



PROJECT FUNDING REQUEST

BOARD DATE: November 6, 2024

Team Manager: Tom Barnett

ACTION REQUESTED

Consider approving by resolution a request from the City of Thorndale (Milam County) for \$14,940,000 in financial assistance consisting of \$10,940,000 in financing and \$4,000,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, acquisition, design, and construction of a water supply project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Thorndale (City) is located in Milam County approximately 45 miles northeast of Austin. The City provides water and wastewater to a population of approximately 1,400 residents and 631 connections.

PROJECT NEED AND DESCRIPTION

The City currently purchases its water supply from Southwest Milam Water Supply Corporation. Based on its current number of connections, the City has an available water supply capacity of 0.40 gallons per minute per connection, which does not meet the requirements of the Texas Commission on Environmental Quality (TCEQ).

The City will construct a well field in the Carrizo-Wilcox Aquifer to produce a new groundwater supply to be treated at its existing Davis Drive Water Treatment Plant (WTP). The project also includes construction of a transmission system to convey the raw groundwater to the existing WTP. The project also includes improvements to the existing WTP including the addition of an aeration tower as well as improvements to clarifiers, sand filters, and piping within the plant. In addition, the project includes preparation of an asset management plan. The project will allow the City to operate its water system within current TCEQ rules and regulations and to be able to independently produce, treat, and distribute water to its current and future customers.

PROJECT SCHEDULE

Task	Schedule Date
Closing	March 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	June 30, 2025
Design Phase Completion	December 31, 2026
Start of Construction	January 1, 2028
Construction Completion	December 31, 2029

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE MAY 31, 2025

KEY ISSUES

The City qualifies for \$4,000,000 in principal forgiveness as a disadvantaged community through the Drinking Water State Revolving Fund. The City also qualifies for \$3,140,000 in zero-percent financing as a disadvantaged small/rural community and for the development of an asset management plan.

The City was awarded \$3,000,000 from the U.S. Department of Housing and Urban Development's Community Project Funding program dedicated to this project (FY2023 Grant #B-23-CP-TX-1431). These funds are reflected in the project budget (Attachment 2) and will be used during the construction phase.

A substantial rate increase is needed for the City to be able to afford this water supply project. The City held two public meetings in September 2024 where they discussed the need for this project and its potential impact to ratepayers.

LEGAL/SPECIAL CONDITIONS

- Water rights certification
- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

Attachments:

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

Financial Review City of Thorndale

Attachment 1

Risk Score: 2C

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.56%	State: 1.49%
Top 10 Customers % of Total Revenue	7%	10-15%
Median Household Income as % of State	93%	100%
Days of Cash on Hand (3-year Average)	683 days	30-149 days
Net Fixed Assets/ Annual Depreciation	11 years	12-24 years
Debt Service Coverage Ratio	-0.05x	1.0x
Debt-to-Operating Revenues	19.46	4.00-5.99x
Unemployment Rate (August, 2024)	County: 4.70%	State: 4.40%
Working Capital Ratio	9.2	> 1.0

Key Risk Score Strengths

- The City is pledging a combination of ad valorem tax revenue and surplus utility revenue, which will give the City the option to institute an interest and sinking tax to help cover the debt service and lessen the impact of any water rate increases.
- The City's days of cash on hand are above the benchmark, indicating that it has sufficient reserves for operating expenses.
- Thorndale has a high working capital ratio, which indicates that the City has ample resources to cover its short-term liabilities and shows a strong liquidity position.
- The top 10 customers of the City's water system make up only 7 percent of the City's total water revenue. This demonstrates that the City is not reliant on a few customers.

Key Risk Score Concerns

- The City's utility system is currently operating at a negative income and the City is planning to correct this by instituting rate increases prior to closing on the proposed funding, as well as additional increases in subsequent years as needed. A \$14.75 water rate increase will need to be implemented in 2025 to meet the required coverage ratio with an estimated maximum rate increase of \$80.44 needed by 2043. The City anticipates adding 40 new connections to the system by 2026, from a new subdivision that has yet to be connected, and an annual connection growth of 1.5 percent each year following. This connection growth could lessen the magnitude of future rate increases.
- The City has high debt to operating revenues. This is due to the large amount of proposed debt that the City is planning to incur, which includes future lead service line replacement funding.
- The City's population declined slightly between 2010 and 2020. However, over the past 5 years, the City's water utility connections have increased by 10 percent and are expected to continue to grow.

