

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: October 3, 2019

TEAM MANAGER: Lee Huntoon

APPLICANT	City of San Angelo
TYPE OF ASSISTANCE	\$65,750,000 Financing
LEGAL PLEDGE	First Lien Net Revenues of the Water and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the City of San Angelo (Tom Green County) for \$65,750,000 in financial assistance from the Drinking Water State Revolving Fund for planning, design, and construction of a water system improvement project.

PROJECT

Hickory Aquifer Wellfield Phase II
Project Number 62856

BACKGROUND

The City of San Angelo (City) is the county seat of Tom Green County and is the principal city and center of the San Angelo metropolitan area. The City provides water service to a population of approximately 99,135 residents.

The proposed project is the second phase of expanding the City's groundwater supply from the Hickory Aquifer. The project will involve improvements at multiple locations spanning over 60 miles. The City's wellfield, raw water collection system, transmission line, and Ground Water Treatment Plant (GWTP) will be upgraded to ensure the needed production rate of the Phase II design can reliably be achieved. To accomplish this, five new wells are proposed at the wellfield, bringing the total production capacity to 10,000 gallons per minute (14.4 Million Gallons Per Day). New interconnecting piping will tie the new wells into the existing collection system infrastructure, with several improvements recommended to improve the reliability of the collection system. Additional optimization efforts will also be evaluated to improve the service life of the equipment and minimize influent groundwater iron concentrations. Completion of the proposed improvements will also include the development of an asset management plan.

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

FINANCIALKey Issues

None.

Pledge and Repayment

The City is pledging parity first lien net revenues of the water and sewer system for the repayment of the proposed financing. The City's current combined average monthly water and wastewater rate is \$74.88. Based on staff's analysis of financial documentation received, current system revenues are sufficient to meet the existing and proposed debt service.

Cost Savings

Based on a 25-year maturity and current interest rates, the City could save approximately \$10,385,165 over the life of the financing.

Internal Risk Score

Staff assigns a 2A 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 strong.

The results of the City's financial sustainability indicators are strong. These more heavily weighted risk score indicators show the City's short-term and long-term ability to repay the debt. The revenues available for debt service provide a coverage ratio representing 2.31 times the current and proposed debt service in the first year of principal repayment. In addition, the City's level of reinvestment in the assets of the utility's infrastructure is strong with an asset condition ratio of 37 years. An asset condition ratio of 12 to 24 years is considered typical.

The City's socioeconomic indicators are on par with the state overall. The City's population has increased at an average annual rate of 0.89 percent since 2010, compared to an increase at an annual rate of 1.17 percent for the population of the state overall. The City's median household income (MHI) is \$47,044, which is lower than the median for the state overall. The average, unadjusted, unemployment rate for the City was 3.2 percent in June 2019, compared to 3.6 percent in the state overall.

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 City's household cost factor is 1.91 percent. The industry benchmark for the household cost factor is 2 percent for the two services.

The utility system self-supporting debt compared to operating revenues, including the proposed loan, is moderately low at 3.65. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. The system maintains adequate reserves with unrestricted cash and short-term investments of approximately 40 days of the operating expenses of the utility system. 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 City reviews the utility system rates annually and has a rate covenant requiring the City to generate gross revenues sufficient to producing net revenues of at least 1.15 times the City's average annual debt service on all first lien obligations. The proactive management, along with low levels of debt and the strong debt service coverage ratio, further support the assigned risk score of 2A.

LEGAL

Key Issues

None.

Conditions

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

- Adopted water conservation plan;
- Useful life certification;
- Reasonable expectation of water rights; 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	City of San Angelo
Program	Drinking Water State Revolving Fund
Commitment Code	L1001050
Project Number	62856
Intended Use Plan Year	2019
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$65,750,000 City of San Angelo, Texas Waterworks and Sewer System Improvement Revenue Bonds, Series 2019
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	99,135
Rural	No
Water Connections	34,868
Wastewater Connections	30,900
Qualifies as Disadvantaged	No
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, Design and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	Yes
Internal Risk Score	2A
External Ratings (for SRF rates)	
Standard and Poor's	A+
Moody's	Non-Rated
Fitch	AA-
Special Issues	None

Project Team

Team Manager	Lee Huntoon
Financial Analyst	Bill Collard
Engineering Reviewer	Thomas Klein
Environmental Reviewer	Chris Caran
Attorney	Ashley Nwonuma

