

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 21, 2016

TEAM MANAGER: Clay Schultz

APPLICANT	City of Austin
TYPE OF ASSISTANCE	\$86,980,000 Loan \$80,195,000 Loan
LEGAL PLEDGE	Net revenues of the water and wastewater system, subordinate to outstanding priority obligation (as defined in the City's Master Ordinance)

STAFF RECOMMENDATION

☒ Approve ☐ No Action

ACTION REQUESTED

Approve by resolutions, a request from the City of Austin (Travis County) for a \$167,175,000 multi-year low interest loan commitment from the State Water Implementation Revenue Fund for Texas to finance the planning, design and construction of an advanced metering infrastructure project and expansion and enhancement of its reclaimed water system, and a request for a waiver from the requirement to include funds to mitigate water loss as part of this project.

PROJECT

Direct Reuse Strategy
Project Number 51041

Conservation Strategy – Smart Meters (Advanced Meter Infrastructure)
Project Number 51042

BACKGROUND

Passed by the 83rd Legislature and approved by Texas voters through a constitutional amendment, the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT) were created to provide affordable, alternative financing options to develop projects that are recommended water management strategies in the State Water Plan. The program, referred to as SWIFT, provides financing

Multi-Year Commitment	Expiration Date
\$20,430,000 Proposed Series 2016A	December 31, 2016
\$27,785,000 Proposed Series 2017	December 31, 2017
\$28,140,000 Proposed Series 2018	December 31, 2018
\$22,560,000 Proposed Series 2019	December 31, 2019
\$19,110,000 Proposed Series 2020	December 31, 2020
\$26,925,000 Proposed Series 2021	December 31, 2021
\$22,225,000 Proposed Series 2022	December 31, 2022

through low interest loans, deferral of loan repayments, and incremental repurchase terms for projects with state ownership aspects. SWIFT projects presented for consideration have been scored and ranked utilizing a prioritization criteria outlined in Texas Administrative Code Title 31 §363.1304 and are included on the prioritized list of projects approved by the Board on April 11, 2016.

The City of Austin (City) is located in Travis County and serves as the state capital and county seat. Founded in 1835, Austin is one of the oldest incorporated areas in Texas. The City is one of the fastest growing cities in the country and is home to The University of Texas and several major corporations.

Austin Water (Utility), a department within the City, currently provides water service to approximately 230,000 connections. The Utility's Water Reclamation Initiative is an integral part of the City's water conservation program and, according to City data, currently saves 1.2 billion gallons of drinking water a year. The City is seeking funding for its direct reuse strategy, which is identified in the approved 2016 Region K Water Plan and the 2017 State Water Plan. This strategy includes a series of projects to expand and enhance the City's reclaimed water system.

In addition to improving its reclaimed water system, the City is proposing to continue its conservation efforts by implementing a city-wide meter upgrade program. The Utility currently has approximately 230,000 customer meters, which are read manually. The City is proposing to replace these meters with Advanced Metering Infrastructure (AMI) technology to improve system management and efficiencies.

FINANCIAL

Key Issues

None.

Multi-Year Commitment

The SWIFT program has the ability to offer applicants multi-year commitments. This flexibility allows the Texas Water Development Board (TWDB) to manage program demand while allowing the applicant to fund large projects over time. Each annual commitment installment has its own expiration date and applicable subsidies will be applied for a maximum of five funding year cycles from the time of initial Board commitment. The City has requested a multi-year commitment over a period of seven years, 2016 through 2022. The subsidy rate of 35% will be applied through 2020.

Calendar Year	Direct Reuse (51041)	Advanced Meter Infrastructure (51042)
2016	\$20,430,000	\$0
2017	\$22,590,000	\$5,195,000
2018	\$18,140,000	\$10,000,000
2019	\$12,560,000	\$10,000,000
2020	\$9,110,000	\$10,000,000
2021	\$1,925,000	\$25,000,000
2022	\$2,225,000	\$20,000,000

Pledge and Repayment

The City has offered a pledge of net revenues of the water and wastewater system, subordinate to outstanding priority obligations (as defined in the City's Master Ordinance). The City's current combined average monthly water and wastewater bill is \$73.78. A proposed rate increase would result in a combined average monthly bill of \$78.70. The proposed rate increase is not a direct result of this loan. Current rates and charges are sufficient to meet existing and proposed debt service.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$2,120,618 over the life of the \$20,430,000 Series 2016 low interest loan.

