



## PROJECT FUNDING REQUEST

**BOARD DATE:** April 11, 2024

**Team Manager:** Tom Barnett

### ACTION REQUESTED

Consider approving by resolution a request from the City of Eastland (Eastland County) to amend Texas Water Development Board Resolution No. 18-059 to authorize \$1,565,000 in financing from the Drinking Water State Revolving Fund for construction of a water system improvement project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The City of Eastland (City) is the county seat of Eastland County located approximately 55 miles east of Abilene. The City has 1,765 water and 1,528 wastewater connections and a service population of approximately 4,111. The City also sells treated water to several surrounding water providers.

### PROJECT NEED AND DESCRIPTION

The main 14-inch transmission line between the City's high service pump station and its elevated storage tank was constructed in 1952. This pipeline is subjected to the highest pressures in the system generated from operation of the high service pumps. Due to age, along with these high pressures, much of the transmission line has deteriorated to the point that it experiences substantial and frequent leaking, requiring recurrent maintenance and interruption of service. The City also experiences frequent reductions in pressure that have resulted in violations from the Texas Commission on Environmental Quality.

The City is proposing to replace approximately 11,275 linear feet of water line, valves, connections, appurtenances, and pressure reducing valves to address water loss and deteriorated pipe conditions that affect water quality.

### PROJECT SCHEDULE

Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	May 27, 2021
Design Phase Completion	December 7, 2022
Closing on Additional Funds	July 1, 2024
Start of Construction	October 1, 2024
Construction Completion	January 15, 2026

**COMMITMENT PERIOD:** TWELVE (12) MONTHS TO EXPIRE APRIL 30, 2025

**KEY ISSUES**

The City is requesting funding from the 2023 DWSRF Project Reserve dedicated to existing projects with cost increases. The City previously received a commitment in 2018 for \$695,000 in financing and \$532,000 in principal forgiveness. This request is for additional funds resulting from cost increases to the original project only; no additional work is proposed

**Attachments:**

1. Financial Review
2. Project Budget
3. Resolution (24- )
4. Resolution No. 18-059
5. Water Conservation Review
6. Location Map

# Financial Review

## City of Eastland

Risk Score: 2B

Audit Reviewed: FY 2022

### Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.92%	State: 1.49%
Top 10 Customers % of Total Revenue	35%	10-15%
Median Household Income as % of State	54%	100%
Days of Cash on Hand (3-year Average)	66 days	30-149 days
Net Fixed Assets/ Annual Depreciation	32 years	12-24 years
Debt Service Coverage Ratio	1.01x	1.1x
Debt-to-Operating Revenues	2.64	4.00-5.99x
Unemployment Rate (December 2023)	City: 3.90%	State: 3.50%
Working Capital Ratio	2.33	> 1.00
Cash Balance Ratio	0.52%	0-9.99%

#### Key Risk Score Strengths

- The City currently has a debt to operating revenues ratio below the benchmark, indicating that they have the capacity to take on the proposed system debt.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City has a high net-fixed-asset-to-annual-depreciation ratio at 32 years, this indicates that the City's water system is still operating within its projected useful life. This ratio is expected to improve as the City completes its current projects are completed.

#### Key Risk Score Concerns

- Based on the City's 2022 financial audit, the City would not meet the required 1.1x debt service coverage ratio. However, on January 1, 2023, the City implemented a water rate increase of \$8.88, which is not reflected in the 2022 financial audit. When accounting for this rate increase, the City would not have to implement any additional rate increases to meet the required coverage ratio.
- The top ten water customers make up 35 percent of the City's water system revenues. A stress test was conducted removing one of the top customers, Westbound Water Supply Corporation, which made up 6.04 percent of the City's revenues. Without that revenue the City would have to implement a maximum rate increase of \$6.93.
- The City has a below average ad valorem tax collection rate due to high unemployment and a low medium household income. However, the City has a low amount of tax-based debt and will primarily use system revenues to repay the proposed debt.
- The City has a negative population change, however the City's water connections have remained consistent for the last five years and state water plan projections show a 2.18 percent population increase by 2030.