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of San Angelo

<u>\$65,750,000 City of San Angelo, Texas Waterworks and Sewer System Improvement Revenue Bonds, Series 2019</u>			
Dated Date:	12/15/2019	Source:	DWSRF
Delivery Date:	12/15/2019	Rate:	0.71%
First Interest:	6/15/2020	IUP Year:	2019
First Principal:	6/15/2020	Case:	System Revenues
Last Principal:	6/15/2044	Admin.Fee:	\$1,383,872
Fiscal Year End:	09/30	Admin. Fee Payment Date:	12/15/2019
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$65,750,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2020	\$41,064,020	\$15,102,327	\$2,460,000	0.71%	\$233,413	\$2,693,413	\$17,795,740	2.31
2021	41,064,020	15,182,840	2,200,000	0.71%	449,359	2,649,359	17,832,199	2.30
2022	41,064,020	12,574,653	2,225,000	0.71%	433,739	2,658,739	15,233,392	2.70
2023	41,064,020	12,480,836	2,250,000	0.71%	417,942	2,667,942	15,148,778	2.71
2024	41,064,020	11,106,246	2,275,000	0.71%	401,967	2,676,967	13,783,213	2.98
2025	41,064,020	11,105,481	2,305,000	0.71%	385,814	2,690,814	13,796,295	2.98
2026	41,064,020	11,104,851	2,335,000	0.71%	369,449	2,704,449	13,809,300	2.97
2027	41,064,020	10,947,632	2,365,000	0.71%	352,870	2,717,870	13,665,502	3.00
2028	41,064,020	9,710,426	2,400,000	0.71%	336,079	2,736,079	12,446,505	3.30
2029	41,064,020	9,706,700	2,435,000	0.71%	319,039	2,754,039	12,460,739	3.30
2030	41,064,020	9,708,519	2,475,000	0.71%	301,750	2,776,750	12,485,269	3.29
2031	41,064,020	9,708,805	2,515,000	0.71%	284,178	2,799,178	12,507,983	3.28
2032	41,064,020	2,859,086	2,560,000	0.71%	266,321	2,826,321	5,685,407	7.22
2033	41,064,020	2,854,573	2,605,000	0.71%	248,145	2,853,145	5,707,718	7.19
2034	41,064,020	2,855,545	2,655,000	0.71%	229,650	2,884,650	5,740,195	7.15
2035	41,064,020	2,858,428	2,705,000	0.71%	210,799	2,915,799	5,774,227	7.11
2036	41,064,020	2,858,115	2,760,000	0.71%	191,594	2,951,594	5,809,709	7.07
2037	41,064,020	2,854,606	2,810,000	0.71%	171,998	2,981,998	5,836,604	7.04
2038	41,064,020	2,856,313	2,870,000	0.71%	152,047	3,022,047	5,878,360	6.99
2039	41,064,020	2,857,852	2,930,000	0.71%	131,670	3,061,670	5,919,522	6.94
2040	41,064,020	2,855,431	2,990,000	0.71%	110,867	3,100,867	5,956,298	6.89
2041	41,064,020	2,858,829	3,055,000	0.71%	89,638	3,144,638	6,003,467	6.84
2042	41,064,020	2,857,827	3,120,000	0.71%	67,947	3,187,947	6,045,774	6.79
2043	41,064,020	2,857,313	3,190,000	0.71%	45,795	3,235,795	6,093,108	6.74
2044	41,064,020	2,857,068	3,260,000	0.71%	23,146	3,283,146	6,140,214	6.69
		\$175,580,302	\$65,750,000		\$6,225,209	\$71,975,209	\$247,555,511	

AVERAGE (MATURITY) LIFE	13.34 YEARS
NET INTEREST RATE	0.710%
COST SAVINGS	\$10,385,165
AVERAGE ANNUAL REQUIREMENT	\$9,902,220

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.

**City of San Angelo
62856 Hickory Aquifer Wellfield
Phase II Improvements
Engineering and Environmental Review**

Engineering:

Key Issues:

None.

Project Need/Description

Need: In an effort to offset surface water production, the City of San Angelo (City) began developing a groundwater supply and treatment system to add the Hickory Aquifer to its water supply portfolio. Phase I development of the Hickory Aquifer Wellfield was completed in February of 2018. Phase II development is to achieve a production rate of 12,000 acre-feet per year (10.7 MGD) which requires improvements to the City’s wellfield, raw water collection system, transmission line, and groundwater treatment plant (GWTP).

Description: To achieve the Phase II design production rate of 12,000 acre-feet per year (10.7 MGD), the wellfield, raw water collection system, transmission line, and GWTP will be upgraded to ensure the production rate can reliably be achieved. To accomplish this, five new wells are proposed at the wellfield, bringing the total production capacity to 10,000 gallons per minute (14.4 MGD). This will allow for approximately 25 percent equipment downtime without affecting the intended Phase II production rate. New interconnecting piping will tie the new wells into the existing collection system infrastructure, with several improvements recommended to improve the reliability of the collection system. Similarly, an additional pump will be installed at the booster pump station and the existing 200 horsepower pumps will be upgraded to provide sufficient flow while allowing for equipment downtime. Analysis of the transmission line showed that the existing infrastructure can accommodate the Phase II design flow. Minor improvements are proposed to protect the transmission line during potential surge events. At the GWTP, additional equipment including an extra oxidation contactor unit, an additional pressure filtration unit, and two additional ion exchange treatment trains will be installed to build out the facility as intended during the initial Phase I project; however, the existing equipment capacities will be evaluated in more detail during the design phase to ensure the GWTP can accommodate the higher Phase II flows. Additional optimization efforts will also be evaluated to improve the service life of the existing filter media and minimize influent groundwater iron concentrations. Completion of the proposed improvements will also include the development of an asset management plan.