Internal Risk Score

Staff assigns a 2A to the City, and the proposed project to be funded by the TWDB. This means that the City's payment capacity is strong.

The financial sustainability indicators for the City's water and wastewater system are strong. These indicators show short-term and long-term ability to repay the debt. The system produces net revenues of 1.69 times the annual debt service requirements for the first year of repayment. This is a strong indicator of financial flexibility for possible unbudgeted expenses, and changes in demand without compromising debt repayment. The long-term condition of the system is sound. With an approximate asset condition ratio of 27 years, which shows a high level of reinvestment, giving room for future revenues.

Taxable property shows a 99% collection rate, and a high net taxable assessed valuation of \$119,129 per capita.

The City's socioeconomic indicators are higher than the State of Texas (State) overall. The City's population has increased at an average annual rate of 2.70% since 2010, compared to an annual rate of 1.70% for the population of the State. The City's average median household income of \$55,216 is above the median of \$52,576 for the State overall. The high median household income results in a household cost factor of 1.71%, which is below the 2% industry standard for water and wastewater service. The unemployment rate was 3.1% in December 2015, compared to 4.2% across the State. The City's current total outstanding debt per capita is \$4,550, and would increase to \$4,670 with the total proposed financing. This is considered a high level of debt.

The City maintains unrestricted cash and short-term investments for any use at the level of approximately 162 days of the operating expenses. This is considered to be a high level of liquidity. A high level of liquidity reflects the utility system's ability to cover short term debt and unforeseen expenses.

Staff's risk score of 2A is based on the City's capacity of repayment, system asset conditions as well as the city's low unemployment rate and high median household income, which mitigate its high debt per capita.

LEGAL

Key Issues

None.

Conditions

Standard SWIFT, tax-exempt, and revenue pledge conditions.

- Attachments:
1. Project Data Summary
 2. Debt Service Schedule
 3. Engineering/Environmental Review: Reuse Project 51041
 4. Project Budget: Reuse Project 51041
 5. Engineering/Environmental Review: AMI Project 51042
 6. Project Budget: AMI Project 51042
 7. Resolution (16-): Reuse Project 51041
 8. Resolution (16-): AMI Project 51042
 9. Water Conservation Review: Reuse Project 51041
 10. Water Conservation Review: AMI Project 51042
 11. Location Map

Project Data Summary

Responsible Authority	City of Austin	
Program	State Water Implementation Fund for Texas	
Commitment Code	LM 16049	Project No. 51041
	LM 17049	
	LM 18049	
	LM 19049	
	LM 20050	
	LM 21050	
	LM 22050	
	LM 17037	Project No. 51042
	LM 18037	
	LM 19037	
	LM 20037	
	LM 21037	
	LM 22037	
	Project Number	
Intended Use Plan / Fund Year	2016	
Fund Number	361	
Type of Pledge	2- Revenue	
Revenue Pledge Level	Second	
Legal Description	City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series: 2016A \$20,430,000 2017-2022 \$146,745,000	
Tax-exempt or Taxable	Tax-exempt	
Refinance	No	
Outlay Requirement	No	
Disbursement Method	Escrow	
Outlay Type	N/A	
Population	948,441	
Rural	No	
Water Connections	221,570	
Wastewater Connections	221,570	
Qualifies as Disadvantaged	No	
Disadvantaged Level	9	
Clean Water State Revolving Fund Type	N/A	
SWIFT Financing Type	Low-Interest Loan	
SWIFT Characteristic	Conservation, Reuse	
Financial Managerial & Technical Complete	N/A	
Funding Phase Code	Planning, Design, and Construction	
Pre-Design	Yes	
Project Consistent with Water Plan	Yes	
Water Conservation Plan	Adopted	
Water Rights Certification Required	No	

