

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: November 21, 2019

TEAM MANAGER: Caaren Skrobarczyk

<b>APPLICANT</b>	Palo Pinto County
<b>TYPE OF ASSISTANCE</b>	\$500,000 Financing
<b>LEGAL PLEDGE</b>	Ad Valorem Taxes and Surplus Sewer System Revenues

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve by resolution a request from Palo Pinto County (Palo Pinto County) for \$500,000 in financing from the Clean Water State Revolving Fund for planning, acquisition, and design of a wastewater treatment plant project.

### PROJECT

Palo Pinto County Wastewater Treatment Plant  
Project Number 73845

### BACKGROUND

Palo Pinto County (County) is located in north Texas. The County provides wastewater service to approximately 333 residents. Water service is provided by the Palo Pinto Water Supply Corporation who receives treated water from the City of Mineral Wells for wholesale.

The County has been cited and received an enforcement order from the Texas Commission on Environmental Quality (TCEQ) for maintenance and treatment issues related to excessive solids in the existing wastewater treatment plant and failures to control solids in the treatment process. The County has also been cited for effluent violations. The existing plant is now 20 years old and is reaching the end of its design life. Additionally, the treatment process employed by the plant is not capable of treating the existing effluent to a higher quality, nor can it be easily expanded. The County proposes to plan and design a replacement wastewater treatment plant to service the unincorporated community of Palo Pinto by treating a larger volume of effluent while reducing total solids. Due to changes in the flood plain, acquisition of land or easements may be necessary. The proposed project also aims to reuse the bar screen from the existing treatment plant to reduce cost and waste.

### FINANCIAL

#### Key Issues

The County will be pursuing a loan term of 10 years.

**COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE NOVEMBER 30, 2020.**

### Pledge and Repayment

The County is pledging ad valorem taxes and surplus revenues of the sewer utility system for repayment of the proposed loan. The County's current average monthly wastewater rate is \$25.00. According to staff's analysis, net revenues produced by the County are sufficient to meet current and proposed debt service requirements.

The County intends to repay the proposed loan from tax revenue only. The proposed interest and sinking (I&S) levy would be \$0.003 per \$100 of assessed valuation. This would provide the County with a coverage ratio of 1.71 times the current and proposed debt service in the first year of principal repayment. Based on proposed conditions, this rate is also sufficient to meet current and proposed debt service requirements.

### Cost Savings

Based on a 10-year maturity and current interest rates, the County could save approximately \$37,435 over the life of the financing.

### Internal Risk Score

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

The results of the County's financial sustainability indicators are strong. The debt service coverage ratio is 6.03 times the current and proposed debt service in the first year of principal repayment. Additionally, the County's cash balance ratio has increased by 30 percent from 2013 to 2018. Finally, the County's level of reinvestment in the assets of the utility's infrastructure is sufficient with an asset condition ratio of 10 years. An asset condition ratio of 12 to 24 years is considered typical for utility systems.

The County's socioeconomic indicators are slightly weaker than the state overall. The County's median household income of \$45,067 is 78 percent of the state's median of \$57,051. The County's unemployment rate of 3.2 percent in August of 2019 is slightly lower than the state average of 3.6 percent. The County's population has stayed relatively stable, compared to the state's average annual increase of 1.24 percent from 2010 to 2017.

The County's utility system rates and current household income result in a household cost factor of 0.67 percent for wastewater service. The industry benchmark for the household cost factor is 1 percent for wastewater service. The County reports a very strong liquidity position of 284 days of cash on hand. An amount over 250 days is a very strong level of liquidity.

The County has no current outstanding debt. The proposed debt results in a net direct debt to assessed valuation of 0.02 percent. A debt to assessed valuation of less than 0.75 percent is considered very strong for tax-supported obligations.

The County's strong financial sustainability indicators, average socioeconomic factors, strong debt coverage ratio, and very strong liquidity position support the assigned risk score of 2A.

**LEGAL**

Key Issues

None.

Conditions

Standard Clean Water State Revolving Fund, tax-exempt, tax and surplus revenue conditions.

