

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: November 9, 2023

Team Manager: Tom Barnett

ACTION REQUESTED

Consider approving by resolution a request from the City of Gordon (Palo Pinto County) to amend Texas Water Development Board Resolution No. 20-086 to authorize an \$830,000 increase in financial assistance from the Drinking Water State Revolving Fund for costs related to a water system improvement project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Gordon (City) is located in Palo Pinto County approximately 65 miles west of Fort Worth. The City has 351 water and 254 wastewater connections and a service population of approximately 475. The City also sells water to Barton Water Supply Corporation.

PROJECT NEED AND DESCRIPTION

The City is currently under an enforcement action by the Texas Commission on Environmental Quality (TCEQ) for not maintaining a 0.6 gallons per minute per connection water treatment capacity. The City has also been cited for failing to maintain sufficient pressure throughout the water system and for not providing adequate metering and sampling of the backwash from the filters at the water treatment plant. In addition, the City's water system is experiencing significant water losses.

The City's project includes replacing manual-read water meters with radio-read meters to improve accuracy, reduce apparent water loss, better track water usage, and reduce costs; installing new microfilters and disinfection equipment at its water treatment plant to increase per connection treatment capacity to TCEQ standards; installing backwash metering facilities and sampling lines; and replacing approximately 5,300 linear feet of old deteriorated water distribution lines to reduce water loss.

The City previously received funding for this project from the Drinking Water State Revolving Fund (DWSRF) in 2020. The City is requesting additional design and construction funds to address a budget shortfall due to escalated construction costs for the third and final construction contract within this project to complete the distribution line replacements.

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| COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE NOVEMBER 30, 2024 |
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PROJECT SCHEDULE

| Task | Schedule Date |
|--|----------------------|
| Engineering Feasibility Report Completion (End of Planning Phase) | September 16, 2021 |
| Closing | February 1, 2024 |
| Design Phase Completion | March 6, 2024 |
| Start of Construction | July 1, 2024 |
| Construction Completion | March 1, 2025 |

KEY ISSUES

The City previously received a commitment for this project from the DWSRF in 2020 for \$901,323, including \$801,323 in principal forgiveness. The City is requesting additional funding from the 2023 DWSRF Project Reserve dedicated to existing projects with cost increases. The request is to address cost increases to the original project only; no additional work is proposed.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Resolution No. 20-086
5. Water Conservation Review
6. Location Map

Financial Review City of Gordon

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

| Indicator | Result | Benchmark |
|---|-------------|--------------|
| Population Growth, Average Annual 2010-2020 | City: 0.11% | State: 1.49% |
| Top 10 Customers % of Total Revenue | 15% | 10-15% |
| Median Household Income as % of State | 70% | 100% |
| Days of Cash on Hand (3-year Average) | 130 days | 30-149 days |
| Net Fixed Assets/ Annual Depreciation | 32 years | 12-24 years |
| Debt Service Coverage Ratio | 0.33x | 1.1x |
| Debt-to-Operating Revenues | 3.86 | 4.00-5.99x |
| Unemployment Rate (August 2023) | City: 4.30% | State: 4.50% |
| Working Capital Ratio | 1.43 | > 1.0 |
| Cash Balance Ratio | -27.58% | 0 - 9.99% |

Key Risk Score Strengths

- The City's days of cash on hand is at the benchmark, indicating sufficient reserves for operating expenses.
- The total assessed valuation per capita of \$48,307 shows a strong tax base to provide revenue to service the existing and proposed debt, if needed.

Key Risk Score Concerns

- The City is pledging tax and surplus revenues and intends to use revenues as the source of repayment. Based on audited 2022 revenues, the City has a 0.33 times debt service coverage ratio. However, this does not include a \$12.73 rate increase that the City implemented in January 2023. To meet the 1.10 required coverage ratio, the City is projected to need incremental rate increases starting in 2025 before reaching a maximum projected rate increase of \$14.82 by 2040.
- The City's cash balance has decreased, primarily as a result of rising construction costs and the City needing to allocate funds from their General Fund to their Proprietary Fund for capital improvement projects. This project is expected to alleviate their cash balance decrease by bridging the gap between their initial budgeted amount and the rising construction costs, ultimately helping the city maintain its financial stability.