Internal Risk Score	2A
External Ratings (for SRF rates)	
Standard and Poor's	AAA
Moody's	Aaa
Fitch	AAA
Special Issues	Multi-year funding commitment

Project Team

Team Manager	Clay Schultz
Financial Analyst	Hector Estrada
Engineering Reviewer	Issa McDaniel
Environmental Reviewer	Katherine Calnan
Attorney	Alexis Lorick

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Austin

\$20,430,000 City of Austin Water & Wastewater System Revenues Proposed Series 2016A

Dated Date: 11/1/2016 Source: SWIFT-LOW-20YR
 Delivery Date: 11/1/2016 Rate: 1.94%
 First Interest: 5/1/2017 Insurance: No
 First Principal: 11/1/2017 Case: Net Revenue
 Last Principal: 11/1/2036 Admin.Fee: \$ -
 Fiscal Year End: 9/30 Admin. Fee: N/A
 Required Coverage: 1.0 Payment Date:

City of Austin Water & Wastewater System Revenues Proposed Series 2017-2022

Dated Date: 11/1/2016 Source: SWIFT-LOW-20YR
 Delivery Date: 11/1/2016 Rate: 2.14%
 First Interest: 5/1/2017 Insurance: No
 First Principal: 11/1/2017 Case: Net Revenue
 Last Principal: 11/1/2042 Admin.Fee: \$ -
 Fiscal Year End: 9/30 Admin. Fee Payment Date: N/A
 Required Coverage: 1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	COMMITMENT YEAR 2016				FUTURE DEBT 2017-2022									
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE			
2017	339,634,466	199,449,929	-	0.000%	168,984	168,984	-	0.000%	1,365,168	1,365,168	1,365,168	200,984,081	1.69			
2018	348,832,712	191,978,436	900,000	0.730%	334,683	1,234,683	4,670,000	0.730%	2,713,290	2,713,290	7,383,290	200,596,409	1.69			
2019	352,851,433	187,737,630	910,000	0.820%	327,667	1,237,667	4,705,000	0.820%	2,676,954	2,676,954	7,381,954	196,357,251	1.78			
2020	362,848,634	189,362,038	915,000	0.910%	319,773	1,234,773	4,745,000	0.910%	2,636,074	2,636,074	7,381,074	197,977,884	1.78			
2021	372,934,632	192,283,038	925,000	0.990%	311,031	1,236,031	4,785,000	0.990%	2,590,798	2,590,798	7,375,798	200,894,867	1.81			
2022	388,482,759	191,330,953	935,000	1.080%	301,403	1,236,403	4,835,000	1.080%	2,541,004	2,541,004	7,376,004	199,943,359	1.87			
2023	399,870,403	194,060,766	945,000	1.160%	290,873	1,235,873	4,885,000	1.160%	2,486,562	2,486,562	7,371,562	202,668,201	1.92			
2024	412,785,138	198,756,715	955,000	1.230%	279,519	1,234,519	4,945,000	1.230%	2,427,817	2,427,817	7,372,817	207,364,051	1.93			
2025	424,662,019	201,655,116	965,000	1.300%	267,373	1,232,373	5,005,000	1.300%	2,364,873	2,364,873	7,369,873	210,257,361	1.96			
