



PROJECT FUNDING REQUEST

BOARD DATE: April 11, 2024

Team Manager: Bill Blaik

ACTION REQUESTED

Consider approving by resolution a request from the City of Mount Vernon (Franklin County) for \$1,795,000 in financial assistance from the Texas Water Development Fund for planning and design of water and wastewater improvements.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Mount Vernon (City) is located in Franklin County approximately 100 miles northeast of Dallas. The City has 1,220 connections and a service population of 2,662.

PROJECT NEED AND DESCRIPTION

The project is needed to rehabilitate the City's wastewater treatment plant, address sewer inflow and infiltration issues, replace distribution lines to proactively address water loss, and to replace the raw water supply line to allow the City's water treatment plant to operate at full capacity. The plant is currently operating at a limited capacity of 1.44 million-gallons-per-day (MGD) but has a nominal capacity of 2.05 MGD.

The proposed project is for the planning and design of multiple improvements to the City's water and wastewater infrastructure. The City owns and operates a surface water treatment plant that receives water from Lake Cypress Springs. The existing transmission line will be upsized to allow the plant to operate at its full capacity. The City also proposes to identify and repair water distribution lines to reduce water loss. The existing wastewater treatment plant does not meet discharge effluent requirements. The project includes the rehabilitation of the plant by adding additional equipment and replacing equipment that has reached the end of its useful life. This project also includes replacement of wastewater collection lines, brick manholes, and clay pipes to reduce inflow and infiltration of the aging collection system.

PROJECT SCHEDULE

Task	Schedule Date
Closing	July 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	October 1, 2024
Design Phase Completion	December 31, 2024
Start of Construction	May 1, 2025
Construction Completion	December 31, 2027

COMMITMENT PERIOD: FIVE (5) MONTHS TO EXPIRE SEPTEMBER 30, 2024

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (24-)
4. Water Conservation Review
5. Location Map

Financial Review

City of Mount Vernon

Risk Score: 2A

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.66%	State: 1.49%
Top 10 Customers % of Total Revenue	15%	10-15%
Median Household Income as % of State	75%	100%
Days of Cash on Hand (3-year Average)	603 days	30-149 days
Net Fixed Assets/ Annual Depreciation	16 years	12-24 years
Debt Service Coverage Ratio	2.61x	1.1x
Debt-to-Operating Revenues	2.56	4.00-5.99x
Unemployment Rate (December 2023)	City: 3.00%	State: 3.50%
Working Capital Ratio	5.36	> 1.0
Cash Balance Ratio	-2.90%	0 – 9.99%

Key Risk Score Strengths

- The City’s days of cash on hand is above the benchmark, indicating sufficient reserves for operating expenses.
- The total assessed valuation per capita is above the benchmark, indicating a strong tax base to provide revenue for the existing and proposed debt. Additionally, the assessed value has grown by 49 percent over the previous five years.
- The City’s debt to operating revenue is above the benchmark, indicating the City has sufficient capacity for additional debt.

Key Risk Score Concerns

- The City saw a decrease in the cash and cash equivalents from their 2017 to their 2022 audit. This was primarily due to the transfer of unrestricted cash to the restricted cash fund. However, the City has consistently maintained a cash balance within this range.
- The City experienced a slight population decline of 0.66 percent over the past 10 years; however, the water and wastewater connections for the City have increased by 45 over the previous five years.

PLEDGE

Legal Pledge Name	Ad Valorem Tax and Utility System Revenue
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" 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	7,069	\$28.75	\$28.75	1.52	1.52
Wastewater	7,069	\$30.00	\$30.00		

TAXES

	2023 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.44570	\$0.44570	\$1.50	100%	\$201,971,048
Interest & Sinking	\$0.09944	\$0.09944			
Total Tax Rate	\$0.54514	\$0.54514			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$221,604 over the life of the financing.