Project Schedule:

Project Task	Schedule Date
Closing	12/15/2019
Design Phase Complete	12/31/2019
Engineering Feasibility Report Completion (End of Planning Phase)	12/31/2019
Start of Construction	3/31/2020
Construction Completion	2/28/2021

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

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.



Project Budget Summary
 San Angelo
 62856 - Hickory Aquifer Wellfield
 Phase II

Budget Items	TWDB Funds	Total
Construction		
Construction	\$50,878,412.00	\$50,878,412.00
Subtotal for Construction	\$50,878,412.00	\$50,878,412.00
Basic Engineering Services		
Construction Engineering	\$1,879,900.00	\$1,879,900.00
Design	\$1,325,310.00	\$1,325,310.00
Subtotal for Basic Engineering Services	\$3,205,210.00	\$3,205,210.00
Special Services		
Environmental	\$50,000.00	\$50,000.00
Inspection	\$1,117,850.00	\$1,117,850.00
O&M Manual	\$80,000.00	\$80,000.00
Testing	\$85,000.00	\$85,000.00
Subtotal for Special Services	\$1,332,850.00	\$1,332,850.00
Fiscal Services		
Bond Counsel	\$154,000.00	\$154,000.00
Financial Advisor	\$152,500.00	\$152,500.00
Fiscal/Legal	\$25,500.00	\$25,500.00
Issuance Costs	\$15,500.00	\$15,500.00
Loan Origination Fee	\$1,383,872.00	\$1,383,872.00
Subtotal for Fiscal Services	\$1,731,372.00	\$1,731,372.00
Other		
Other (Construction Staking, Post Construction Services, and Record Drawing Preparation)	\$340,500.00	\$340,500.00
Subtotal for Other	\$340,500.00	\$340,500.00
Contingency		
Contingency	\$8,261,656.00	\$8,261,656.00
Subtotal for Contingency	\$8,261,656.00	\$8,261,656.00
Total	\$65,750,000.00	\$65,750,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$65,750,000 TO CITY OF SAN ANGELO
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$65,750,000 CITY OF SAN ANGELO, TEXAS,
WATERWORKS AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS,
PROPOSED SERIES 2019

(19 -)

WHEREAS, the City of San Angelo (City), located in Tom Green County, has filed an application for financial assistance in the amount of \$65,750,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62856; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$65,750,000 City of San Angelo, Texas, Waterworks and Sewer System Improvement 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 City has offered a pledge of a first lien on net revenue of the City's waterworks and sewer system 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 City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the 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 City 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); and

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City 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 City of San Angelo for financial assistance in the amount of \$65,750,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$65,750,000 City of San Angelo, Texas, Waterworks and Sewer System Improvement Revenue Bonds, Proposed Series 2019. This commitment will expire on October 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 City;
3. this commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the City 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 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 City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating

Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;

7. the Obligations must contain a provision requiring the City 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 City to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved by the Executive Administrator;
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 City when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. prior to closing, the City 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 City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
16. the Executive Administrator may require that the City 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 City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
19. the City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
20. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 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 section 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 section 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 City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the City will:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the Loan, and in order to induce the making of the Loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
23. the Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
24. the Obligations must provide that the City will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of section 149(b) of the Code;
25. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City’s reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
26. the Obligations must contain a provision that the City 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 section 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 section 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 City nor a related party thereto will acquire any of the TWDB’s Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

State Revolving Fund Conditions

29. the City 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 City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;

31. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
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 City will adhere to the approved project schedule;
33. the Obligations must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

34. the City 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 City 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 City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

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 City 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;

The Obligations must contain a provision providing that additional obligations (Additional First Lien Obligations) may only be incurred if the following conditions are met:

- a. the Designated Financial Officer shall have executed a certificate stating (A) (i) that, to the best of such person's knowledge and belief, the Issuer is not then in default as to any covenant or requirement contained in any ordinance authorizing the issuance of outstanding First Lien Obligations, and (ii) payments into all special funds or accounts created and established for the payment and security of all outstanding First Lien Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such default or deficiency; and
- b. the Designated Financial Officer shall have executed a certificate stating that based on the books and records of the Issuer, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the date of the then proposed Additional First Lien Obligations, the Net Earnings are at least equal to 1.15 times the Average Annual Debt Service Requirements (computed on a fiscal year basis) of the First Lien Obligations to be outstanding after the issuance of the then proposed Additional First Lien Obligations.

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

Special Conditions:

39. prior to closing, the City shall adopt and implement the water conservation program approved by the TWDB;

40. 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 City 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;
41. 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 City has the right to use the water that the project financed by the TWDB will provide; and
42. prior to the release of funds, the City 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 October, 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.



City of San Angelo Tom Green County

