



PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2024

Team Manager: David Firgens

ACTION REQUESTED

Consider approving by resolution a request from the City of Austin (Travis County) to authorize a) \$25,000,000 in financing from the State Water Implementation Revenue Fund for Texas for construction of water system improvements; b) a waiver from the requirement to include funds to mitigate water loss as a part of this project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Austin (City) is the state capital and county seat. Founded in 1835, Austin is one of the oldest incorporated areas in Texas. The City is one of the fastest growing cities in the country and is home to The University of Texas and several major corporations. The City provides water services to a population of 1.1 million.

PROJECT NEED AND DESCRIPTION

In 2016, the City received State Water Implementation Revenue Fund for Texas funding to develop advanced meter infrastructure (AMI) in its water utility system, replacing analog water meters with advanced meters. AMI improves the quality and timeliness of water usage data for the customer and operation of the system to improve water conservation and reduces the cost of reading water meters. The original project was a multi-year commitment with a 2023 planned construction end date. In 2018, initial funds were closed and an environmental finding issued. The City then conducted pilot testing and was authorized to start construction in May 2021. As of 2024, the City has installed 225,000 meters.

The City is requesting additional funding for cost overruns for the original project and to add 31,000 additional meters for a total of 256,000 meters.

Task	Schedule Date
Closing	November 12, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	March 4, 2019
Design Phase	February 28, 2019
Start of Construction	April 30, 2020
Construction Completion	April 30, 2025

COMMITMENT PERIOD: FIVE (5) MONTHS TO EXPIRE DECEMBER 31, 2024

KEY ISSUES

The City has submitted a separate request for Clean Water State Revolving Fund funding for a project to address nonpoint source pollution along Buttermilk Creek. This proposed financing is included in the credit review. The City is above its threshold for real water loss and it also requesting a waiver from the requirement to include funds to mitigate water loss as a part of this project. The City is separately funding 60 water loss projects totaling \$57 million in its 2025 – 2029 capital improvement plan. Staff concludes this is sufficient to address the City's real water loss.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (24-)
4. Water conservation review
5. Water loss waiver request
6. Location Map

Financial Review City of Austin

Attachment 1

Risk Score: 2A

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 1.98%	State: 1.49%
Top 10 Customers % of Total Revenue	11%	10-15%
Median Household Income as % of State	116%	100%
Days of Cash on Hand (3-year Average)	268 days	30-149 days
Net Fixed Assets/ Annual Depreciation	24 years	12-24 years
Debt Service Coverage Ratio	1.22x	1.00x
Debt-to-Operating Revenues	3.32	4.00-5.99x
Unemployment Rate (April 2024)	City: 2.90%	State: 3.50%
Working Capital Ratio	2.20	> 1.00

Key Risk Score Strengths

- The City's water and sewer system revenues are sufficient to maintain coverage requirements on the existing and proposed debt.
- With 268 days of cash on hand, the City has sufficient unrestricted cash and short-term investments available for operating expenses, debt service payments, or to cover unforeseen expenses.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.

Key Risk Score Concerns

- The high debt per capita of \$6,143 is mitigated by the projected population growth, low household cost factor, and sufficient rates and charges.

PLEDGE

Legal Pledge Name	Water & Wastewater System Revenue Bonds
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 type="checkbox"/> First <input checked="" 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	6,010	\$52.08	\$52.08	1.49	1.49
Wastewater	3,710	\$37.08	\$37.08		

TAXES

	2023 Tax Year Rate	Max Projected Tax Rate (Year 2023)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.3577	\$0.3577	\$2.50	99%	\$234,256,551,594
Interest & Sinking	\$0.0881	\$0.0881			
Total Tax Rate	\$0.4458	\$0.4458			

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the City could save approximately \$2,685,151 during the first year of the multi-year of the financing.

