

# Texas Water Development Board

## PROJECT FUNDING REQUEST

**BOARD DATE:** June 6, 2023

**Team Manager:** Mireya Loewe

### ACTION REQUESTED

Consider approving by resolution a request from the City of Mission (Hidalgo County) for \$8,510,000 in financial assistance consisting of \$4,255,000 in financing and \$4,255,000 in grant from the Economically Distressed Areas Program for planning, acquisition, and construction of a wastewater system project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The City of Mission (City) has a population of approximately 86,000. It provides water and sewer service to approximately 103,000 people through 30,553 water connections and 27,559 wastewater connections.

In December 2013, the City received a commitment for a \$284,000 grant and a \$285,000 loan from the Economically Distressed Areas Program (EDAP) for planning, acquisition, and design of a project to provide first-time sewer service to an unincorporated area north of the City. The area currently receives water service from the Sharyland Water Supply Corporation.

### PROJECT NEED AND DESCRIPTION

An unincorporated area north of the City currently utilizes on-site sewer systems, such as septic tanks and pit privies, to manage its wastewater. Some of these systems do not meet the standard requirements for on-site systems.

The project will construct a wastewater collection system to bring first-time sewer service to 14 subdivisions northwest of the City. The wastewater will be transported via a force main to be treated at the City's existing wastewater treatment plant. All work is proposed along existing roadsides. The project will include the construction of approximately 62,600 linear feet of gravity sewer lines; 208 manholes; 2 lift stations, including the acquisition of the 2 properties needed; 7,400 linear feet of force main line; and approximately 622 sanitary sewer connections. The planning and design work were completed using prior EDAP funding under a separate project; however, the current project includes update to the expired environmental determination.

<b>COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE DECEMBER 31, 2023</b>
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## **PROJECT SCHEDULE**

<b>Task</b>	<b>Schedule Date</b>
Closing	September 23, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	May 1, 2024
Design Phase Completion	June 1, 2024
Start of Construction	October 1, 2024
Construction Completion	April 30, 2023

## **KEY ISSUES**

The City did not request a nuisance determination for the proposed project area. Under Texas Water Code § 17.933(b), and consistent with the Intended Use Plan for the current EDAP funding cycle, the Executive Administrator recommends setting the grant amount at 50 percent of eligible costs for projects that have not received a nuisance determination.

## **LEGAL/SPECIAL CONDITIONS**

- Fiscal Year 2022 audit
- Execution of grant agreement
- Return of surplus funds
- Reserve requirement

## **Attachments**

1. Financial Review
2. Project Budget
3. Resolution (23- )
4. Water Conservation Review
5. Location Map

# Financial Review City of Mission

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2021

## Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 1.08%	State: 1.49%
Top 10 Customers % of Total Revenue	2.64%	10-15%
Median Household Income as % of State	49%	100%
Days of Cash on Hand (3-year Average)	10 days	30-149 days
Net Fixed Assets/ Annual Depreciation	12 years	12-24 years
Debt Service Coverage Ratio	2.30x	1.0x
Debt-to-Operating Revenues	1.48	4.00-5.99x
Unemployment Rate (March, 2023)	City: 5.90%	State: 4.20%
Working Capital Ratio	0.34	> 1.0

### Key Risk Score Strengths

- Utility system revenues are adequate to maintain coverage of all existing and proposed debt.
- The City maintains a low debt to operating revenues ratio, which indicates that the City has the capacity to take on new system debt.

### Key Risk Score Concerns

- The median household income is below the benchmark; however, the City is not projected to need to increase rates to maintain debt service.
- The City currently maintains a low three-year average of days of cash on hand, a low working capital ratio on the system fund, and a negative cash balance ratio on the general fund. A special condition will be recommended to implement and maintain a minimum of 60 days of cash on hand for the life of the loan.
- The City has a cash balance ratio of approximately negative 13 percent. This is due to an increase in staffing expenditures, an increase in goods and services, and no significant increases in property tax rates.

### PLEDGE

Legal Pledge Name	Waterworks and Sewer System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

### RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
Water	8,800	\$32.91	\$32.91	2.37	2.37
Wastewater	7,640	\$26.69	\$26.69		

**TAXES**

	2021 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.4359	\$0.4359	\$2.50	97%	\$5,076,110,007
Interest & Sinking	\$0.0940	\$0.0940			
Total Tax Rate	\$0.5299	\$0.5299			

**Cost Savings**

Based on a 20-year maturity schedule and current interest rates, the City could save approximately \$309,597 over the life of the financing. The City is also saving \$4,255,000 in grant funding.