Project Data Summary

Responsible Authority	Mount Vernon
Program	WDF
Commitment Number	L1001761
Project Number	21832
List Year	202
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$1,795,000, City of Mount Vernon, Texas, Combination Tax and Surplus Revenue Certificate of Obligation Series 2024
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning and Design
Pre-Design	No
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Bill Blaik	Raul Flores	Cody Cockayne	Gayla Duaine	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Mount Vernon

\$1,795,000, City of Mount Vernon, Texas, Combination Tax and Surplus Revenue Certificate of Obligation Series 2024

Dated Date:	7/1/2024	Source:	WDF
Delivery Date:	7/1/2024	Rate:	4.46%
First Interest:	3/1/2025	IUP Year:	2023
First Principal:	9/1/2025	Case:	Tax and Revenue
Last Principal:	3/1/2055	Admin.Fee:	\$0
Fiscal Year End:	09/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.1	Total Assessed Valuation:	\$201,971,048

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 99%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$1,795,000 ISSUE					TOTAL DEBT SERVICE	COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT		
2025	0.09944	\$198,832	\$595,688	\$794,520	\$211,016	\$5,000	3.40%	\$88,563	\$93,563	\$304,579	2.61	
2026	0.09944	198,832	595,688	794,520	207,913	30,000	3.30%	75,742	105,742	313,655	2.53	
2027	0.09944	198,832	595,688	794,520	204,799	30,000	3.21%	74,752	104,752	309,551	2.57	
2028	0.09944	198,832	595,688	794,520	201,789	30,000	3.13%	73,789	103,789	305,578	2.60	
2029	0.09944	198,832	595,688	794,520	198,539	35,000	3.10%	72,850	107,850	306,389	2.59	
2030	0.09944	198,832	595,688	794,520	195,395	35,000	3.10%	71,765	106,765	302,160	2.63	
2031	0.09944	198,832	595,688	794,520	192,244	35,000	3.11%	70,680	105,680	297,924	2.67	
2032	0.09944	198,832	595,688	794,520	194,168	40,000	3.10%	69,591	109,591	303,759	2.62	
2033	0.09944	198,832	595,688	794,520	190,789	40,000	3.11%	68,351	108,351	299,140	2.66	
2034	0.09944	198,832	595,688	794,520	187,486	40,000	3.17%	67,107	107,107	294,593	2.70	
2035	0.09944	198,832	595,688	794,520	184,179	45,000	3.37%	65,839	110,839	295,018	2.69	
2036	0.09944	198,832	595,688	794,520	180,921	45,000	3.60%	64,323	109,323	290,244	2.74	
2037	0.09944	198,832	595,688	794,520	177,552	50,000	3.79%	62,703	112,703	290,255	2.74	
2038	0.09944	198,832	595,688	794,520	174,231	50,000	3.98%	60,808	110,808	285,039	2.79	
2039	0.09944	198,832	595,688	794,520	170,904	55,000	4.11%	58,818	113,818	284,722	2.79	
2040	0.09944	198,832	595,688	794,520	167,594	55,000	4.20%	56,557	111,557	279,151	2.85	
2041	0.09944	198,832	595,688	794,520	169,232	60,000	4.28%	54,247	114,247	283,479	2.80	
2042	0.09944	198,832	595,688	794,520	164,363	65,000	4.35%	51,679	116,679	281,042	2.83	
2043	0.09944	198,832	595,688	794,520	5,141	65,000	4.40%	48,852	113,852	118,993	6.68	
2044	0.09944	198,832	595,688	794,520	-	70,000	4.44%	45,992	115,992	115,992	6.85	
2045	0.09944	198,832	595,688	794,520	-	75,000	4.63%	42,884	117,884	117,884	6.74	
2046	0.09944	198,832	595,688	794,520	-	75,000	4.63%	39,411	114,411	114,411	6.94	
2047	0.09944	198,832	595,688	794,520	-	80,000	4.63%	35,939	115,939	115,939	6.85	
2048	0.09944	198,832	595,688	794,520	-	85,000	4.63%	32,235	117,235	117,235	6.78	
2049	0.09944	198,832	595,688	794,520	-	90,000	4.64%	28,299	118,299	118,299	6.72	
2050	0.09944	198,832	595,688	794,520	-	95,000	4.73%	24,123	119,123	119,123	6.67	
2051	0.09944	198,832	595,688	794,520	-	95,000	4.73%	19,630	114,630	114,630	6.93	
2052	0.09944	198,832	595,688	794,520	-	100,000	4.73%	15,136	115,136	115,136	6.90	
2053	0.09944	198,832	595,688	794,520	-	105,000	4.73%	10,406	115,406	115,406	6.88	
2054	0.09944	198,832	595,688	794,520	-	115,000	4.73%	5,440	120,440	120,440	6.60	
					\$3,378,255	\$1,795,000		\$1,556,503	\$3,351,503	\$6,729,758		