PLEDGE

| | |
|----------------------|--|
| Legal Pledge Name | Ad Valorem Tax and Utility System Revenue |
| Type of Pledge | <input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other |
| Revenue Pledge Level | <input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A |

RATES AND CHARGES

| Average Residential Use | Gallons/Month | Current Rates | Projected Rates (Year 2040) | Current Household Cost Factor | Projected Household Cost Factor |
|-------------------------|---------------|---------------|-----------------------------|-------------------------------|---------------------------------|
| Water | 4,000 | \$74.41 | \$89.23 | 3.41 | 3.82 |
| Wastewater | 4,000 | \$48.80 | \$48.80 | | |

TAXES

| | 2022 Tax Year Rate | Max Projected Tax Rate (Year 2022) | Maximum Allowable Rate | 3-Year Avg Current Tax Collections | Assessed Valuation |
|-------------------------|--------------------|------------------------------------|------------------------|------------------------------------|--------------------|
| Maintenance & Operation | \$0.2982 | \$0.2982 | \$1.50 | 97% | \$35,940,390 |
| Interest & Sinking | \$0.000 | \$0.000 | | | |
| Total Tax Rate | \$0.2982 | \$0.2982 | | | |

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$178,077 over the life of the financing.

| | |
|--|--|
| Responsible Authority | City of Gordon |
| Program | DWSRF |
| Commitment Number | L1001727 |
| Project Number | 62862 |
| List Year | 2023 |
| Type of Pledge | Combo Tax and Revenue |
| Pledge Level (if applicable) | Third Lien |
| Legal Description | \$830,000 City of Gordon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2024 |
| Tax-exempt or Taxable | Taxable |
| Refinance | No |
| Outlay Requirement | Yes |
| Disbursement Method | Escrow |
| Outlay Type | Outlay = Escrow Release |
| Qualifies as Disadvantaged | No |
| State Revolving Fund Type | Non-Equivalency |
| Financial Managerial & Technical Complete | Yes |
| Phases Funded | Design and Construction |
| Pre-Design | Yes |
| Project Consistent with State Water Plan | Yes |
| Water Conservation Plan | Adopted |
| Overall Risk Score | 2B |

PROJECT TEAM

| Team Manager | Financial Analyst | Engineering Reviewer | Environmental Reviewer | Attorney |
|--------------|-------------------|----------------------|------------------------|------------------|
| Tom Barnett | Raul Flores | Connie Townsend | Tim Harlow | Marshall Walters |

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Gordon

\$830,000 City of Gordon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2024

| | | | |
|--------------------|----------|--------------------------|-----------------------|
| Dated Date: | 2/1/2024 | Source: | DWSRF-NON-EQUIVALENCY |
| Delivery Date: | 2/1/2024 | Rate: | 4.63% |
| First Interest: | 9/1/2024 | IUP Year: | 2023 |
| First Principal: | 9/1/2025 | Case: | Tax and Revenue |
| Last Principal: | 9/1/2054 | Admin.Fee: | \$16,275 |
| Fiscal Year End: | 06/30 | Admin. Fee Payment Date: | 2/1/2024 |
| Required Coverage: | 1.1 | | |