Project Data Summary

Responsible Authority	City of Austin
Program	SWIFT
Commitment Number	L1001813
Project Number	51042
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	Second Lien
Legal Description	\$25,000,000 City of Austin, Texas Water & Wastewater System Revenue Bonds, Proposed Series 2024A
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Low-Interest
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
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
David Firgens	Caaren Skrobarczyk	Jane Martinez	Chris Caran	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Austin

\$25,000,000 City of Austin, Texas Water & Wastewater System Revenue Bonds, Proposed Series 2024A

Dated Date:	11/12/2024	Source:	SWIFT-LOW-20YR
Delivery Date:	11/12/2024	Rate:	3.21%
First Interest:	5/15/2025	IUP Year:	2024
First Principal:	11/15/2025	Case:	Revenue
Last Principal:	11/15/2045	Admin.Fee:	\$0
Fiscal Year End:	9/30	Admin. Fee Payment Date:	11/12/2024
Required Coverage:	1.0	Total Assessed Valuation:	\$234,256,551,594

\$12,160,000 City of Austin, Texas Tax & Surplus Revenue Certificates of Obligation, Proposed Series 2024

Dated Date:	10/17/2024	Source:	CWSRF-EQUIVALENCY
Delivery Date:	10/17/2024	Rate:	2.35%
First Interest:	5/15/2025	IUP Year:	2024
First Principal:	11/15/2025	Case:	Tax & Revenue
Last Principal:	11/15/2045	Admin.Fee:	\$209,140
Fiscal Year End:	9/30	Admin. Fee Payment Date:	10/17/2024
Required Coverage:	1.1		

FISCAL YEAR	REQUIRED					\$25,000,000 ISSUE				\$12,160,000 ISSUE				DEBT SERVICE	ACTUAL COVERAGE
	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 99%	CURRENT NET SYSTEM REVENUES	CURRENT TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2025	\$0.0881	\$204,316,222	\$249,853,000	\$454,169,222	\$346,864,580	\$0	-	\$390,623	\$390,623	-	-	\$155,616	\$155,616	\$347,410,819	1.31
2026	\$0.0881	204,316,222	249,853,000	454,169,222	369,639,108	940,000	2.83%	755,137	1,695,137	470,000	2.00%	264,636	734,636	372,068,881	1.22
2027	\$0.0881	204,316,222	249,853,000	454,169,222	380,328,524	965,000	2.75%	728,567	1,693,567	480,000	1.93%	255,304	735,304	382,757,395	1.19
2028	\$0.0881	204,316,222	249,853,000	454,169,222	372,671,838	995,000	2.74%	701,667	1,696,667	490,000	1.91%	245,992	735,992	375,104,497	1.21
2029	\$0.0881	204,316,222	249,853,000	454,169,222	344,635,834	1,020,000	2.74%	674,062	1,694,062	500,000	1.90%	236,563	736,563	347,066,458	1.31
2030	\$0.0881	204,316,222	249,853,000	454,169,222	327,312,505	1,050,000	2.74%	645,703	1,695,703	505,000	1.89%	227,040	732,040	329,740,248	1.38
2031	\$0.0881	204,316,222	249,853,000	454,169,222	292,397,990	1,080,000	2.75%	616,468	1,696,468	515,000	1.90%	217,376	732,376	294,826,833	1.54
2032	\$0.0881	204,316,222	249,853,000	454,169,222	278,246,085	1,110,000	2.76%	586,300	1,696,300	525,000	1.90%	207,496	732,496	280,674,880	1.62
2033	\$0.0881	204,316,222	249,853,000	454,169,222	268,777,093	1,140,000	2.78%	555,136	1,695,136	535,000	1.90%	197,426	732,426	271,204,654	1.67
2034	\$0.0881	204,316,222	249,853,000	454,169,222	256,732,844	1,170,000	2.79%	522,968	1,692,968	545,000	1.91%	187,138	732,138	259,157,950	1.75
2035	\$0.0881	204,316,222	249,853,000	454,169,222	236,718,010	1,205,000	2.87%	489,355	1,694,355	560,000	2.00%	176,334	736,334	239,148,698	1.90
2036	\$0.0881	204,316,222	249,853,000	454,169,222	218,851,207	1,240,000	2.95%	453,773	1,693,773	570,000	2.08%	164,806	734,806	221,279,786	2.05
2037	\$0.0881	204,316,222	249,853,000	454,169,222	209,232,388	1,275,000	3.05%	416,039	1,691,039	580,000	2.19%	152,527	732,527	211,655,953	2.15
2038	\$0.0881	204,316,222	249,853,000	454,169,222	190,064,173	1,315,000	3.17%	375,753	1,690,753	595,000	2.26%	139,452	734,452	192,489,377	2.36
2039	\$0.0881	204,316,222	249,853,000	454,169,222	176,832,063	1,355,000	3.22%	333,095	1,688,095	605,000	2.33%	125,680	730,680	179,250,838	2.53
2040	\$0.0881	204,316,222	249,853,000	454,169,222	168,139,042	1,400,000	3.26%	288,459	1,688,459	620,000	2.40%	111,192	731,192	170,558,693	2.66
2041	\$0.0881	204,316,222	249,853,000	454,169,222	145,635,496	1,445,000	3.33%	241,580	1,686,580	635,000	2.47%	95,910	730,910	148,052,986	3.07
2042	\$0.0881	204,316,222	249,853,000	454,169,222	119,457,767	1,495,000	3.37%	192,330	1,687,330	650,000	2.50%	79,943	729,943	121,875,040	3.73
2043	\$0.0881	204,316,222	249,853,000	454,169,222	94,949,241	1,545,000	3.41%	140,797	1,685,797	670,000	2.54%	63,309	733,309	97,368,346	4.66
2044	\$0.0881	204,316,222	249,853,000	454,169,222	70,248,347	1,600,000	3.44%	86,935	1,686,935	685,000	2.57%	45,997	730,997	72,666,279	6.25
2045	\$0.0881	204,316,222	249,853,000	454,169,222	45,595,965	1,655,000	3.59%	29,707	1,684,707	700,000	2.60%	28,095	728,095	48,008,767	9.46
2046	\$0.0881	204,316,222	249,853,000	454,169,222	45,578,554	-	-	-	-	725,000	2.62%	9,498	734,498	46,313,052	9.81
					\$9,991,722,878	\$4,958,908,655	\$25,000,000		\$9,224,450	\$34,224,450	\$12,160,000	\$3,387,325	\$15,547,325	\$5,008,680,429	