<b>Responsible Authority</b>	Mission
<b>Program</b>	EDAP
<b>Commitment Number</b>	G1001644, L1001643
<b>Project Number</b>	10461
<b>List Year</b>	2022
<b>Type of Pledge</b>	Revenue Pledge
<b>Pledge Level (if applicable)</b>	First Lien
<b>Legal Description</b>	\$4,255,000 Grant Agreement, \$4,255,000 City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2023
<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 Release
<b>Qualifies as Disadvantaged</b>	Yes
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Phases Funded</b>	Planning, Acquisition, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	N/A
<b>Water Conservation Plan</b>	Adopted
<b>Overall Risk Score</b>	2B

### PROJECT TEAM

<b>Team Manager</b>	<b>Financial Analyst</b>	<b>Engineering Reviewer</b>	<b>Environmental Reviewer</b>	<b>Attorney</b>
Mireya Loewe	Arnoldo Rubio	Rohan Jayasuriya	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Mission

**\$4,255,000 City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2023**

<b>Dated Date:</b>	9/23/2023	<b>Source:</b>	EDAP
<b>Delivery Date:</b>	9/23/2023	<b>Rate:</b>	3.53%
<b>First Interest:</b>	2/15/2024	<b>IUP Year:</b>	2022
<b>First Principal:</b>	2/15/2025	<b>Case:</b>	First Lien System Revenue
<b>Last Principal:</b>	2/15/2044	<b>Admin.Fee:</b>	\$0
<b>Fiscal Year End:</b>	09/30	<b>Admin. Fee Payment Date:</b>	N/A
<b>Required Coverage:</b>	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$4,255,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2024	\$8,775,075	\$3,617,303	-	-	\$122,318	\$122,318	\$3,739,621	2.35	
2025	8,775,075	3,621,643	\$165,000	2.55%	134,649	299,649	3,921,292	2.24	
2026	8,775,075	3,619,558	165,000	2.45%	130,524	295,524	3,915,082	2.24	
2027	8,775,075	3,690,996	170,000	2.41%	126,454	296,454	3,987,450	2.20	
2028	8,775,075	2,596,073	175,000	2.41%	122,297	297,297	2,893,370	3.03	
2029	8,775,075	1,736,361	180,000	2.39%	118,037	298,037	2,034,398	4.31	
2030	8,775,075	1,715,217	185,000	2.39%	113,675	298,675	2,013,893	4.36	
2031	8,775,075	1,277,486	190,000	2.40%	109,185	299,185	1,576,671	5.57	
2032	8,775,075	1,279,268	190,000	2.45%	104,577	294,577	1,573,845	5.58	
2033	8,775,075	1,279,633	195,000	2.49%	99,822	294,822	1,574,454	5.57	
2034	8,775,075	1,276,558	200,000	2.75%	94,644	294,644	1,571,202	5.58	
2035	8,775,075	736,154	210,000	3.03%	88,713	298,713	1,034,866	8.48	
2036	8,775,075	734,783	215,000	3.30%	81,984	296,984	1,031,766	8.50	
2037	8,775,075	737,868	220,000	3.51%	74,575	294,575	1,032,443	8.50	
2038	8,775,075	735,492	230,000	3.66%	66,505	296,505	1,031,997	8.50	
2039	8,775,075	737,741	235,000	3.76%	57,878	292,878	1,030,619	8.51	
2040	8,775,075	734,611	245,000	3.88%	48,707	293,707	1,028,318	8.53	
2041	8,775,075	736,095	255,000	3.95%	38,918	293,918	1,030,013	8.52	
2042	8,775,075	737,138	265,000	4.01%	28,568	293,568	1,030,706	8.51	
2043	8,775,075	737,733	275,000	4.08%	17,645	292,645	1,030,378	8.52	
2044	8,775,075	737,911	290,000	4.15%	6,018	296,018	1,033,928	8.49	
		\$33,075,621	\$4,255,000			\$1,785,690	\$6,040,690	\$39,116,311	

<b>AVERAGE (MATURITY) LIFE</b>	<b>11.88 YEARS</b>
<b>NET INTEREST RATE</b>	<b>3.533%</b>
<b>COST SAVINGS</b>	<b>\$309,597</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$287,652</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.*