**PLEDGE**

Legal Pledge Name	Ad Valorem Tax and Utility System Revenues
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 (Year 2024)	Current Household Cost Factor	Projected Household Cost Factor
Water	5,642	\$82.75	\$82.75	4.56	4.56
Wastewater	5,642	\$44.08	\$44.08		

**TAXES**

	2023 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.5063	\$0.5063	\$1.50	93%	\$321,887,650
Interest & Sinking	\$0.0187	\$0.0187			
Total Tax Rate	\$0.5250	\$0.5250			

**Cost Savings**

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$465,927 over the life of the financing.



# Project Data Summary

<b>Responsible Authority</b>	Eastland
<b>Program</b>	DWSRF
<b>Commitment Number</b>	L1001765, L1001766
<b>Project Number</b>	62769
<b>List Year</b>	2023
<b>Type of Pledge</b>	Combo Tax and Revenue
<b>Pledge Level (if applicable)</b>	Third Lien
<b>Legal Description</b>	\$1,250,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2024A, \$315,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2024B
<b>Tax-exempt or Taxable</b>	Tax-Exempt, Taxable
<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>State Revolving Fund Type</b>	Non-Equivalency
<b>Financial Managerial &amp; Technical Complete</b>	Yes
<b>Phases Funded</b>	Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Overall Risk Score</b>	2B

## PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Tom Barnett	Jacob Berdoll	Luther Medina	Chris Caran	Michael Perez

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Eastland

**\$1,250,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2024A**

<b>Dated Date:</b>	7/1/2024	<b>Source:</b>	DWSRF-NON-EQUIVALENCY
<b>Delivery Date:</b>	7/1/2024	<b>Rate:</b>	3.03%
<b>First Interest:</b>	2/1/2025	<b>IUP Year:</b>	2023
<b>First Principal:</b>	2/1/2025	<b>Case:</b>	Tax and Revenue
<b>Last Principal:</b>	2/1/2054	<b>Admin.Fee:</b>	\$24,510
<b>Fiscal Year End:</b>	9/30	<b>Admin. Fee Payment Date:</b>	7/1/2024
<b>Required Coverage:</b>	1.1	<b>Total Assessed Valuation:</b>	\$312,887,650

**\$315,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2024B**

<b>Dated Date:</b>	7/1/2024	<b>Source:</b>	DWSRF-NON-EQUIVALENCY
<b>Delivery Date:</b>	7/1/2024	<b>Rate:</b>	4.52%
<b>First Interest:</b>	2/1/2025	<b>IUP Year:</b>	2023
<b>First Principal:</b>	2/1/2025	<b>Case:</b>	Tax and Revenue
<b>Last Principal:</b>	2/1/2054	<b>Admin.Fee:</b>	\$6,176
<b>Fiscal Year End:</b>	9/30	<b>Admin. Fee Payment Date:</b>	7/1/2024
<b>Required Coverage:</b>	1.1		