\$25,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	11.49 YEARS
NET INTEREST RATE	3.212%
COST SAVINGS	\$2,685,151
AVERAGE ANNUAL REQUIREMENT	\$1,629,734

\$12,160,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	11.86 YEARS
NET INTEREST RATE	2.350%
COST SAVINGS	\$2,469,605
AVERAGE ANNUAL REQUIREMENT	\$740,341

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$227,667,292

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

Austin

51042 - Conservation Strategy - Smart Meters (Advanced Meter Infrastructure)

Budget Items	Previous Commitments	This Commitment	Local and Other Funds	Total
Construction				
Construction	\$0.00	\$21,900,537.00	\$3,259,645.00	\$25,160,182.00
Construction Contract	\$67,970,140.39		\$38,476,076.60	\$106,446,216.99
Subtotal for Construction	\$67,970,140.39	\$21,900,537.00	\$41,735,721.60	\$131,606,398.99
Basic Engineering Services				
Design	\$0.00	\$0.00	\$0.00	\$0.00
Planning	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal for Basic Engineering Services	\$0.00	\$0.00	\$0.00	\$0.00
Special Services				
Pilot Testing	\$0.00	\$0.00	\$0.00	\$0.00
Project Management (AMI Consultant)	\$2,769,599.69	\$0.00	\$0.00	\$2,769,599.69
Special Service Other (AMI Consultant)	\$2,896,844.45	\$0.00	\$2,958,805.86	\$5,855,650.31
Subtotal for Special Services	\$5,666,444.14	\$0.00	\$2,958,805.86	\$8,625,250.00
Fiscal Services				
Bond Counsel	\$133,700.00	\$26,000.00	\$0.00	\$159,700.00
Bond Reserve Fund	\$5,008,307.95	\$1,712,163.00	\$0.00	\$6,720,470.95
Financial Advisor	\$207,471.75	\$55,300.00	\$0.00	\$262,771.75
Issuance Costs	\$92,695.00	\$56,000.00	\$0.00	\$148,695.00
Subtotal for Fiscal Services	\$5,442,174.70	\$1,849,463.00	\$0.00	\$7,291,637.70
Contingency				
Contingency	\$1,116,240.77	\$1,250,000.00	\$0.00	\$2,366,240.77
Subtotal for Contingency	\$1,116,240.77	\$1,250,000.00	\$0.00	\$2,366,240.77
Total	\$80,195,000.00	\$25,000,000.00	\$44,694,527.46	\$149,889,527.46