**Project Budget Summary**  
 Mission  
 10461 - North Mission EDAP Project

Budget Items	Total Project
<b>Construction</b>	
Construction	\$6,810,000.00
<b>Subtotal for Construction</b>	<b>\$6,810,000.00</b>
<b>Basic Engineering Services</b>	
Construction Engineering	\$140,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$140,000.00</b>
<b>Special Services</b>	
Application	\$30,000.00
Environmental	\$45,000.00
Geotechnical	\$35,000.00
Inspection	\$140,000.00
O&M Manual	\$10,000.00
Permits	\$10,000.00
Surveying	\$90,000.00
Testing	\$180,000.00
<b>Subtotal for Special Services</b>	<b>\$540,000.00</b>
<b>Fiscal Services</b>	
Bond Counsel	\$50,000.00
Financial Advisor	\$75,000.00
Issuance Costs	\$40,000.00
<b>Subtotal for Fiscal Services</b>	<b>\$165,000.00</b>
<b>Other</b>	
Land/Easements Acquisition	\$150,000.00
Project Legal Expenses	\$25,000.00
<b>Subtotal for Other</b>	<b>\$175,000.00</b>
<b>Contingency</b>	
Contingency	\$680,000.00
<b>Subtotal for Contingency</b>	<b>\$680,000.00</b>
<b>Total</b>	<b>\$8,510,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$8,510,000 TO  
THE CITY OF MISSION  
FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT OF  
THE TEXAS WATER DEVELOPMENT FUND II  
THROUGH THE PROPOSED PURCHASE OF \$4,255,000  
CITY OF MISSION, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS,  
PROPOSED SERIES 2023  
AND  
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$4,255,000

(23 - )

WHEREAS, City of Mission (City), located in Hidalgo County, has filed an application seeking financial assistance in the amount of \$8,510,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, to finance certain wastewater system improvements, identified as Project No. 10461; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (the TWDB) through the TWDB's proposed purchase of \$4,255,000 City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2023 (together with all authorizing documents (Obligations)) and a grant of \$4,255,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, all as is more specifically set forth in the application and in recommendations of TWDB's staff; and

WHEREAS, the City has offered a pledge of a first lien on the net revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations;

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 § 363.16 and § 363.43; and

WHEREAS, the TWDB has carefully considered all matters required by law and in particular the following:

1. the feasibility of creating a conservation and reclamation district to provide and finance the water supply or sewer services, in accordance with Texas Water Code § 16.346;
2. the need of the economically distressed area to be served by the water supply and sewer services in relation to the need of other political subdivisions requiring economically distressed areas financing, and the relative costs and benefits of all applications, in accordance with Texas Water Code § 17.929(a)(1);

3. the availability to the political subdivision of revenue from alternative sources for the payment of the cost of the proposed project, in accordance with Texas Water Code § 17.929 (a)(2);
4. financing of the proposed water supply or sewer project, in accordance with Texas Water Code § 17.929(a)(3);
5. the feasibility of achieving cost savings by providing a regional facility for water supply and wastewater service and the feasibility of financing the facilities by using funds from the economically distressed areas account or any other financial assistance, in accordance with Texas Water Code § 17.929(a)(5);
6. the rates, fees and charges that the average customer to be served by the project will be able to pay, sources of funding available to the City, and any local funds of the City, in accordance with Texas Water Code § 17.933(d)(1);
7. sources of funding available to the City from federal and private funds and from other state funds, in accordance with Texas Water Code § 17.933(d)(2);
8. any local funds of the City to be served by the project if the economically distressed area to be served is within the boundary of the City, in accordance with Texas Water Code § 17.933(d)(3);
9. the just, fair, and reasonable charges for water and wastewater service as provided in the Texas Water Code, in accordance with Texas Water Code § 17.933(d)(4);

WHEREAS, the TWDB hereby finds:

1. that the City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
2. that the area to be served by the proposed project has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available, in accordance with Texas Water Code § 17.929(b);
3. that the County and City have adopted model subdivision rules as promulgated by the TWDB pursuant to Texas Water Code § 16.343 and the manner of enforcement, in accordance with Texas Water Code § 17.929(a) (4);
4. that the City has considered cost-effective innovative, nonconventional methods of treatment and will evaluate alternatives in greater detail through the planning phase of the project, in accordance with Texas Water Code § 17.189(b);

5. that the public interest will benefit from state assistance in the financing of the treatment works, in accordance with Texas Water Code § 17.277;

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

A commitment is made by the TWDB to the City of Mission for financial assistance in the amount of \$8,510,000 from the Economically Distressed Areas Account of the Texas Water Development Funds through the TWDB's proposed purchase of \$4,255,000 City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2023 and a grant of \$4,255,000. This commitment will expire on December 31, 2023.