| FISCAL YEAR | PROJECTED NET SYSTEM REVENUES | CURRENT DEBT SERVICE | \$830,000 ISSUE | | | | TOTAL DEBT SERVICE | COVERAGE |
|-------------|-------------------------------|----------------------|-------------------|---------------|------------------|---------------|--------------------|----------|
| | | | PRINCIPAL PAYMENT | INTEREST RATE | INTEREST PAYMENT | TOTAL PAYMENT | | |
| 2025 | \$144,966 | \$90,761 | \$0 | - | \$41,026 | \$41,026 | \$131,787 | 1.10 |
| 2026 | 151,458 | 90,025 | 10,000 | 4.12% | 37,665 | 47,665 | 137,690 | 1.10 |
| 2027 | 151,458 | 89,276 | 10,000 | 4.16% | 37,251 | 47,251 | 136,527 | 1.11 |
| 2028 | 154,307 | 93,439 | 10,000 | 4.04% | 36,841 | 46,841 | 140,280 | 1.10 |
| 2029 | 154,307 | 92,368 | 10,000 | 4.10% | 36,434 | 46,434 | 138,802 | 1.11 |
| 2030 | 156,419 | 91,280 | 15,000 | 4.12% | 35,920 | 50,920 | 142,200 | 1.10 |
| 2031 | 158,875 | 94,131 | 15,000 | 4.13% | 35,301 | 50,301 | 144,432 | 1.10 |
| 2032 | 158,875 | 92,816 | 15,000 | 4.10% | 34,684 | 49,684 | 142,500 | 1.11 |
| 2033 | 158,875 | 91,389 | 15,000 | 4.19% | 34,062 | 49,062 | 140,451 | 1.13 |
| 2034 | 158,875 | 89,947 | 15,000 | 4.31% | 33,424 | 48,424 | 138,371 | 1.15 |
| 2035 | 158,875 | 93,443 | 15,000 | 4.33% | 32,776 | 47,776 | 141,219 | 1.13 |
| 2036 | 158,875 | 92,776 | 15,000 | 4.38% | 32,123 | 47,123 | 139,899 | 1.14 |
| 2037 | 159,655 | 84,006 | 30,000 | 4.40% | 31,135 | 61,135 | 145,141 | 1.10 |
| 2038 | 159,655 | 82,235 | 30,000 | 4.44% | 29,809 | 59,809 | 142,044 | 1.12 |
| 2039 | 159,655 | 85,462 | 30,000 | 4.59% | 28,454 | 58,454 | 143,916 | 1.11 |
| 2040 | 160,085 | 88,458 | 30,000 | 4.61% | 27,074 | 57,074 | 145,532 | 1.10 |
| 2041 | 160,085 | 86,355 | 30,000 | 4.61% | 25,691 | 55,691 | 142,046 | 1.13 |
| 2042 | 160,085 | 84,225 | 30,000 | 4.62% | 24,307 | 54,307 | 138,532 | 1.16 |
| 2043 | 160,085 | 87,018 | 35,000 | 4.63% | 22,803 | 57,803 | 144,821 | 1.11 |
| 2044 | 160,085 | 84,734 | 35,000 | 4.64% | 21,181 | 56,181 | 140,915 | 1.14 |
| 2045 | 160,085 | 82,448 | 35,000 | 4.65% | 19,555 | 54,555 | 137,003 | 1.17 |
| 2046 | 160,085 | 85,085 | 35,000 | 4.66% | 17,926 | 52,926 | 138,011 | 1.16 |
| 2047 | 160,085 | 82,645 | 35,000 | 4.66% | 16,295 | 51,295 | 133,940 | 1.20 |
| 2048 | 160,085 | 35,953 | 35,000 | 4.67% | 14,662 | 49,662 | 85,615 | 1.87 |
| 2049 | 160,085 | - | 40,000 | 4.68% | 12,909 | 52,909 | 52,909 | 3.03 |
| 2050 | 160,085 | - | 40,000 | 4.68% | 11,037 | 51,037 | 51,037 | 3.14 |
| 2051 | 160,085 | - | 40,000 | 4.69% | 9,163 | 49,163 | 49,163 | 3.26 |
| 2052 | 160,085 | - | 40,000 | 4.70% | 7,285 | 47,285 | 47,285 | 3.39 |
| 2053 | 160,085 | - | 45,000 | 4.70% | 5,288 | 50,288 | 50,288 | 3.18 |
| 2054 | 160,085 | - | 45,000 | 4.70% | 3,173 | 48,173 | 48,173 | 3.32 |
| 2055 | 160,085 | - | 45,000 | 4.70% | 1,058 | 46,058 | 46,058 | 3.48 |
| | | \$2,070,275 | \$830,000 | | \$756,307 | \$1,586,307 | \$3,656,582 | |

| | |
|----------------------------|-------------|
| AVERAGE (MATURITY) LIFE | 19.68 YEARS |
| NET INTEREST RATE | 4.630% |
| COST SAVINGS | \$178,077 |
| AVERAGE ANNUAL REQUIREMENT | \$51,171 |

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 Gordon
62862 - Water System Improvements
Additional Cost Overrun Commitment

| Budget Items | Previous Commitments | New Commitment | Total |
|--|----------------------|---------------------|-----------------------|
| Construction | | | |
| Construction | \$0.00 | \$675,000.00 | \$675,000.00 |
| CID-01 (AMR Meter Replacement) | \$172,786.85 | \$0.00 | \$172,786.85 |
| CID-02 (WTP Improvements) | \$520,460.00 | \$0.00 | \$520,460.00 |
| Subtotal for Construction | \$693,246.85 | \$675,000.00 | \$1,368,246.85 |
| Basic Engineering Services | | | |
| Construction Engineering | \$10,800.00 | \$5,000.00 | \$15,800.00 |
| Design | \$43,200.00 | \$10,000.00 | \$53,200.00 |
| Planning | \$15,000.00 | \$0.00 | \$15,000.00 |
| Subtotal for Basic Engineering Services | \$69,000.00 | \$15,000.00 | \$84,000.00 |
| Special Services | | | |
| Environmental | \$5,000.00 | \$0.00 | \$5,000.00 |
| Permits | \$2,500.00 | \$0.00 | \$2,500.00 |
| Surveying | \$39,074.94 | \$15,000.00 | \$54,074.94 |
| Inspection | \$42,287.20 | \$45,000.00 | \$87,287.20 |
| Testing | \$2,500.00 | \$0.00 | \$2,500.00 |
| Subtotal for Special Services | \$91,362.14 | \$60,000.00 | \$151,362.14 |
| Fiscal Services | | | |
| Bond Counsel | \$21,344.21 | \$20,000.00 | \$41,344.21 |
| Financial Advisor | \$19,500.00 | \$17,500.00 | \$37,000.00 |
| Fiscal/Legal | \$750.00 | \$800.00 | \$1,550.00 |
| Issuance Costs | \$1,071.00 | \$880.00 | \$1,951.00 |
| Loan Origination Fee | \$1,961.00 | \$16,275.00 | \$18,236.00 |
| Subtotal for Fiscal Services | \$44,626.21 | \$55,455.00 | \$100,081.21 |
| Contingency | | | |
| Contingency | \$3,087.80 | \$24,545.00 | \$27,632.80 |
| Subtotal for Contingency | \$3,087.80 | \$24,545.00 | \$27,632.80 |
| Total | \$901,323.00 | \$830,000.00 | \$1,731,323.00 |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 20-086
TO PROVIDE ADDITIONAL FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$830,000 TO THE CITY OF GORDON
THROUGH THE PROPOSED PURCHASE OF
\$830,000 CITY OF GORDON, TEXAS
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED TAXABLE SERIES 2024