2026	435,661,810	203,975,466	980,000	1.360%	254,437	1,234,437	5,070,000	1.360%	2,297,864	2,297,864	7,367,864	212,577,767	2.00			
2027	436,463,365	192,159,249	990,000	1.560%	240,051	1,230,051	5,140,000	1.560%	2,223,296	2,223,296	7,363,296	200,752,595	2.17			
2028	435,952,007	209,337,877	1,005,000	1.700%	223,786	1,228,786	5,220,000	1.700%	2,138,834	2,138,834	7,358,834	217,925,497	2.00			
2029	436,699,845	201,184,441	1,025,000	1.820%	205,916	1,230,916	5,305,000	1.820%	2,046,189	2,046,189	7,351,189	209,766,546	2.08			
2030	435,998,226	178,793,699	1,045,000	1.930%	186,504	1,231,504	5,405,000	1.930%	1,945,755	1,945,755	7,350,755	187,375,958	2.33			
2031	435,136,068	167,234,258	1,065,000	2.030%	165,610	1,230,610	5,510,000	2.030%	1,837,670	1,837,670	7,347,670	175,812,539	2.48			
2032	435,650,101	156,608,052	1,085,000	2.100%	143,408	1,228,408	5,620,000	2.100%	1,722,734	1,722,734	7,342,734	165,179,194	2.63			
2033	434,303,685	159,513,168	1,110,000	2.180%	119,917	1,229,917	5,740,000	2.180%	1,601,158	1,601,158	7,341,158	168,084,242	2.59			
2034	432,542,350	161,489,332	1,130,000	2.230%	95,218	1,225,218	5,865,000	2.230%	1,473,197	1,473,197	7,338,197	170,052,747	2.55			
2035	430,487,992	174,285,520	1,155,000	2.290%	69,394	1,224,394	5,995,000	2.290%	1,339,159	1,339,159	7,334,159	182,844,073	2.37			
2036	439,655,364	170,993,378	1,185,000	2.330%	42,364	1,227,364	6,130,000	2.330%	1,199,102	1,199,102	7,329,102	179,549,844	2.40			
2037	437,381,146	166,793,783	1,205,000	2.370%	14,279	1,219,279	6,275,000	2.330%	1,054,584	1,054,584	7,329,584	175,342,646	2.51			
2038	437,381,146	166,793,783	-	0.000%	-	-	6,420,000	2.400%	904,440	904,440	7,324,440	174,118,223	2.51			
2039	437,381,146	166,793,783	-	0.000%	-	-	6,575,000	2.400%	748,500	748,500	7,323,500	174,117,283	2.51			
2040	437,381,146	166,793,783	-	0.000%	-	-	6,730,000	2.400%	588,840	588,840	7,318,840	174,112,623	2.51			
2041	437,381,146	166,793,783	-	0.000%	-	-	6,895,000	2.400%	425,340	425,340	7,320,340	174,114,123	2.51			
2042	437,381,146	166,793,783	-	0.000%	-	-	7,060,000	2.400%	257,880	257,880	7,317,880	174,111,663	2.51			
2043	437,381,146	166,793,783	-	0.000%	-	-	7,215,000	2.400%	86,580	86,580	7,301,580	174,095,363	2.51			
	\$	4,889,745,542	\$	20,430,000	\$	4,362,188	\$	24,792,188	\$	45,693,658	\$	45,693,658	\$	192,438,658	\$	5,106,976,388

