aging water lines will reduce water loss and numerous line breaks leading to boil water notices. Additionally, a 10,000-gallon transfer storage tank will be replaced.

FINANCIAL

Key Issues

The Authority received a favorable Financial, Management and Technical (FMT) assessment from the Texas Commission on Environmental Quality (TCEQ) on January 31, 2019.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON APRIL 30, 2020

Pledge and Repayment

The Authority is pledging a first lien on revenues of the water system for the repayment of the proposed financing. The loan principal repayments are structured low at the beginning and will increase as the current debt decreases. The Authority's current monthly water rate is \$52.58. Based on staff's analysis of financial documentation received, current system revenues are sufficient to meet the existing and proposed debt service. The Authority has requested \$254,000 in bond proceeds to fund the reserve.

Cost Savings

Based on a 26-year maturity and current interest rates, the Authority could save approximately \$383,450 over the life of the financing.

Internal Risk Score

Staff assigns a 2C to the Authority and the proposed project to be funded by the Texas Water Development Board. This means that the Authority's repayment capacity is sufficient.

The results of the Authority's financial sustainability indicators are adequate. These heavily weighted risk score indicators show the Authority's short-term and long-term ability to repay the debt. The revenues available for debt service provide a coverage ratio of 1.24 times the current and proposed debt service in the first year of principal repayment. Also, the Authority's reinvestment in the assets of the utility's infrastructure has resulted in an asset condition ratio of 14 years. An asset condition ratio of 12 to 24 years is considered typical.

The Authority's socioeconomic indicators are below the state overall. The population of Jasper County has decreased at an average annual rate of 0.12 percent since 2010, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. The Jasper County's Median Household Income (MHI) is \$41,960, which is 74 percent of the median for the state overall. The average, unadjusted, unemployment rate for Jasper County was 6.50 percent in December 2018, compared to the state's unemployment rate of 3.60 percent.

The Authority maintains a marginal liquidity position with cash and short-term investments equal to 86 days of operating expenses. An amount between 150-250 days is a strong level of liquidity.

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 MHI for the service area. The Authority's household cost factor is 1.50 percent. The industry benchmark for the household cost factor is 1 percent for one service.

Even though the financial management of the utility system is strong, the Authority must continue to annually review system rates due to the low MHI and high unemployment rate of the Authority's service area. Furthermore, the water revenues are the sole source of

revenue for debt service. Therefore, with the above circumstances and concerns, the Authority was assigned risk score of 2C.

LEGAL

Key Issues

None.

CONDITIONS

Standard Drinking Water State Revolving Fund, tax-exempt, net revenue conditions, additional conditions:

- Conversion and conveyance;
- Adopt Water Conservation Plan;
- Water Rights; and,
- Useful life 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	Upper Jasper County Water Authority
Program	Drinking Water State Revolving Fund
Commitment Code	L1000990
Project Number	62847
Intended Use Plan Year	2019
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$3,355,000 Upper Jasper County Water Authority Waterworks 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	2,427
Rural	Yes
Water Connections	1,181
Wastewater Connections	N/A
Qualifies as Disadvantaged	N/A
Financial, Managerial, and Technical Review Complete?	Yes
Funding Phase Code	Planning, Design and, Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	Yes
Internal Risk Score	2C
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	Lucia Loera
Environmental Reviewer	Sara Sopczynski
Attorney	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Upper Jasper County Water Authority

\$3,355,000 Upper Jasper County Water Authority Waterworks System Revenue Bonds, Proposed Series 2019