(23-)

Recitals:

At its September 3, 2020 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 20-086, made a commitment to provide financial assistance in the amount of \$901,323 to the City of Gordon, Texas (City) from the Drinking Water State Revolving Fund, to finance improvements to its water system, to be secured by the TWDB's purchase of \$100,000 City of Gordon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2020 and principal forgiveness in the amount of \$801,323 for Project No. 62862, 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. 20-086 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 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 Gordon for financial assistance in the amount of \$830,000 from the Drinking Water State Revolving Fund through the TWDB's purchase of \$830,000 City of Gordon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2024. This Commitment will expire on November 30, 2024.

All terms and conditions of TWDB Resolution No. 20-086 shall remain in full force and effect except as follows:

1. TWDB Resolution No. 20-086 Condition No. 9 is replaced with: The Obligations must require the City to use any proceeds from the Obligations that are 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.
2. TWDB Resolution No. 20-086 Condition No. 23 is replaced with: The Obligations must provide 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.
3. TWDB Resolution No. 20-086 Condition No. 26 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. 20-086:

4. The Obligations must provide that the City must comply with all applicable federal laws, state laws, and TWDB rules related to the use of the financial assistance.
5. The Obligations must provide that the City must submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
6. Before closing, the City must 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.
7. The Obligations must provide 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 the 9th day of November 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$901,323 TO THE CITY OF GORDON
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$100,000 COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED TAXABLE SERIES 2020
AND
\$801,323 IN PRINCIPAL FORGIVENESS**

(20-086)

WHEREAS, the City of Gordon (City), located in Palo Pinto County, has filed an application for financial assistance in the amount of \$901,323 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62862; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$100,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2020 (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$801,323, 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 surplus revenues of the City's waterworks and sewer system 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); and
6. that the City meets the definition of “Disadvantaged Community” in 31 TAC § 371.1(23) and is therefore eligible for principal forgiveness in the amount of \$248,751; that the City meets the definition of a “small” or “rural” disadvantaged community in the applicable IUP and is therefore eligible for principal forgiveness in the amount of \$151,249; that the City meets the definition of a very small system in accordance with the current Intended Use Plan, and is therefore eligible for principal forgiveness in the amount of \$300,000; 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 is eligible for Principal Forgiveness in the amount of \$101,323; the City is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed \$801,323; and that the City qualifies as a “small” or “rural” system as determined by the applicable IUP, and the project is therefore eligible for a reduced interest rate of zero percent (0%) in an amount, including the origination fee, not to exceed \$100,000.

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

A commitment is made by the TWDB to the City of Gordon for financial assistance in the amount of \$901,323 from the Drinking Water State Revolving Fund through the TWDB’s proposed purchase of \$100,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2020 and the execution of a Principal Forgiveness Agreement in the amount of \$801,323. This commitment will expire on March 31, 2021.

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 City agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;
5. 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;
6. 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;
7. the Obligations must contain a provision requiring the City to levy a tax and/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;
8. 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;
9. 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 in a manner as approved by the Executive Administrator;

10. 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;
11. 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;
12. 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;
13. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;
14. 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;
15. 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;
16. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
17. 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;

18. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
19. 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;
20. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;

State Revolving Fund Conditions

21. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
22. 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;
23. 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;
24. 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;
25. 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;

Drinking Water State Revolving Fund Conditions

26. the City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371;
27. 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;
28. prior to 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 for the Loan

29. 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;

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

- ii. 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:

- 30. prior to closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
- 31. 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;

APPROVED and ordered of record this 3rd day of September 2020.

TEXAS WATER DEVELOPMENT BOARD



Peter M. Lake, Chairman

DATE SIGNED: 9/8/20

ATTEST:



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:

ILI¹:

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 Gordon Palo Pinto County