FISCAL YEAR	CURRENT TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 93%		CURRENT NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$1,250,000 ISSUE			\$315,000 ISSUE			DEBT SERVICE	ACTUAL COVERAGE	
		PRINCIPAL PAYMENT	INTEREST RATE				INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2025	0.0187	\$54,671	\$1,098,577	\$1,153,248	\$872,026	\$30,000	2.31%	\$37,754	\$67,754	5,000	4.15%	\$14,918	\$19,918	\$959,698	1.20
2026	0.0187	54,671	1,098,577	1,153,248	876,683	25,000	2.12%	34,212	59,212	5,000	3.79%	13,564	18,564	954,458	1.21
2027	0.0187	54,671	1,098,577	1,153,248	825,283	30,000	2.03%	33,642	63,642	5,000	3.66%	13,378	18,378	907,303	1.27
2028	0.0187	54,671	1,098,577	1,153,248	829,774	30,000	1.97%	33,042	63,042	5,000	3.69%	13,194	18,194	911,010	1.27
2029	0.0187	54,671	1,098,577	1,153,248	828,124	30,000	1.99%	32,448	62,448	5,000	3.64%	13,011	18,011	908,583	1.27
2030	0.0187	54,671	1,098,577	1,153,248	830,607	30,000	2.02%	31,847	61,847	5,000	3.76%	12,826	17,826	910,280	1.27
2031	0.0187	54,671	1,098,577	1,153,248	753,597	30,000	2.10%	31,229	61,229	5,000	3.80%	12,637	17,637	832,462	1.39
2032	0.0187	54,671	1,098,577	1,153,248	752,176	30,000	2.12%	30,596	60,596	5,000	3.82%	12,447	17,447	830,218	1.39
2033	0.0187	54,671	1,098,577	1,153,248	754,957	35,000	2.16%	29,900	64,900	5,000	3.89%	12,254	17,254	837,111	1.38
2034	0.0187	54,671	1,098,577	1,153,248	757,237	35,000	2.18%	29,140	64,140	5,000	3.98%	12,057	17,057	838,434	1.38
2035	0.0187	54,671	1,098,577	1,153,248	638,039	35,000	2.35%	28,347	63,347	10,000	4.09%	11,753	21,753	723,139	1.59
2036	0.0187	54,671	1,098,577	1,153,248	643,398	35,000	2.48%	27,502	62,502	10,000	4.13%	11,342	21,342	727,242	1.59
2037	0.0187	54,671	1,098,577	1,153,248	643,309	35,000	2.59%	26,615	61,615	10,000	4.17%	10,927	20,927	725,851	1.59
2038	0.0187	54,671	1,098,577	1,153,248	637,734	35,000	2.74%	25,682	60,682	10,000	4.21%	10,508	20,508	718,924	1.60
2039	0.0187	54,671	1,098,577	1,153,248	174,762	40,000	2.82%	24,639	64,639	10,000	4.28%	10,084	20,084	259,484	4.44
2040	0.0187	54,671	1,098,577	1,153,248	129,750	40,000	2.88%	23,499	63,499	10,000	4.52%	9,644	19,644	212,892	5.42
2041	0.0187	54,671	1,098,577	1,153,248	-	40,000	2.93%	22,337	62,337	10,000	4.54%	9,191	19,191	81,527	14.15
2042	0.0187	54,671	1,098,577	1,153,248	-	45,000	2.98%	21,080	66,080	10,000	4.54%	8,737	18,737	84,817	13.60
2043	0.0187	54,671	1,098,577	1,153,248	-	45,000	3.02%	19,730	64,730	10,000	4.55%	8,282	18,282	83,012	13.89
2044	0.0187	54,671	1,098,577	1,153,248	-	45,000	3.07%	18,360	63,360	10,000	4.56%	7,827	17,827	81,186	14.20
2045	0.0187	54,671	1,098,577	1,153,248	-	45,000	3.10%	16,972	61,972	15,000	4.57%	7,256	22,256	84,227	13.69
2046	0.0187	54,671	1,098,577	1,153,248	-	50,000	3.14%	15,489	65,489	15,000	4.58%	6,570	21,570	87,059	13.25
2047	0.0187	54,671	1,098,577	1,153,248	-	50,000	3.16%	13,914	63,914	15,000	4.59%	5,882	20,882	84,796	13.60
2048	0.0187	54,671	1,098,577	1,153,248	-	50,000	3.19%	12,327	62,327	15,000	4.59%	5,193	20,193	82,520	13.98
2049	0.0187	54,671	1,098,577	1,153,248	-	55,000	3.22%	10,644	65,644	15,000	4.60%	4,504	19,504	85,148	13.54
2050	0.0187	54,671	1,098,577	1,153,248	-	55,000	3.23%	8,870	63,870	15,000	4.61%	3,813	18,813	82,683	13.95
2051	0.0187	54,671	1,098,577	1,153,248	-	60,000	3.24%	7,010	67,010	15,000	4.61%	3,122	18,122	85,131	13.55
2052	0.0187	54,671	1,098,577	1,153,248	-	60,000	3.26%	5,060	65,060	20,000	4.62%	2,314	22,314	87,374	13.20
2053	0.0187	54,671	1,098,577	1,153,248	-	60,000	3.26%	3,104	63,104	20,000	4.63%	1,389	21,389	84,493	13.65
2054	0.0187	54,671	1,098,577	1,153,248	-	65,000	3.27%	1,063	66,063	20,000	4.63%	463	20,463	86,526	13.33
				\$36,478,226	\$10,947,454	\$1,250,000		\$656,046	\$1,906,046	\$315,000		\$269,084	\$584,084	\$13,437,584	

\$1,250,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.31 YEARS
NET INTEREST RATE	3.032%
COST SAVINGS	\$340,740
AVERAGE ANNUAL REQUIREMENT	\$63,535

\$315,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	18.9 YEARS
NET INTEREST RATE	4.520%
COST SAVINGS	\$125,187
AVERAGE ANNUAL REQUIREMENT	\$19,469