Dated Date: 6/1/2019	Source: DWSRF
Delivery Date: 6/1/2019	Rate: 2.29%
First Interest: 12/1/2019	IUP Year: 2019
First Principal: 6/1/2020	Case: Revenues
Last Principal: 6/1/2044	Admin.Fee: \$70,614
Fiscal Year End: 12/31	Admin. Fee Payment Date: 6/1/2019
Required Coverage: 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$3,355,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2019	\$262,420	\$133,425	\$0	-	\$38,415	\$38,415	\$171,840	1.53
2020	262,420	129,925	5,000	2.29%	76,772	81,772	211,697	1.24
2021	262,420	126,425	25,000	2.29%	76,429	101,429	227,854	1.15
2022	262,420	127,925	25,000	2.29%	75,856	100,856	228,781	1.15
2023	262,420	129,250	25,000	2.29%	75,284	100,284	229,534	1.14
2024	262,420	130,400	25,000	2.29%	74,711	99,711	230,111	1.14
2025	262,420	131,375	25,000	2.29%	74,139	99,139	230,514	1.14
2026	262,420	132,175	25,000	2.29%	73,566	98,566	230,741	1.14
2027	262,420	82,800	25,000	2.29%	72,994	97,994	180,794	1.45
2028	262,420	-	75,000	2.29%	71,849	146,849	146,849	1.79
2029	262,420	-	160,000	2.29%	69,158	229,158	229,158	1.15
2030	262,420	-	160,000	2.29%	65,494	225,494	225,494	1.16
2031	262,420	-	165,000	2.29%	61,773	226,773	226,773	1.16
2032	262,420	-	170,000	2.29%	57,937	227,937	227,937	1.15
2033	262,420	-	175,000	2.29%	53,987	228,987	228,987	1.15
2034	262,420	-	180,000	2.29%	49,922	229,922	229,922	1.14
2035	262,420	-	185,000	2.29%	45,743	230,743	230,743	1.14
2036	262,420	-	190,000	2.29%	41,449	231,449	231,449	1.13
2037	262,420	-	195,000	2.29%	37,041	232,041	232,041	1.13
2038	262,420	-	200,000	2.29%	32,518	232,518	232,518	1.13
2039	262,420	-	205,000	2.29%	27,881	232,881	232,881	1.13
2040	262,420	-	210,000	2.29%	23,129	233,129	233,129	1.13
2041	262,420	-	215,000	2.29%	18,263	233,263	233,263	1.12
2042	262,420	-	225,000	2.29%	13,225	238,225	238,225	1.10
2043	262,420	-	230,000	2.29%	8,015	238,015	238,015	1.10
2044	262,420	-	235,000	2.29%	2,691	237,691	237,691	1.10
		\$1,123,700	\$3,355,000		\$1,318,239	\$4,673,239	\$5,796,939	

AVERAGE (MATURITY) LIFE	17.16 YEARS
NET INTEREST RATE	2.290%
COST SAVINGS	\$383,450
AVERAGE ANNUAL REQUIREMENT	\$222,959

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.

**Upper Jasper Co WA
62847 Water System Improvements
Engineering and Environmental Review**

Engineering:

Key Issues:

None.

Project Need/Description

Project Need: The Upper Jasper County Water Authority (Authority) is seeking planning, design, and construction funding to replace aged water lines. The Authority is plagued by failing pipes that cause disruptions in service and lead to boil water notices. An aging 10-inch aerial river crossing, which connects to a well on the south side of the Angelina River is at an increased risk of failure. A failure of the aerial river crossing would lead to a loss of service to approximately 370 households.

Project Description: The Authority proposes to replace approximately 11,000 linear feet of 8 to 10-inch water lines from the existing well site. Additionally, the Authority proposes to drill a new well north of the Angelina River along with directional drilling of a new river crossing. Finally, the Authority proposes to replace a ten-thousand-gallon transfer ground storage tank that has exceeded its serviceable life at the Plum Ridge Plant site. These measures would allow the Authority to provide a more reliable water source to its customers.

Project Schedule:

Project Task	Schedule Date
Closing	6/1/2019
Engineering Feasibility Report Completion (End of Planning Phase)	8/15/2019
Design Phase Complete	8/15/2020
Start of Construction	12/15/2020
Construction Completion	12/15/2021

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 § 371.41, all financial assistance shall be conditioned to read that funding for planning, 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.