PLEDGE

Legal Pledge Name	Ad Valorem Tax and Surplus 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 (2043)	Current Household Cost Factor	Projected Household Cost Factor
WATER	5,000	\$43.92	\$124.36	1.22	2.78
WASTEWATER	5,000	\$20.00	\$20.00		

TAXES

	2023 Tax Year Rate	Max Projected Tax Rate (Year 2023)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.5355	\$0.5355	\$1.50	98%	\$96,136,740
Interest & Sinking	\$0.00	\$0.00			
Total Tax Rate	\$0.5355	\$0.5355			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$5,358,697 over the life of the financing. The City is also saving \$4,000,000 in principal forgiveness.

Project Data Summary

Responsible Authority	City of Thorndale
Program	DWSRF
Commitment Number	L1001955, L1001956, LF1001957
Project Number	62973
List Year	2021
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$7,800,000 City of Thorndale Tax and Surplus Utility Revenue Certificates of Obligation, Proposed Series 2025A, \$3,140,000 City of Thorndale Tax and Surplus Utility Revenue Certificates of Obligation, Proposed Series 2025B, \$4,000,00 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2C

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 Thorndale

\$3,140,000 City of Thorndale Tax and Surplus Utility Revenue Certificates of Obligation, Proposed Series 2025B

Dated Date:	3/1/2025	Source:	DWSRF-EQUIVALENCY
Delivery Date:	3/1/2025	IUP Year:	2021
First Interest:	8/15/2025	Case:	Tax and Revenue
First Principal:	2/15/2026	Admin.Fee:	\$61,569
Last Principal:	2/15/2055	Admin. Fee Payment Date:	3/1/2025
Fiscal Year End:	09/30	Required Coverage:	1.1

\$7,800,000 City of Thorndale Tax and Surplus Utility Revenue Certificates of Obligation, Proposed Series 2025A

Dated Date:	3/1/2025	Source:	DWSRF-EQUIVALENCY
Delivery Date:	3/1/2025	IUP Year:	2021
First Interest:	8/15/2025	Case:	Tax and Revenue
First Principal:	2/15/2026	Admin.Fee:	\$152,941
Last Principal:	2/15/2055	Admin. Fee Payment Date:	3/1/2025
Fiscal Year End:	09/30	Required Coverage:	1.1