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$25,000,000 TO THE CITY OF AUSTIN
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$25,000,000 CITY OF AUSTIN, TEXAS WATER AND WASTEWATER
SYSTEM REVENUE BONDS,
PROPOSED SERIES 2024A

(24 -)

Recitals:

The City of Austin (City), located in Travis County, has filed an application for financial assistance in the amount of \$25,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the construction of (a) water supply project(s) identified as Project No. 51042 (Project).

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$25,000,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2024A, (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The City has offered a pledge of system revenue as sufficient security for the repayment of the Obligations.

Subject to the City's use of an approved debt service structure, interest rate subsidies are available to the City for State Fiscal Year 2024 at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% for financial assistance for a term of 26 to 30 years.

The interest rate subsidies provided above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program.

The City requests a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss because of significant funding that the City is currently funding to address water loss.

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.

2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The City has submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
4. The City has completed its current water audit and filed it with the TWDB in accordance with Texas Water Code § 16.0121 and 31 TAC § 358.6.
5. Based on the conditions described above, the City is satisfactorily addressing the City's system water loss, supporting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss in accordance with Texas Water Code § 16.0121(g).
6. The City acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB commits to the following:

1. For the reasons stated above, the TWDB waives the requirements of Texas Water Code § 16.0121(g).
2. The TWDB will provide financial assistance to City of Austin in the amount of \$25,000,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of \$25,000,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2024A. This commitment will expire on December 31, 2024.

The commitment is subject to the following:

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 the City has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity 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 continued 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.
4. This commitment is contingent upon the City executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.
5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.
6. The City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. 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 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.
8. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. 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.
10. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein 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 the 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 SEC rule 15c2-12, the 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 the 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.

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 proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
14. 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.
15. Financial assistance 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.
16. Financial assistance proceeds shall not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall include a provision that states 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.
17. The Obligations must include a provision stating that the City shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.
18. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).

19. The Obligations must contain a provision stating that the City shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
20. The City must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Government Code § 2.103 and Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.
21. 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.

Tax-Exempt Conditions:

22. 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 section 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated under it (Regulations).
23. 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 section 148(a) of the Code and Regulations, including to acquire or to replace funds that were 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 the proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund within the meaning of section 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the lesser 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.
24. The Obligations must include a provision that the City must take all necessary steps to comply with the requirement that amounts earned on the investment of

gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the City will:

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and retain all records of the 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 the Gross Proceeds and the obligations acquired with the Gross 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 section 148(f) of the Code, section 1.148-3 of the Regulations, and the associated rulings. The City shall maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing 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 of TWDB's Bonds for federal income tax purposes;
 - d. exercise reasonable diligence to ensure 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, including payment to the United States of any interest and any penalty required by the Regulations.
25. 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.
26. The Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
27. 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 the borrower's obligations in contravention of section 149(d) of the Code (related to "advance refundings").

28. The Obligations must provide that neither the City nor a party related to it 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.

Pledge Conditions:

29. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
30. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2023A, 2022A, 2022B, 2022C, 2021A, 2021B, 2021C, 2021D, 2021E, 2020A, 2020B, 2020C, 2020D, 2019, 2018, 2017A, 2016A, and 2010.

Conditions To Close or For Release Of Funds:

31. Before 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.
32. Before closing, if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel 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.
33. Before closing, when any portion of 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.
34. Before 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.
35. Before closing, 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.
36. Before closing, the City's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.