- 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**

<b>Responsible Authority</b>	Palo Pinto County
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Code</b>	L1001057
<b>Project Number</b>	73845
<b>Intended Use Plan Year</b>	2019
<b>Type of Pledge</b>	3- Combo Tax and Rev
<b>Revenue Pledge Level</b>	Third
<b>Legal Description</b>	\$500,000 Palo Pinto County Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2020
<b>Tax-exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay <> Escrow
<b>Population</b>	333
<b>Rural</b>	Yes
<b>Water Connections</b>	0
<b>Wastewater Connections</b>	87
<b>Qualifies as Disadvantaged</b>	No
<b>Clean Water State Revolving Fund Type</b>	Equivalency
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Funding Phase Code</b>	Planning, Acquisition, and Design
<b>Pre-Design</b>	No
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Exempt (\$500,000 or less)
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2A
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

Team Manager	Caaren Skrobarczyk
Financial Analyst	Lina Linehan
Engineering Reviewer	Marcus Snell
Environmental Reviewer	Chris Caran
Attorney	Joe Reynolds

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Palo Pinto County

**\$500,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2020**

**Dated Date:** 1/15/2020  
**Delivery Date:** 1/15/2020  
**First Interest:** 6/1/2020  
**First Principal:** 12/1/2020  
**Last Principal:** 12/1/2029  
**Fiscal Year End:** 09/30  
**Required Coverage:** 1.1

**Source:** CWSRF-EQUIVALENCY  
**Rate:** 0.29%  
**IUP Year:** 2019  
**Case:** Tax  
**Admin.Fee:** \$8,600  
**Admin. Fee Payment Date:** 1/15/2020  
**Total Assessed Valuation:** \$3,026,344,738

FISCAL YEAR	PROJECTED TAX RATE	TAX REVENUES WITH COLL. @ 97%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$500,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2020	\$0.0030	\$88,067	\$0	\$88,067	\$0	\$0	-	\$548	\$548	\$548	160.77
2021	0.0030	88,067	-	88,067	-	50,000	0.29%	1,378	51,378	51,378	1.71
2022	0.0030	88,067	-	88,067	-	50,000	0.29%	1,233	51,233	51,233	1.72
2023	0.0030	88,067	-	88,067	-	50,000	0.29%	1,088	51,088	51,088	1.72
2024	0.0030	88,067	-	88,067	-	50,000	0.29%	943	50,943	50,943	1.73
2025	0.0030	88,067	-	88,067	-	50,000	0.29%	798	50,798	50,798	1.73
2026	0.0030	88,067	-	88,067	-	50,000	0.29%	653	50,653	50,653	1.74
2027	0.0030	88,067	-	88,067	-	50,000	0.29%	508	50,508	50,508	1.74
2028	0.0030	88,067	-	88,067	-	50,000	0.29%	363	50,363	50,363	1.75
2029	0.0030	88,067	-	88,067	-	50,000	0.29%	218	50,218	50,218	1.75
2030	0.0030	88,067	-	88,067	-	50,000	0.29%	73	50,073	50,073	1.76
				\$2,040,453	\$0	\$500,000		\$7,798	\$507,798	\$507,798	

<b>AVERAGE (MATURITY) LIFE</b>	<b>5.38 YEARS</b>
<b>NET INTEREST RATE</b>	<b>0.290%</b>
<b>COST SAVINGS</b>	<b>\$ 37,435</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$46,163</b>

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.

**Palo Pinto County  
73845 Palo Pinto County  
Wastewater Treatment Plant  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

None

Project Need/Description

Project Need: The County of Palo Pinto (County) has been cited and received an enforcement order for maintenance and treatment issues related to excessive solids in the existing wastewater treatment plant and failures to control solids in the treatment process. The County has also received notices of violation for effluent violations. The existing plant is now 20 years old and is reaching the end of its design life. Additionally, the treatment process employed by the plant is not capable of treating the existing effluent to a higher quality, nor can it be easily expanded.

Project Description: The County proposes to plan and design a replacement wastewater treatment plant to service the community by treating a larger volume of effluent while reducing total solids. Due to changes in the flood plain acquisition of land or easements may be necessary. The proposed project also aims to reuse the bar screen from the existing treatment plant to reduce cost and waste.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	1/15/2020
Engineering Feasibility Report Completion (End of Planning Phase)	5/29/2020
Design Phase Complete	12/1/2020
Start of Construction	4/9/2021
Construction Completion	4/29/2022

**Environmental Section:**

Key Issues:

None known at this time.

