

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: October 5, 2023

Team Manager: Jesse Milonovich

ACTION REQUESTED

Consider approving by resolution a request from the City of Menard (Menard County) for \$5,595,000 in financial assistance consisting of \$1,920,000 in financing and \$3,675,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a water treatment and water system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Menard (City) is located on the San Saba River, at the intersection of U. S. Highways 83 and 190, approximately 35 miles southwest of Brady, and approximately 35 miles north of Junction. The City provides water service to a population of approximately 1,348 residents and 790 connections.

PROJECT NEED AND DESCRIPTION

The City was notified by the Texas Commission on Environmental Quality (TCEQ) that its water supply well field is classified as Groundwater Under the Direct Influence of Surface Water. The City is ordered by the TCEQ to provide complete surface water treatment of its groundwater source. The City implemented measures for additional monitoring; however, these measures do not provide a fully compliant treatment system.

The City proposes to construct water system improvements including a new filtration system, a new filtration building, chemical feed system modifications, improvements at its well field, rehabilitation of its existing elevated storage tank, facility piping modifications, and related site work. The project objective would provide the City with a new water treatment system.

PROJECT SCHEDULE

Task	Schedule Date
Closing	January 31, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	March 20, 2024
Design Phase Completion	September 13, 2024
Start of Construction	November 15, 2024
Construction Completion	September 1, 2025

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE APRIL 30, 2024

KEY ISSUES

The City qualifies for principal forgiveness as a Disadvantaged Community in the amount of \$3,675,000. The City qualifies for zero percent financing as a Disadvantaged Small/Rural community, in the amount of \$1,920,000.

The City received commitments of Economically Distressed Areas Program funds in 2011 (TWDB project number 10421) and DWSRF funds in 2012 for water system improvements; the proposed work is a continuation of those efforts.

LEGAL/SPECIAL CONDITIONS

- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Water Conservation Review
5. Location Map

Financial Review City of Menard

Risk Score: 2A

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.87%	State: 1.49%
Top 10 Customers % of Total Revenue	0.18%	10-15%
Median Household Income as % of State	54%	100%
Days of Cash on Hand (3-year Average)	159 days	30-149 days
Net Fixed Assets/ Annual Depreciation	26 years	12-24 years
Debt Service Coverage Ratio	1.91x	1.1x
Debt-to-Operating Revenues	5.21x	4.00-5.99x
Unemployment Rate (July 2023)	City: 3.6%	State: 4.5%
Working Capital Ratio	2.08	> 1.0
Cash Balance Ratio	100.91%	0-9.99%

Key Risk Score Strengths

- Water and sewer system revenues are sufficient to cover both the existing and the proposed obligation.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City's positive cash balance ratio indicates an overall upward trend in funds, as reflected by the increase in cash balance from \$343,471 to \$981,420 over the past 5 years.

Key Risk Score Concerns

- Median household income is below the state average.
- There has been a slight population decline over the past five years. No population growth is assumed for long-term planning.
- The household cost factor is below the benchmark; however, the proposed debt service projections show no rate increases necessary.

PLEDGE

Legal Pledge Name	Combination Tax and Revenue
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
Water	7,900	\$47.16	\$47.16	2.33	2.33
Wastewater	N/A	\$18.00	\$18.00		

TAXES

	2022 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.545	\$0.545	\$1.50	94.67%	\$60,920,870
Interest & Sinking	\$0.00	\$0.00			
Total Tax Rate	\$0.545	\$0.545			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$1,569,636 over the life of the financing. The City is also saving \$3,675,000 in principal forgiveness.

Project Data Summary

Responsible Authority	Menard
Program	DWSRF
Commitment Number	L1001711, LF1001712
Project Number	62518
List Year	2023
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$1,920,000 City of Menard, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2024, \$3,675,000 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, Design, and Construction
Pre-Design	Yes
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
Jesse Milonovich	Kyle DuQuesnay	Cooper Stence	Chris Caran	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Menard

\$1,920,000 City of Menard, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2023

Dated Date: 1/31/2024	Source: DWSRF-EQUIVALENCY
Delivery Date: 1/31/2024	Rate: 0.00%
First Interest: 7/15/2024	IUP Year: 2023
First Principal: 7/15/2024	Case: Tax and Revenue
Last Principal: 7/15/2053	Admin.Fee: \$37,647
Fiscal Year End: 09/30	Admin. Fee Payment Date: 1/31/2024
Required Coverage: 1.1	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$1,920,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$218,362	\$79,093	\$35,000	-	-	\$35,000	\$114,093	1.91
2025	218,362	78,978	40,000	-	-	40,000	118,978	1.84
2026	218,362	78,820	40,000	-	-	40,000	118,820	1.84
2027	218,362	79,620	40,000	-	-	40,000	119,620	1.83
2028	218,362	79,354	40,000	-	-	40,000	119,354	1.83
2029	218,362	80,045	50,000	-	-	50,000	130,045	1.68
2030	218,362	79,651	50,000	-	-	50,000	129,651	1.68
2031	218,362	79,215	50,000	-	-	50,000	129,215	1.69
2032	218,362	79,736	50,000	-	-	50,000	129,736	1.68
2033	218,362	79,172	50,000	-	-	50,000	129,172	1.69
2034	218,362	79,566	60,000	-	-	60,000	139,566	1.56
2035	218,362	79,875	60,000	-	-	60,000	139,875	1.56
2036	218,362	80,117	60,000	-	-	60,000	140,117	1.56
2037	218,362	80,275	60,000	-	-	60,000	140,275	1.56
2038	218,362	79,347	60,000	-	-	60,000	139,347	1.57
2039	218,362	79,377	65,000	-	-	65,000	144,377	1.51
2040	218,362	79,322	70,000	-	-	70,000	149,322	1.46
2041	218,362	79,182	70,000	-	-	70,000	149,182	1.46
2042	218,362	78,957	70,000	-	-	70,000	148,957	1.47
2043	218,362	80,647	70,000	-	-	70,000	150,647	1.45
2044	218,362	80,186	75,000	-	-	75,000	155,186	1.41
2045	218,362	80,640	75,000	-	-	75,000	155,640	1.40
2046	218,362	79,966	80,000	-	-	80,000	159,966	1.37
2047	218,362	80,207	80,000	-	-	80,000	160,207	1.36
2048	218,362	80,321	80,000	-	-	80,000	160,321	1.36
2049	218,362	80,307	85,000	-	-	85,000	165,307	1.32
2050	218,362	7,166	85,000	-	-	85,000	92,166	2.37
2051	218,362	-	90,000	-	-	90,000	90,000	2.43
2052	218,362	-	90,000	-	-	90,000	90,000	2.43
2053	218,362	-	90,000	-	-	90,000	90,000	2.43
		\$2,079,146	\$1,920,000			\$1,920,000	\$3,999,146	