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$3,140,000 ISSUE				\$7,800,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2025	\$119,725	\$7,010	\$0	-	\$0	\$0	\$0	-	\$101,831	\$101,831	\$108,841	1.10
2026	341,448	7,197	50,000	-	-	50,000	30,000	2.14%	223,211	253,211	310,407	1.10
2027	362,460	7,090	55,000	-	-	55,000	45,000	2.09%	222,419	267,419	329,509	1.10
2028	377,689	6,985	60,000	-	-	60,000	55,000	2.11%	221,369	276,369	343,354	1.10
2029	392,673	6,880	65,000	-	-	65,000	65,000	2.13%	220,096	285,096	356,976	1.10
2030	407,404	6,773	70,000	-	-	70,000	75,000	2.16%	218,594	293,594	370,367	1.10
2031	432,724	6,665	75,000	-	-	75,000	95,000	2.24%	216,720	311,720	393,385	1.10
2032	457,500	6,553	80,000	-	-	80,000	115,000	2.26%	214,357	329,357	415,910	1.10
2033	481,739	6,440	85,000	-	-	85,000	135,000	2.30%	211,505	346,505	437,945	1.10
2034	505,418	6,325	90,000	-	-	90,000	155,000	2.33%	208,146	363,146	459,471	1.10
2035	528,475	6,209	95,000	-	-	95,000	175,000	2.42%	204,223	379,223	480,432	1.10
2036	550,831	6,088	100,000	-	-	100,000	195,000	2.50%	199,668	394,668	500,756	1.10
2037	572,473	5,963	105,000	-	-	105,000	215,000	2.57%	194,468	409,468	520,430	1.10
2038	598,821	5,834	110,000	-	-	110,000	240,000	2.63%	188,549	428,549	544,383	1.10
2039	618,844	5,703	115,000	-	-	115,000	260,000	2.70%	181,883	441,883	562,586	1.10
2040	638,084	5,568	120,000	-	-	120,000	280,000	2.76%	174,509	454,509	580,077	1.10
2041	656,529	5,430	125,000	-	-	125,000	300,000	2.82%	166,415	466,415	596,845	1.10
2042	668,670	5,289	125,000	-	-	125,000	320,000	2.87%	157,593	477,593	607,882	1.10
2043	674,617	5,145	125,000	-	-	125,000	335,000	2.90%	148,144	483,144	613,289	1.10
2044	674,617	-	125,000	-	-	125,000	350,000	2.94%	138,141	488,141	613,141	1.10
2045	674,617	-	125,000	-	-	125,000	360,000	2.96%	127,668	487,668	612,668	1.10
2046	674,617	-	125,000	-	-	125,000	370,000	2.99%	116,809	486,809	611,809	1.10
2047	674,617	-	125,000	-	-	125,000	380,000	3.02%	105,539	485,539	610,539	1.10
2048	674,617	-	125,000	-	-	125,000	390,000	3.03%	93,893	483,893	608,893	1.11
2049	674,617	-	125,000	-	-	125,000	380,000	3.05%	82,189	462,189	587,189	1.15
2050	674,617	-	125,000	-	-	125,000	390,000	3.06%	70,427	460,427	585,427	1.15
2051	674,617	-	125,000	-	-	125,000	400,000	3.07%	58,320	458,320	583,320	1.16
2052	674,617	-	125,000	-	-	125,000	410,000	3.08%	45,866	455,866	580,866	1.16
2053	674,617	-	125,000	-	-	125,000	420,000	3.09%	33,063	453,063	578,063	1.17
2054	674,617	-	120,000	-	-	120,000	430,000	3.09%	19,931	449,931	569,931	1.18
2055	674,617	-	120,000	-	-	120,000	430,000	3.09%	6,644	436,644	556,644	1.21
		\$	119,142		\$3,140,000	\$0	\$3,140,000	\$7,800,000	\$4,572,186	\$12,372,186	\$15,631,328	

\$3,140,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.29 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$2,553,722
AVERAGE ANNUAL REQUIREMENT	\$101,290

\$7,800,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	19.81 YEARS
NET INTEREST RATE	2.958%
COST SAVINGS	\$2,804,975
AVERAGE ANNUAL REQUIREMENT	\$399,103

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$504,236

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 Thorndale

62973 - Water Production & Transmission System

Budget Items	TWDB Funds	Other Funds	Total
Construction			
Construction	\$9,293,000.00	\$3,000,000.00	\$12,293,000.00
Subtotal for Construction	\$9,293,000.00	\$3,000,000.00	\$12,293,000.00
Basic Engineering Services			
Planning	\$300,000.00		\$300,000.00
Design	\$910,790.00		\$910,790.00
Construction Engineering	\$500,000.00		\$500,000.00
Subtotal for Basic Engineering Services	\$1,710,790.00		\$1,710,790.00
Special Services			
Application	\$45,000.00		\$45,000.00
Environmental	\$75,000.00		\$75,000.00
Water Conservation Plan	\$15,000.00		\$15,000.00
Surveying	\$210,000.00		\$210,000.00
Geotechnical	\$20,000.00		\$20,000.00
Testing	\$75,000.00		\$75,000.00
Permit	\$48,000.00		\$48,000.00
Inspection	\$390,000.00		\$390,000.00
O&M Manual	\$15,000.00		\$15,000.00
Project Management (by engineer)	\$150,000.00		\$150,000.00
Asset Management Plan	\$80,000.00		\$80,000.00
Subtotal for Special Services	\$1,123,000.00		\$1,123,000.00
Other			
Land/Easement Acquisition	\$360,000.00		\$360,000.00
Subtotal for Other	\$360,000.00		\$360,000.00
Fiscal Services			
Financial Advisor	\$68,700.00		\$68,700.00
Bond Counsel	\$125,000.00		\$125,000.00
Issuance Costs	\$15,000.00		\$15,000.00
Fiscal/Legal	\$30,000.00		\$30,000.00
Loan Origination Fee	\$214,510.00		\$214,510.00
Subtotal for Fiscal Services	\$453,210.00		\$453,210.00
Contingency			
Contingency	\$2,000,000.00		\$2,000,000.00
Subtotal for Contingency	\$2,000,000.00		\$2,000,000.00
Total	\$14,940,000.00	\$3,000,000.00	\$17,940,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$14,940,000 TO THE CITY OF THORNDALE
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE IN ONE OR MORE SERIES OF
\$10,940,000 CITY OF THORNDALE, TEXAS COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
AND
\$4,000,000 IN PRINCIPAL FORGIVENESS