\$20,430,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	11.02 YEARS
NET INTEREST RATE	1.938%
COST SAVINGS	\$ 2,120,618
AVERAGE ANNUAL REQUIREMENT	\$1,239,609

\$146,745,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	14.52 YEARS
NET INTEREST RATE	2.145%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$7,401,487

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$189,147,274

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

**City of Austin
51041 Direct Reuse Strategy
Engineering and Environmental Review**

Engineering:Key Issues:

None.

Project Need/Description

Project Need: The City of Austin (City) relies on surface water from the Highland Lakes and the Colorado River, as well as an established reclaimed water program to supply its customers. Through the regional water planning process, projected future needs were identified. Increased water conservation efforts are expected to provide about half of the projected need with the remaining being provided by additional recommended water management strategies, including the expanded use of reclaimed water.

Project Description: The City is requesting planning, design, and construction phase funding to complete seven separate projects to expand and improve its water reuse program. Specifically, the City proposes to rehabilitate and expand the filtration system at two wastewater treatment plants, construct a reclaimed water storage tank and pump station, and construct approximately 74,000 feet of reclaimed water transmission mains in multiple parts of its service area.

Project Schedule:

Project Task	Schedule Date
Closing	11/1/2016
Start of Construction	3/31/2016
Engineering Feasibility Report Completion (End of Planning Phase)	10/31/2019
Design Phase Complete	12/31/2020
Construction Completion	11/30/2022

Environmental Section:Key Issues:

None.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

The environmental review will be segmented because some of the proposed project activities were or may be categorically excluded from a full environmental review, while other activities will require a full environmental review. A Determination of No Effect was issued on March 3, 2016, for the South Austin Regional Wastewater Treatment Filtration Project. The proposed Walnut Creek Wastewater Treatment Plant Filtration project may also qualify for a categorical exclusion. The remaining project components appear to require a full environmental review.

Pursuant to the requirements of 31 Texas Administrative Code §363.14, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental determination has been issued.

Budget Items	Description	TWDB Funds	Total
Construction			
Construction		\$66,740,577.00	\$66,740,577.00
Subtotal for Construction		\$66,740,577.00	\$66,740,577.00
Basic Engineering Services			
Construction Engineering		\$3,369,257.00	\$3,369,257.00
Design		\$6,193,344.00	\$6,193,344.00
Planning		\$783,390.00	\$783,390.00
Subtotal for Basic Engineering Services		\$10,345,991.00	\$10,345,991.00
Special Services			
Geotechnical		\$329,064.00	\$329,064.00
Inspection		\$725,000.00	\$725,000.00
O&M Manual		\$50,000.00	\$50,000.00
Permits		\$30,539.00	\$30,539.00
Project Management (by engineer)		\$550,000.00	\$550,000.00
Special Service Other (Describe)	Sub-Surface Utility Engineering (Walnut Creek WWTP)	\$15,000.00	\$15,000.00
Surveying		\$19,813.00	\$19,813.00
Testing		\$455,000.00	\$455,000.00
Subtotal for Special Services		\$2,174,416.00	\$2,174,416.00
Fiscal Services			
Bond Counsel		\$86,980.00	\$86,980.00
Bond Reserve Fund		\$5,250,000.00	\$5,250,000.00
Financial Advisor		\$103,581.00	\$103,581.00
Issuance Costs		\$9,500.00	\$9,500.00
Subtotal for Fiscal Services		\$5,450,061.00	\$5,450,061.00
Contingency			
Contingency		\$2,268,955.00	\$2,268,955.00
Subtotal for Contingency		\$2,268,955.00	\$2,268,955.00
Total		\$86,980,000.00	\$86,980,000.00

City of Austin
51042 Conservation Strategy - Smart Meters
(Advanced Meter Infrastructure)
Engineering and Environmental Review

Engineering:Key Issues:

None

Project Need/Description

Project Need: Austin Water (Utility) currently has approximately 230,000 customer meters, which are read manually by a third party service provider. The Utility is upgrading its service/work order system to enhance mobility and meter management. A recent water meter management audit has resulted in a small meter replacement initiative that includes meter replacements and enhanced meter accuracy testing.

Project Description: The City of Austin's (City) system-wide meter replacement project includes pilot testing and installation of Advanced Meter Infrastructure (AMI) throughout the City. This project will result in replacing approximately 230,000 meters in the Austin area. This project should reduce meter data errors and improve water usage data collection, provide more accurate data, fewer re-reads, more timely data collection, and more granular data.

Project Schedule:

Project Task	Schedule Date
Closing	11/1/2017
Engineering Feasibility Report Completion (End of Planning Phase)	10/1/2018
Design Phase Complete	3/1/2019
Start of Construction	7/1/2019
Construction Completion	9/30/2023

Environmental Section:Key Issues:

None known at this time.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Code §363.14, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental determination has been issued.