AVERAGE (MATURITY) LIFE	17.18 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$1,569,636
AVERAGE ANNUAL REQUIREMENT	\$64,000

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.



Current Budget Summary

Menard

62518 - SWTP & Well Improvements

Budget Items	Current Funds	New Funds	Local Funds	Total
Construction				
Construction	\$506,453	\$3,723,048	\$0	\$4,229,501
Subtotal for Construction	\$506,453	\$3,723,048	\$0	\$4,229,501
Basic Engineering Services				
Planning	\$75,000	\$75,000	\$31,250	\$181,250
Design	\$301,000	\$347,000	\$0	\$648,000
Construction Engineering	\$10,000	\$183,000	\$0	\$193,000
Subtotal for Basic Engineering Services	\$386,000	\$605,000	\$31,250	\$1,022,250
Special Services				
Application	\$15,000	\$25,000	\$0	\$40,000
Environmental	\$20,000	\$30,000	\$0	\$50,000
Inspection	\$16,073	\$85,000	\$0	\$101,073
Permits	\$20,000	\$20,000	\$0	\$40,000
Project Management (by engineer)	\$5,000	\$30,000	\$0	\$35,000
Surveying	\$12,000	\$12,000	\$0	\$24,000
Testing	\$23,000	\$8,000	\$0	\$31,000
Pilot Testing	\$0	\$15,000	\$0	\$15,000
Subtotal for Special Services	\$111,073	\$225,000	\$0	\$336,073
Fiscal Services				
Bond Counsel	\$10,973	\$51,000	\$0	\$61,973
Financial Advisor	\$14,498	\$79,500	\$0	\$93,998
Issuance Costs	\$2,611	\$11,500	\$0	\$14,111
Loan Origination Fee	\$12,103	\$37,647	\$0	\$49,750
Fiscal/Legal	\$0	\$7,500	\$0	\$7,500
Subtotal for Fiscal Services	\$40,185	\$187,147	\$0	\$227,332
Other				
Administration	\$10,000	\$18,000	\$0	\$28,000
Project Legal Expenses	\$10,000	\$67,000	\$0	\$77,000
Subtotal for Other	\$20,000	\$85,000	\$0	\$105,000
Contingency				
Contingency	\$23,289	\$769,805	\$0	\$793,094
Subtotal for Contingency	\$23,289	\$769,805	\$0	\$793,094
Total	\$1,087,000	\$5,595,000	\$31,250	\$6,713,250

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$5,595,000 TO THE CITY OF MENARD
 FROM THE DRINKING WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$1,920,000 CITY OF MENARD, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES
 OF OBLIGATION, PROPOSED SERIES 2024
 AND
 \$3,675,000 IN PRINCIPAL FORGIVENESS

(23-)

Recitals:

The City of Menard (City), located in Menard County, has filed an application for financial assistance in the amount of \$5,595,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62518.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,920,000 City of Menard, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2024 (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$3,675,000, 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 water and wastewater system revenues 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 taxes and revenues 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 that is 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(23) and is therefore eligible for principal forgiveness in the amount of \$3,675,000; and that the City meets the definition of a "small" or "rural" disadvantaged community in the applicable IUP and therefore qualifies for financial assistance with a reduced interest rate of zero percent in an amount not to exceed \$1,920,000.

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

A commitment is made by the TWDB to the City of Menard for financial assistance in the amount of \$5,595,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$1,920,000 City of Menard, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2024, and the execution of a Principal Forgiveness Agreement in the amount of \$3,675,000. This commitment will expire on April 30, 2024.

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 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 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 the conditions set forth in the TWDB Resolution.
5. The 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.
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 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 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 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 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 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. 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. 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 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, 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. 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.
14. 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.
15. 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.
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 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.
21. 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).
22. 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:

23. 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.
24. 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.
25. 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 thereunder (Regulations).
26. 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 which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt

service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.

27. 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 will:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its financing with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its 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 thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of 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 thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations.
28. 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.
29. 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.

30. 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.
31. 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).
32. 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.
33. The Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB.
34. 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:

35. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
36. 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.
37. 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.

38. 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.
39. 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.
40. 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.
41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.

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 such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
 - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues 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 thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and
 - iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of such Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

Special Conditions:

- 51. Before closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
- 52. 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 5th day of October, 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

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 Menard Menard County