(24 -)

Recitals:

The City of Thorndale (City), located in Milam County, has filed an application for financial assistance in the amount of \$14,940,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design, and construction of certain water system improvements identified as Project No. 62973.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase in one or more series of \$10,940,000 City of Thorndale, Texas Combination Tax and Revenue Certificates of Obligation (Obligations), (together with all authorizing documents), and the execution of a Principal Forgiveness Agreement in an amount of \$4,000,000, 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 revenues of the City's water and wastewater system as sufficient security for the repayment of the Obligations.

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.

Findings:

1. 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.
2. 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. The term of the Obligations does not exceed the expected useful life of the project proposed by the City.
4. 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.

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 consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
6. The City has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
7. The City meets the definition of “Disadvantaged Community” in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of \$4,000,000. The City meets the definition of a “small” or “rural” disadvantaged community in the applicable IUP and is therefore eligible for financial assistance with a reduced interest rate. The City qualifies for financial assistance with a reduced interest rate in order to prepare an Asset Management Plan as described in the applicable Intended Use Plan. The City is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed \$4,000,000 and financial assistance in the amount of \$3,140,000 with a reduced interest rate.

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

A commitment is made by the TWDB to the City of Thorndale for financial assistance in the amount of \$14,940,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase in one or more series of \$10,940,000 City of Thorndale, Texas Combination Tax and Revenue Certificates of Obligation and the execution of a Principal Forgiveness Agreement in the amount of \$4,000,000. This commitment will expire on May 31, 2025.

The 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. 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.
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 the requirements of the laws under which the Obligations were issued have been complied with; 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 compliance with all applicable requirements contained in 31 TAC Chapter 371.

4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The low interest 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.
6. The zero interest Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations at a redemption price of par.
7. 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 the rule, this 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 those bonds under SEC Rule 15c2-12.
8. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
9. The Obligations must include a provision requiring the City to use any financial assistance 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 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.
10. 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.
11. 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.
12. Proceeds of this commitment are public funds. Therefore, 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.

13. 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 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.
14. Before closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.
15. Before 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.
16. Before 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.
17. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
18. The TWDB retains the option to purchase the Obligations in separate lots 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.
19. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
20. 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.

21. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
22. 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).
23. 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:

24. 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.
25. 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.
26. 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 of 1986, as amended (Code) and the Treasury Regulations promulgated under section 141 (Regulations).
27. The Obligations must provide that no portion of the proceeds of this commitment will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for this commitment (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 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.

28. 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 to satisfy the requirements of section 148 of the Code. The Obligations must provide that the City must:
 - 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 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 financing 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 them;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financing, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings under these sections. The City shall maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of this commitment, and to induce the making of the commitment 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 to 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;
29. 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.
30. 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.

31. 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.
32. The 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).
33. The transcript must include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
34. 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.
35. The City's federal tax certificate shall 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.

State Revolving Fund Conditions;

36. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
37. 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 the financial assistance made available shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB.
38. 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 Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.

39. The Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the City will adhere to the approved project schedule.
40. The Obligations and 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.
41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

Drinking Water State Revolving Fund Conditions;

42. The City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
43. Before 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.
44. Before the 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:

45. 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 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 before the time taxes are to be levied for that year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues or both, 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 these, 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 the 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.

Special Conditions:

- 46. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the City has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that a finding will be made before the release of funds for construction.
- 47. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the City has the right to use the water that the project financed by the TWDB will provide.
- 48. Before closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
- 49. 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.

APPROVED and ordered of record this 6th day of November, 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED:

ATTEST:

Bryan McMath, 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:

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.



City of Thorndale Milam County