AVERAGE (MATURITY) LIFE	19.43 YEARS
NET INTEREST RATE	4.462%
COST SAVINGS	\$ 221,604
AVERAGE ANNUAL REQUIREMENT	\$108,113

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
Mount Vernon
21832 - Planning and Design for
Water and Sewer Improvements

Budget Items	TWDB Funds	Total
Basic Engineering Services		
Design	\$1,104,100	\$1,104,100
Planning	\$120,000	\$120,000
Subtotal for Basic Engineering Services	\$1,224,100	\$1,224,100
Special Services		
Application	\$20,000	\$20,000
Environmental	\$86,250	\$86,250
Geotechnical	\$97,750	\$97,750
O&M Manual	\$75,000	\$75,000
Surveying	\$169,625	\$169,625
Subtotal for Special Services	\$448,625	\$448,625
Fiscal Services		
Bond Counsel	\$15,000	\$15,000
Financial Advisor	\$21,500	\$21,500
Fiscal/Legal	\$7,500	\$7,500
Issuance Costs	\$18,960	\$18,960
Subtotal for Fiscal Services	\$62,960	\$62,960
Other		
Administration	\$30,000	\$30,000
Subtotal for Other	\$30,000	\$30,000
Contingency		
Contingency	\$29,315	\$29,315
Subtotal for Contingency	\$29,315	\$29,315
Total	\$1,795,000	\$1,795,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$1,795,000 TO THE CITY OF MOUNT VERNON
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE PROPOSED PURCHASE OF
\$1,795,000 CITY OF MOUNT VERNON, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION
PROPOSED SERIES 2024

(24 -)

Recitals:

The City of Mount Vernon (City), located in Franklin County Texas, filed an application for financial assistance in the amount of \$1,795,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code § 17.959, to finance water and wastewater system improvements, identified as Project No. 21832.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$1,795,000 through the TWDB's purchase of \$1,795,000 City of Mount Vernon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2024 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of ad valorem taxes and surplus revenue of the City's Waterworks and Sewer System as sufficient security for the repayment of the Obligations.

In accordance with Texas Water Code §§ 17.124 and 17.275, the TWDB has considered all matters required by law and in particular the following:

1. the needs of the area to be served by the water supply project, the benefit of the water supply project to the area, the relationship of the water supply project to the overall, statewide water needs, and the relationship of the water supply project to the approved regional and state water plans;
2. the water quality needs of the waters into which effluent from the treatment works will be discharged, the benefit of the treatment works to such water quality needs, the relationship of the treatment works to the overall, statewide water quality

needs, and the relationship of the treatment works to water quality planning for the state;

3. the availability of revenue to the City, from all sources, for the ultimate repayment of the cost of the water supply project, including interest and
4. that the City has been designated, pursuant to Texas Water Code § 26.082, to provide a regional system to serve all or part of the waste disposal needs of a defined area, the development of such systems being the declared policy of the legislature.

Findings:

1. The public interest requires state assistance in the watersupply and wastewater project, in accordance with Texas Water Code §§ 17.125(a)(1) and 17.277(a).
2. In its opinion the tax or revenue pledged by the City will be sufficient to meet all the Obligations assumed by the City during the succeeding period of not more than 50 years, in accordance with Texas Water Code § 17.125(a)(2).
3. 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.
4. The application and financial assistance requested meet the requirements of Texas Water Code Chapter 17, Subchapters D, E, F, and L, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A.
5. 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).
6. The current water audit required by Texas Water Code § 16.0121 has been completed by the City and filed with the TWDB, in accordance with Texas Water Code § 16.053(j).
7. That any treatment works to be financed under the application will consider cost-effective innovative, nonconventional methods of treatment such as rock reed, root zone, ponding, irrigation, or other methods that may have been developed by the National Aeronautics and Space Administration or the Tennessee Valley Authority, in accordance with Texas Water Code § 17.189.

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

A commitment is made by the TWDB to the City of Mount Vernon for financial assistance in the amount of \$1,795,000 from the Financial Assistance Account of the Texas Water Development Fund II, to be evidenced by the TWDB's purchase of \$1,795,000 City of Mount Vernon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2024. This commitment will expire on September 30, 2024.