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$447,919

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



### City of Eastland

**62769 - Water System Improvements**

**Additional Cost Overrun Commitment**

Budget Items	Previous Commitments	New Commitments	Total
<b>Construction</b>			
Construction	\$775,000.00	\$1,200,000.00	\$1,975,000.00
<b>Subtotal for Construction</b>	<b>\$775,000.00</b>	<b>\$1,200,000.00</b>	<b>\$1,975,000.00</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$22,000.00	\$154,000.00	\$176,000.00
Design	\$52,000.00	\$0.00	\$52,000.00
Planning	\$13,000.00	\$0.00	\$13,000.00
<b>Subtotal for Basic Engineering</b>	<b>\$87,000.00</b>	<b>\$154,000.00</b>	<b>\$241,000.00</b>
<b>Special Services</b>			
Application	\$20,000.00	\$0.00	\$20,000.00
Environmental	\$30,000.00	\$0.00	\$30,000.00
Geotechnical	\$5,000.00	\$0.00	\$5,000.00
Inspection	\$120,000.00	\$0.00	\$120,000.00
O&M Manual	\$5,000.00	\$0.00	\$5,000.00
Project Management (by Engineer)	\$20,000.00	\$0.00	\$20,000.00
Surveying	\$30,000.00	\$0.00	\$30,000.00
Testing	\$10,000.00	\$0.00	\$10,000.00
Water Conservation Plan	\$10,000.00	\$0.00	\$10,000.00
<b>Subtotal for Special Services</b>	<b>\$250,000.00</b>	<b>\$0.00</b>	<b>\$250,000.00</b>
<b>Fiscal Services</b>			
Bond Counsel	\$20,000.00	\$27,500.00	\$47,500.00
Financial Advisor	\$20,000.00	\$20,500.00	\$40,500.00
Fiscal/Legal	\$3,400.00	\$1,650.00	\$5,050.00
Issuance Costs	\$997.00	\$8,997.00	\$9,994.00
Loan Origination Fee	\$14,628.00	\$30,676.00	\$45,304.00
<b>Subtotal for Fiscal Services</b>	<b>\$59,025.00</b>	<b>\$89,323.00</b>	<b>\$148,348.00</b>
<b>Other</b>			
Other (Asset Management Plan)	\$10,000.00	\$0.00	\$10,000.00
<b>Subtotal for Contingency</b>	<b>\$10,000.00</b>	<b>\$0.00</b>	<b>\$10,000.00</b>
<b>Contingency</b>			
Contingency	\$45,975.00	\$121,677.00	\$167,652.00
<b>Subtotal for Contingency</b>	<b>\$45,975.00</b>	<b>\$121,677.00</b>	<b>\$167,652.00</b>
<b>Total</b>	<b>\$1,227,000.00</b>	<b>\$1,565,000.00</b>	<b>\$2,792,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TWDB RESOLUTION NO. 18-059  
TO PROVIDE ADDITIONAL FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$1,565,000 TO THE CITY OF EASTLAND  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$1,250,000 CITY OF EASTLAND, TEXAS COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION,  
PROPOSED SERIES 2024A  
AND  
\$315,000 CITY OF EASTLAND, TEXAS COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, PROPOSED TAXABLE SERIES 2024B

(24 - )

Recitals:

At its May 17, 2018 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 18-059, made a commitment to provide financial assistance in the amount of \$1,227,000 to the City of Eastland (City) from the Drinking Water State Revolving Fund (DWSRF) to finance improvements to its water system, to be secured by the TWDB's purchase of \$695,000 City of Eastland, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018 and principal forgiveness in the amount of \$532,000 for Project No. 62769, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made.

The City has requested that the TWDB amend Resolution No. 18-059 to provide additional financial assistance to enable the improvements to its water system.

In accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law.

Findings:

The TWDB finds that the amendment to the amount of financial assistance is reasonable and that the request is in the public interest and will serve a public purpose.

The revenue or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607.

The application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq., as well as state law, in accordance with Texas Water Code § 15.607.



The term of the Obligations does not exceed the expected useful life of the project proposed by the City.

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

A commitment is made by the TWDB to the City of Eastland for financial assistance in the amount of \$1,565,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$1,250,000 City of Eastland, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2024A and \$315,000 City of Eastland, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2024B. This commitment will expire on April 30, 2025.