This 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 City's compliance with all applicable requirements contained in 31 TAC Chapter 363;
3. the Obligations and Grant Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations and Grant Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. loan proceeds and grant funds are public funds and, as such, the Grant Agreement and 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;
5. loan proceeds and grant funds 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 and Grant Agreement 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;

6. 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, under the contract, and acceptable to the Executive Administrator;
7. 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 agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
8. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
9. 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;
10. 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;
11. 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;
12. the Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;

13. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project and after completion of a final accounting in a manner approved by the Executive Administrator;
14. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
15. the City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition);
16. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
17. the Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
18. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;
19. the Obligations must provide that the City will submit annually, an audit prepared by a certified public accountant in accordance with generally accepted auditing standards;
20. 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 and manufactured goods produced in the United States, as required by Texas Water Code § 17.183;

#### Conditions Related To Tax-Exempt Status.

21. 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;
22. 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;

23. 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 § 141 of the Internal Revenue Code of 1986, as amended (Code), and the Treasury Regulations promulgated thereunder (Regulations);
24. 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;
25. 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 § 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 § 148(f) of the Code, § 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;
26. 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;
  27. 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 § 149(b) of the Code;
  28. 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;
  29. 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;
  30. 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;
  31. prior to closing, the City shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project;

EDAP Conditions:

32. The Grant Agreement and Obligations must include a provision that requires compliance with Texas Water Code § 16.356 that no revenues received from rates or fees collected from the water supply or wastewater system constructed in whole or in part from this commitment shall be used for any purposes other than utility purposes and that the annual financial statement prepared by the City under Texas Local Government Code § 103.001 shall include a specific report on compliance with this condition;
33. Prior to the release of funds provided for construction, the City must provide the TWDB with evidence satisfactory to the Executive Administrator that the City has received and will maintain a designation as an authorized agent of the Texas Commission on Environmental Quality, in compliance with Texas Health and Safety Code § 366.035;
34. The Grant Agreement and Obligations must include a provision that requires the City adequately enforce the authority granted to the City by Texas Water Code § 17.934(a)(2) to require and ensure that all property owners capable of receiving service from the system constructed with the funds provided by this resolution are actually connected to the sewer system constructed by these funds within a reasonable period of time not to exceed 90 days from the date the City notifies the property owner that service is available; provided, however, that the Executive Administrator may extend this time upon written request for good cause shown.

Pledge Conditions for the Loan:

35. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
36. if the 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;
37. the Obligations must contain a provision providing that no installment, Series or issue of Additional Parity Obligations shall be issued or delivered unless:
  - a. The City Manager and the City Secretary of the City sign a written certificate to the effect that the City is not in default as to any covenant, condition or obligation in connection with all outstanding Parity Obligations, and the ordinances authorizing same, and that the Interest and Sinking Fund, the

Reserve Fund and any reserve fund securing any other series or issue of Parity Obligations each contains the amount then required to be therein.

- b. An Accountant or Independent Engineer signs and delivers to the City a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Revenues were, in the opinion thereof, at least equal to the greater of (i) 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including deposits to all funds, of the Parity Obligations and the Additional Parity Obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations, or (ii) 1.10 times the Maximum Annual Debt Service Requirements (computed in the same manner as for Parity Obligations) of all outstanding obligations payable from a lien on and pledge of the Net Revenues of the System and all obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations.
- c. In making a determination of Net Revenues for any of the purposes described in this Section, the Accountant or Independent Engineer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 60 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues tests described above, make a pro forma determination of the Net Revenues of the System for the period of time covered by said Accountant's or Independent Engineer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Accountant's or Independent Engineer's certificate or opinion.

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

Special Conditions:

- 38. prior to closing, the City shall submit a 2022 audit, the form and substance of which is satisfactory to the Executive Administrator;
- 39. Prior to closing, the City and the Executive Administrator shall execute an Agreement that sets forth the terms and uses of the grant funds;
- 40. The Grant Agreement must include a provision stating that the City shall return any grant funds that are determined to be Surplus Funds in a manner determined by the Executive Administrator;

41. the Obligations must require the City to maintain a two (2)-month reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year, which amount shall be retained in the Revenue Fund.

APPROVED and ordered of record this 6th day of June 2023.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Brooke T. Paup, Chairwoman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Jeff Walker, Executive Administrator

Review Date:

Project ID:

Water  
Wastewater  
Other

**WATER CONSERVATION REVIEW**

Entity:

Other entity:

**WATER CONSERVATION PLAN DATE:****Approvable****Adopted**

	<b>Total GPCD</b>	<b>Residential GPCD</b>	<b>Water Loss GPCD</b>
<b>Baseline</b>			
<b>5-year Goal</b>			
<b>10-year Goal</b>			

**WATER LOSS AUDIT YEAR:**

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI<sup>1</sup>:

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

**WATER LOSS THRESHOLDS**

Water Loss Project:

Wholesale Adjusted:

Threshold Type:

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day

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 losses** are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

**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.

**GCD** means gallons per connection 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 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**Real losses** are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

**Residential GPCD** is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

**Total GPCD** is the amount of total system input volume divided by the retail population 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 GPCD** is the amount of water loss divided by the retail population divided by 365.

**Water Loss per Connection per Day** Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

**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.

**Wholesale Adjusted** represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



# City of Mission Hidalgo County