Environmental Summary:

Pursuant to the requirements of 31 Texas Administrative Code Chapter 375, 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

Palo Pinto County  
73845 - Palo Pinto County  
Wastewater Treatment Plant

Budget Items	TWDB Funds	Total
<b>Basic Engineering Services</b>		
Design	\$120,000.00	\$120,000.00
Planning	\$40,000.00	\$40,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$160,000.00</b>	<b>\$160,000.00</b>
<b>Special Services</b>		
Application	\$10,000.00	\$10,000.00
Environmental	\$40,000.00	\$40,000.00
Permits	\$20,000.00	\$20,000.00
Project Management (by engineer)	\$10,000.00	\$10,000.00
Surveying	\$25,000.00	\$25,000.00
<b>Subtotal for Special Services</b>	<b>\$105,000.00</b>	<b>\$105,000.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$15,000.00	\$15,000.00
Financial Advisor	\$15,000.00	\$15,000.00
Issuance Costs	\$3,000.00	\$3,000.00
Loan Origination Fee	\$8,600.00	\$8,600.00
<b>Subtotal for Fiscal Services</b>	<b>\$41,600.00</b>	<b>\$41,600.00</b>
<b>Other</b>		
Administration	\$2,000.00	\$2,000.00
Land/Easements Acquisition	\$80,000.00	\$80,000.00
Project Legal Expenses	\$20,000.00	\$20,000.00
<b>Subtotal for Other</b>	<b>\$102,000.00</b>	<b>\$102,000.00</b>
<b>Contingency</b>		
Contingency	\$91,400.00	\$91,400.00
<b>Subtotal for Contingency</b>	<b>\$91,400.00</b>	<b>\$91,400.00</b>
<b>Total</b>	<b>\$500,000.00</b>	<b>\$500,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$500,000 TO PALO PINTO COUNTY  
FROM THE CLEAN WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$500,000 PALO PINTO COUNTY TAX AND SURPLUS REVENUES CERTIFICATES OF  
OBLIGATION, PROPOSED SERIES 2020

(19 - )

WHEREAS, the Palo Pinto County (County) has filed an application for financial assistance in the amount of \$500,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, acquisition, and design of certain wastewater system improvements identified as Project No. 73845; and

WHEREAS, the County seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$500,000 Palo Pinto County Tax and Surplus Revenues Certificates of Obligation, Proposed Series 2020 (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 County has offered a pledge of ad valorem taxes and a lien on the surplus revenues of the sewer utility 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 County will be sufficient to meet all the Obligations assumed by the County, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the County is exempt from requirements to adopt a water conservation program because the TWDB's financial assistance will be \$500,000 or less;
4. that the County has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;

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

A commitment is made by the TWDB to the Palo Pinto County for financial assistance in the amount of \$500,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$500,000 Palo Pinto County Tax and

Surplus Revenues Certificates of Obligation, Proposed Series 2020. This commitment will expire on November 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 County;
3. this commitment is contingent upon the County's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the County 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 County, 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 County'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 County's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the County is an obligated person with respect to such bonds under SEC Rule 15c2-12;
7. the Obligations must contain a provision requiring the County 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 County 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 County to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the County 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 County 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 County 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 County, 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 County 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 County 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 County 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 County execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

#### Conditions Related to Tax-Exempt Status

17. the County'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 County when rendering this opinion;
18. the County'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 County when rendering this opinion;
19. the Obligations must include a provision prohibiting the County 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);
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 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;
21. the Obligations must include a provision requiring the County 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 County 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 County may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the County, provided that the County 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 County 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 County 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 County will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of section 149(b) of the Code;
24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the County’s reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
25. the Obligations must contain a provision that the County will refrain from using 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);
26. 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;
27. the Obligations must provide that neither the County 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 County by the TWDB;

State Revolving Fund Conditions

28. the County shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
29. 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 County, 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;

30. the Obligations must include a provision stating that the County 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 County 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;
31. 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 County will adhere to the approved project schedule;
32. the Obligations must contain a covenant that the County will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;
33. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;
34. the County shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

#### Clean Water State Revolving Fund Conditions

35. the County shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;
36. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;
37. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the County 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;

38. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)–(C), the County must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq* and 33 U.S.C. § 1382(b)(14);

Pledge Conditions for the Loan

39. the Obligations must contain a provision that provides as follows:
  - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
  - b. if surplus revenues are based upon budgeted amounts:
    - i. the Obligations must include a requirement that the County transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the County shall not transfer any funds from the County's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
    - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the County shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and

- iii. the Obligations must include a requirement that the County shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the County and other obligations of the County which are secured in whole or in part by the pledged revenues, for which the County is budgeting the repayment of such Obligations, or the County shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

APPROVED and ordered of record this 21st day of November, 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
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**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.



# Palo Pinto County