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

Budget Items	TWDB Funds	Total
Construction		
Construction	\$58,160,000.00	\$58,160,000.00
Subtotal for Construction	\$58,160,000.00	\$58,160,000.00
Basic Engineering Services		
Design	\$2,000,000.00	\$2,000,000.00
Planning	\$1,000,000.00	\$1,000,000.00
Subtotal for Basic Engineering Services	\$3,000,000.00	\$3,000,000.00
Special Services		
Pilot Testing	\$10,000,000.00	\$10,000,000.00
Project Management (by engineer)	\$500,000.00	\$500,000.00
Subtotal for Special Services	\$10,500,000.00	\$10,500,000.00
Fiscal Services		
Bond Counsel	\$80,195.00	\$80,195.00
Bond Reserve Fund	\$4,840,000.00	\$4,840,000.00
Financial Advisor	\$99,627.00	\$99,627.00
Issuance Costs	\$9,500.00	\$9,500.00
Subtotal for Fiscal Services	\$5,029,322.00	\$5,029,322.00
Contingency		
Contingency	\$3,505,678.00	\$3,505,678.00
Subtotal for Contingency	\$3,505,678.00	\$3,505,678.00
Total	\$80,195,000.00	\$80,195,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
THE CITY OF AUSTIN
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$86,980,000 CITY OF AUSTIN, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2016A THROUGH PROPOSED SERIES 2022

(16-)

WHEREAS, the City of Austin (City) has filed an application for financial assistance in the amount of \$86,980,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, design, and construction of certain water supply project(s) identified as Project No. 51041; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$86,980,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2016A through Proposed Series 2022, (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the City has offered a pledge of net revenues of the water and wastewater system, subordinate to outstanding priority obligations (as defined in the City's Master Ordinance) 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 § 363.1307; and

WHEREAS, interest rate subsidies are available to the City at the following levels: 35% for a loan of a term of 20 years, 25% for a loan of a term of 21 to 25 years, and 20% for a loan of a term of 26 to 30 years, and the interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the City, pursuant to this Resolution; and

WHEREAS, the City is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss because the City is already addressing water loss through improvements in its leak detection efforts in both distribution mains and transmission lines, increasing large meter accuracy, providing a small meter replacement program, replacing outdated mains with the highest likelihood for failure throughout the City, and allocating funds in its fiscal year 2016, with a request for additional funding in fiscal year 2017, for main line replacement and leak detection programs; and

WHEREAS, the TWDB hereby finds:

1. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;
2. that the project is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan has been submitted and implemented in accordance with Water Code § 11.1271 and 31 TAC § 363.1309(b)(1);
4. that the City satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the City and filed with the TWDB in accordance with 31 TAC § 358.6;
6. that based on the conditions, as described above, that the City is satisfactorily addressing the City's system water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss in accordance with Texas Water Code § 16.0121(g); and
7. that the City has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g); and
2. a commitment is made by the TWDB to the City of Austin for financial assistance in the amount of \$86,980,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of City of Austin, Texas Water and Wastewater System Revenue Bonds as follows:
 - a) \$20,430,000 Proposed Series 2016A, to expire on December 31, 2016;
 - b) \$22,590,000 Proposed Series 2017, to expire on December 31, 2017;
 - c) \$18,140,000 Proposed Series 2018, to expire on December 31, 2018;
 - d) \$12,560,000 Proposed Series 2019, to expire on December 31, 2019;
 - e) \$9,110,000 Proposed Series 2020, to expire on December 31, 2020;

- f) \$1,925,000 Proposed Series 2021, to expire on December 31, 2021;
- g) \$2,225,000 Proposed Series 2022, to expire on December 31, 2022.

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 continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;
4. this commitment is contingent upon the City executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
5. the City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments;

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
7. the Obligations must include a provision wherein the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by 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;

8. the Obligations must contain a provision requiring the City to maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized 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, recycling 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. the Obligations must include a provision stating that the City shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC § 363.42(c)(1);
15. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds"

within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);

16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB’s bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
17. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the

interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
- 18. 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;
 - 19. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 - 20. 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;
 - 21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
 - 22. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
 - 23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:
 - a. a designated financial officer executes a certificate stating that the City is in compliance with all covenants contained in its Master Ordinance and any supplement, is not in default in the performance and observance of any of the terms, provisions and conditions thereof, and the funds and accounts used to secure the then outstanding water and wastewater obligations of the City contains the amounts required to be therein or the proceeds of sale of any parity water and wastewater obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of those funds and accounts, if any; and
 - b. a certified public accountant shall certify or render an opinion that for the last completed fiscal year of the City, preceding the date of the then proposed water