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 as determined by the TWDB.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City complied with all of the requirements of the laws under which the Obligations were issued; that the Obligations were issued in conformance with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.
3. This commitment is contingent upon the City's compliance with all applicable laws, rules, policies, and guidance (as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement), including but not limited to 31 TAC Chapter 363.
4. 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 that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption.
5. The Obligations must provide that 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, 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 the bonds under SEC Rule 15c2-12.

6. The Obligations must require 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 required by the Obligations.
7. The Obligations must require the City to use any surplus financial assistance proceeds from the Obligations remaining after completion of a final accounting in a manner approved by the Executive Administrator.
8. The Obligations must provide 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 will be of no force and effect.
9. Financial assistance proceeds are public funds. Therefore, the Obligations must require that these proceeds 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.
10. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must provide that the City is solely responsible for liability resulting from acts or omissions of the City, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments 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.
11. Before closing, the City must 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.
12. Before closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the City must submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be

reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator.

13. Before closing, when any portion of financial assistance proceeds are to be held in escrow or in trust, the City must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.
14. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
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).

Conditions Related to Tax-Exempt Status:

16. Before closing, the City's bond counsel must prepare a written opinion that states 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.
17. Before closing, the City's bond counsel must prepare a written opinion that states the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.
18. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance 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).
19. The Obligations must provide that no portion of the proceeds of the financial assistance 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 used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds issued to provide the financial assistance (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.
20. The Obligations must require the City to 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 on its books of account) separately and apart from all other funds (and receipts, expenditures, and investments) 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 financial assistance 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 with those proceeds;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, 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 under the Code. The City must 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 financial assistance, and in order to induce the making of the financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time after

discovery, including payment to the United States of any interest and any penalty required by the Regulations.

21. 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.
22. 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.
23. The Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to “advance refundings”).
24. 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.
25. The transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the 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 14 days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
26. The Obligations must provide that neither the City nor a related party 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.
27. Prior to closing, the City must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120 percent of the average reasonably expected economic life of the Project.

Pledge Conditions:

28. The Obligations must provide 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 require that the City 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 City will not transfer any funds from the City'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 require that for each year the Obligations are outstanding, and before the time taxes are to be levied for that year, the City must adopt and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues 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 of the two, into the Interest and Sinking Fund for the repayment of the Obligations.
 - iii. The Obligations must include a requirement that the City will 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 City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of the Obligations, or the City must provide documentation which evidences the 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, the 11th day of April 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Interim Executive Administrator

- Water
 Wastewater
 Other WDF

WATER CONSERVATION REVIEWEntity: City of Mount Vernon

Other entity: _____

WATER CONSERVATION PLAN DATE: 2019 Approvable Adopted

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	150	75	35
5-year Goal	149	76	34
10-year Goal	141	75	32

WATER LOSS AUDIT YEAR: 2022

Service connections: 1,255 Length of main lines (miles): 31 Water Loss GCD: 33
 Retail population: 2,662 Connections per mile: 41 Water Loss GPCD: 16
 ILI: 2
 Real Loss GMD: 1001

WATER LOSS THRESHOLDSWater Loss Project: Waiver Requested: Wholesale Adjusted:

Threshold Type:

Connection Density \geq 32 per mile

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
9	14	25	30

Does the applicant meet Water Loss Threshold Requirements?

Yes No NA **ADDITIONAL INFORMATION**

The city's water conservation plan states that its objective is to reduce water usage through the implementation of efficient water use practices. To do this the city plans to identify water system improvements to reduce water loss and implement a major rehabilitation to its distribution system by replacing aging pipes with new PVC pipes, as well as replace a percentage of water meters annually. These improvements should also alleviate inflow and infiltration as identified through visual inspections. Public education and outreach includes annual distribution of conservation materials to correspond with peak summer periods along with providing brochures, newspaper articles targeting household conservation strategies, and a homeowner's guide to water use and conservation. The effectiveness of the education program will be evaluated at least once every five years through a citizen survey.

STAFF NOTES AND RECOMMENDATIONS

The city is below its water loss thresholds. In its application the city is requesting funds to plan and design a replacement program for aging water distribution lines to prevent potential water loss issues. It is great that the city is being proactive. Additional information that has been requested from the city includes: how will the distribution lines be identified for replacement; and how will the estimated water savings be determined?

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.

GMD means gallons per mile 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 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.



Mount Vernon Franklin County