37. 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.
38. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

APPROVED and ordered of record this, the 23rd day of July 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Interim Executive Administrator

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Review Date:

Project ID:

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:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold

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.

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.



June 21, 2024

Shubham Aggarwal
Project Manager, Central Region
Texas Water Development Board
1700 N. Congress Ave., P.O. Box 13231
Austin, Texas 78711-3231

Re: City of Austin SWIFT Loan Project Number 51042 Loan for the Advanced Metering Infrastructure (AMI) project.

Dear Mr. Aggarwal,

I am writing to request a waiver for the requirement in the Texas Water Development Board (TWDB) water loss rule under Title 31, Texas Administrative Code, Part 10, Section 358.6(f) for the City of Austin's AMI loan application #51042. This rule requires that part of the TWDB's financing be used to mitigate water loss if the applicant's water loss exceeds certain thresholds established by TWDB. Project #51042 is an AMI loan application for the Conservation Strategy – Smart Meters Project (My ATX Water) that replaces analog water meters with mechanical water meters that contain a digital face which is connected to a wireless network. This allows the meter to be read systematically, which eliminates the manual monthly meter reading. The near real time water usage data is made available to customers via a customer portal, so they can better monitor their water usage and be alerted to potential leaks at their property in advance of their bill. The Infrastructure Leakage Index (ILI) that Austin Water reported for 2023 was 4.19 which is a slight increase from 2022's reported ILI of 3.89.

Since 1983, Austin Water (AW) has a strong history of adopting and implementing water conservation and water loss strategies to meet the growing and dynamic challenges of Austin's water needs. These include rapid population growth, increasing frequency of extreme weather events due to climate change, and periods of ongoing drought. Current water conservation activities include incentive programs for residential, commercial, and multi-family customers; commercial regulatory programs; water-use restrictions; water reuse; and water loss control.

To help manage water loss from leaks and aging infrastructure, AW conducts annual water loss audits. Other efforts to control water loss include AW's use of acoustic technology to inspect over 500 miles of water lines annually, implementation of "Renewing Austin" to replace aging water lines that have a high potential for failure and leakage, and the full-scale deployment of the My ATX Water advanced metering system. AW has also contracted a water loss consulting firm to review the utility's water loss program, validate system input volume and meter accuracy, and provide recommendations for improvements.

Beginning in 2020, the My ATX Water program has been replacing analog water meters with more accurate digital meters, offering water savings through leak notifications, customer awareness about water use, and the opportunity for the implementation of heightened water loss strategies in the future. By the end of 2023, over 205,000 customer meters had been exchanged, with full deployment expected by the end of 2024.

As part of the My ATX Water deployment process, AW has identified and repaired hundreds of small meter and cut-off valve leaks, while alerting customers to pre-existing leaks on their service lines. Customers can also sign up for daily water use updates and water budgeting. In 2023, over 123,000 leak alerts and 81,000 bill-forecast notifications were sent out to customers; repairs and behavior modifications through these notifications are estimated to have saved 495.5 million gallons of water.



Given the above proactive water loss control efforts that Austin has implemented, we are requesting that the significant resources Austin Water has dedicated to water loss reduction be considered as mitigation for the WIFT loan for the AMI project (#51042)

For additional information, please contact Nam Nguyen at AWFinancialPlanning@austintexas.gov or at 512-972-0048.

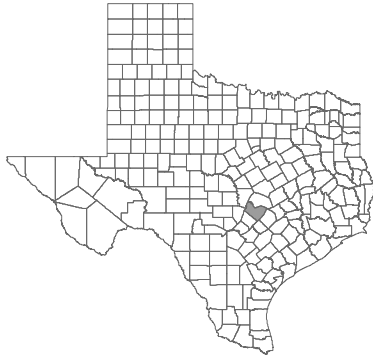
Sincerely,



Shay Ralls Roalson, PE
Director, Austin Water

CC: Charles Celauro, Assistant Director, Engineering Services, Austin Water
Ayman Benyamin, Assistant Director, Operations, Austin Water





City of Austin Travis County