Project Budget Summary
 Upper Jasper Co WA
 62847 - Water System Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$2,042,100.00	\$2,042,100.00
Subtotal for Construction	\$2,042,100.00	\$2,042,100.00
Basic Engineering Services		
Construction Engineering	\$112,840.00	\$112,840.00
Design	\$160,830.00	\$160,830.00
Planning	\$23,480.00	\$23,480.00
Subtotal for Basic Engineering Services	\$297,150.00	\$297,150.00
Special Services		
Application	\$10,380.00	\$10,380.00
Environmental	\$35,140.00	\$35,140.00
Geotechnical	\$35,120.00	\$35,120.00
Inspection	\$97,650.00	\$97,650.00
O&M Manual	\$4,580.00	\$4,580.00
Permits	\$17,570.00	\$17,570.00
Project Management (by engineer)	\$33,840.00	\$33,840.00
Surveying	\$30,820.00	\$30,820.00
Water Conservation Plan	\$5,170.00	\$5,170.00
Subtotal for Special Services	\$270,270.00	\$270,270.00
Fiscal Services		
Bond Counsel	\$31,500.00	\$31,500.00
Bond Reserve Fund	\$254,000.00	\$254,000.00
Financial Advisor	\$45,950.00	\$45,950.00
Fiscal/Legal	\$13,581.00	\$13,581.00
Issuance Costs	\$11,425.00	\$11,425.00
Loan Origination Fee	\$70,614.00	\$70,614.00
Subtotal for Fiscal Services	\$427,070.00	\$427,070.00
Other		
Other (Hydrogeologist for Well Study)	\$11,410.00	\$11,410.00
Subtotal for Other	\$11,410.00	\$11,410.00
Contingency		
Contingency	\$307,000.00	\$307,000.00
Subtotal for Contingency	\$307,000.00	\$307,000.00
Total	\$3,355,000.00	\$3,355,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$3,355,000 TO THE UPPER JASPER COUNTY WATER AUTHORITY
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$3,355,000 UPPER JASPER COUNTY WATER AUTHORITY WATERWORKS SYSTEM
REVENUE BONDS,
PROPOSED SERIES 2019

(19 -)

WHEREAS, the Upper Jasper County Water Authority (Authority), located in Jasper County, has filed an application for financial assistance in the amount of \$3,355,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62847; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,355,000 Upper Jasper County Water Authority Waterworks 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 Authority has offered a pledge of a first lien on system revenue 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;

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes 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 submitted a proposed program of water conservation for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the

project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Authority 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 Upper Jasper County Water Authority for financial assistance in the amount of \$3,355,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$3,355,000 Upper Jasper County Water Authority Waterworks System Revenue Bonds, Proposed Series 2019. This commitment will expire on April 30, 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 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 Authority agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;
5. 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;
6. 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;

7. the Obligations must contain a provision requiring the Authority to levy a tax and/or maintain and collect sufficient rates and charges, as applicable, to produce system funds 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;
8. 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;
9. 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;
10. 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;
11. 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;
12. 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;

13. prior to closing, the Authority shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;
14. 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;
15. 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;
16. the Executive Administrator may require that the Authority execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
17. 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

18. 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;
19. 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;
20. 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);

21. 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;

22. 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;
- 23. 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;
 - 24. 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;
 - 25. 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;
 - 26. the Obligations must contain a provision that the Authority will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);
 - 27. 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;
 - 28. 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

29. the Authority shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
30. 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;
31. 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;
32. 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;
33. 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

34. the Authority shall pay at closing an origination fee approved by the Executive Administrator or the TWDB pursuant to 31 TAC Chapter 371;
35. 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;

36. prior to the 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

37. 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;
38. if the Authority 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;
39. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant;

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

Special Conditions:

40. prior to closing, the Authority shall adopt and implement the water conservation program approved by the TWDB.
41. 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 Authority 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;
49. 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 Authority has the right to use the water that the project financed by the TWDB will provide;

51. the Authority must notify the Executive Administrator in writing, thirty (30) days prior to taking any actions to alter its legal status in any manner;
52. the Obligations must include a provision requiring that the Authority notify the Executive Administrator in writing prior to any action by it 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;
53. 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 10th day of April, 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.



Upper Jasper County Water Authority Jasper County