All terms and conditions of TWDB Resolution No. 18-059 shall remain in full force and effect except as follows:

Standard Conditions:

1. TWDB Resolution No. 18-059 Condition No. 4 is replaced with: 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.
2. TWDB Resolution No. 18-059 Condition No. 8 is replaced with: The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
3. TWDB Resolution No. 18-059 Condition No. 29 is replaced with: The Obligations must include a provision stating that the City must provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City must obtain a Unique Entity Identification Number and must register with System for Award Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.
4. TWDB Resolution No. 18-059 Condition No. 32 is replaced with: The City must pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

The following conditions are added to TWDB Resolution No. 18-059:

5. 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.
6. The Obligations must provide that the City agrees to comply with all applicable conditions set forth in the TWDB Resolution.
7. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
8. 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).
9. 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.
10. The tax-exempt Obligations must contain a provision that the City will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings).
11. The City's federal tax certificate for the tax-exempt Obligations must provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.
12. The Obligations must contain a covenant that the City must abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

APPROVED and ordered of record this 11th day of April, 2024.

TEXAS WATER DEVELOPMENT BOARD

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

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

ATTEST:

\_\_\_\_\_  
Bryan McMath, Interim Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$1,227,000 TO CITY OF EASTLAND  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$695,000 CITY OF EASTLAND, TEXAS COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2018;  
AND  
\$532,000 IN PRINCIPAL FORGIVENESS**

**(18-059)**

WHEREAS, the City of Eastland (City), located in Eastland County, has filed an application for financial assistance in the amount of \$1,227,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62769; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$695,000 City of Eastland, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018 (together with all authorizing documents (Obligations)); and the execution of a Principal Forgiveness Agreement in an amount of \$532,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the City has offered a pledge of ad valorem taxes and a lien on surplus system revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the City has 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. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the

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

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the TWDB has determined that the entire Project, or a portion of the Project, satisfies the applicable Intended Use Plan's criteria for Green Projects; and
7. that the Executive Administrator issued a Categorical Exclusion on April 3, 2018, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator;

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

A commitment is made by the TWDB to the City of Eastland for financial assistance in the amount of \$1,227,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$695,000, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018, and the execution of a Principal Forgiveness Agreement in the amount of \$532,000. This commitment will expire on November 30, 2018.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the 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;

5. 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;
6. the Obligations must contain a provision requiring the City to levy a tax and/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;
7. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) deposit into a reserve fund;
9. 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;
10. 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;

11. loan proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
12. 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;
13. prior to closing, and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
14. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
15. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
16. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

Conditions Related To Tax-Exempt Status:

17. 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;
18. 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;

19. 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);
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 § 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;
21. 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;
- 22. 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;
  - 23. 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;
  - 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 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;
  - 26. the Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

**State Revolving Fund Conditions:**

27. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
28. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
29. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
30. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the City will adhere to the approved project schedule;
31. The Obligations and/or Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions:

32. prior to or at closing, the City shall pay a 2.15% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371 and the applicable Intended Use Plan;
33. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;
34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement

requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

Pledge Conditions for the Loans:

35. 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 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 shall 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 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 City 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 City 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 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 such Obligations, or the City 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;

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

Special Conditions:

36. prior to closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
37. the Principal Forgiveness Agreement must include a provision stating that the City shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and
38. the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;

APPROVED and ordered of record this 17th day of May 2018.

TEXAS WATER DEVELOPMENT BOARD




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Peter Lake  
Chairman

DATE SIGNED: 5/17/18

ATTEST:



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Jeff Walker  
Executive Administrator

Review Date:

Project ID:

Water  
Wastewater  
Other

**WATER CONSERVATION REVIEW**

Entity:

Other entity:

**WATER CONSERVATION PLAN DATE:**

Approvable

Adopted

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline			
5-year Goal			
10-year Goal			

**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.

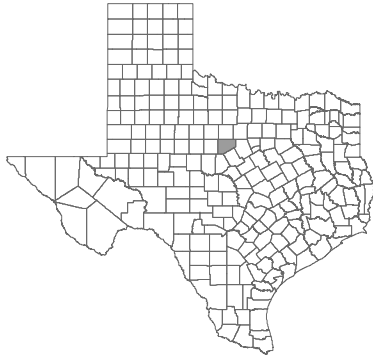
**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**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 Eastland Eastland County