and wastewater obligations to be issued on parity with the proposed series the subject of this Resolution, or for any twelve (12) consecutive calendar month period ending not more than ninety days prior to the date of the then proposed parity obligations, the net revenues of the water and wastewater system, after deducting amounts expended from the net revenues of the system during the last completed fiscal year for the payment of debt service requirements for prior first lien obligations and prior subordinate lien obligations, are equal to 1.25 times the average annual debt service requirements of the parity water and wastewater obligations to be outstanding. In making a determination of net revenues for the purposes of this section, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the water and wastewater system that became effective at least 30 days prior to the last day of the period for which net revenues are determined and, for purposes of satisfying the net revenues coverage test, make a pro forma determination of the net revenues of the water and wastewater system for the period of time covered by the accountant's certification or opinion based on such change in rates and charges begin in effect for the entire period covered by the accountant's certificate or opinion.

Conditions to Close or for Release of Funds:

24. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
25. 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;
26. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
27. prior to closing, the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
28. prior to closing, the City's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;

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

APPROVED and ordered of record this, the 21st day of July, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
THE CITY OF AUSTIN
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$80,195,000 CITY OF AUSTIN, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2017 THROUGH PROPOSED SERIES 2022

(16-)

WHEREAS, the City of Austin (City) has filed an application for financial assistance in the amount of \$80,195,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, design and construction of certain water supply project(s) identified as Project No. 51042; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$80,195,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2017 through Proposed Series 2022, (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the City has offered a pledge of net revenues of the water and wastewater system, subordinate to outstanding priority obligation (as defined in the City's Master Ordinance) 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 § 363.1307; and

WHEREAS, interest rate subsidies are available to the City at the following levels: 35% for a loan of a term of 20 years, 25% for a loan of a term of 21 to 25 years, and 20% for a loan of a term of 26 to 30 years and, the interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the City, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds:

1. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;
2. that the project is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan has been submitted and implemented in accordance with Water Code § 11.1271 and 31 TAC § 363.1309(b)(1);

4. that the City satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the City and filed with the TWDB in accordance with 31 TAC § 358.6;
6. that the City has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

A commitment is made by the TWDB to the City of Austin for financial assistance in the amount of \$80,195,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of City of Austin, Texas Water and Wastewater System Revenue Bonds as follows:

- a) \$5,195,000 Proposed Series 2017, to expire on December 31, 2017;
- b) \$10,000,000 Proposed Series 2018, to expire on December 31, 2018;
- c) \$10,000,000 Proposed Series 2019, to expire on December 31, 2019;
- d) \$10,000,000 Proposed Series 2020, to expire on December 31, 2020;
- e) \$25,000,000 Proposed Series 2021, to expire on December 31, 2021;
- f) \$20,000,000 Proposed Series 2022, to expire on December 31, 2022.

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 continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;
4. this commitment is contingent upon the City executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;

5. the City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments;

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
7. the Obligations must include a provision wherein the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by 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;
8. the Obligations must contain a provision requiring the City to maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized 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, recycling 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. the Obligations must include a provision stating that the City shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC § 363.42(c)(1);
15. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
17. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the

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

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
18. 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;
 19. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 20. 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;
 21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
 22. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing

the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:
 - a. a designated financial officer executes a certificate stating that the City is in compliance with all covenants contained in its Master Ordinance and any supplement, is not in default in the performance and observance of any of the terms, provisions and conditions thereof, and the funds and accounts used to secure the then outstanding water and wastewater obligations of the City contains the amounts required to be therein or the proceeds of sale of any parity water and wastewater obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of those funds and accounts, if any and;
 - b. a certified public accountant shall certify or render an opinion that for the last completed fiscal year of the City, preceding the date of the then proposed water and wastewater obligations to be issued on parity with the proposed series the subject of this Resolution, or for any twelve (12) consecutive calendar month period ending not more than ninety days prior to the date of the then proposed parity obligations, the net revenues of the water and wastewater system, after deducting amounts expended from the net revenues of the system during the last completed fiscal year for the payment of debt service requirements for prior first lien obligations and prior subordinate lien obligations, are equal to 1.25 times the average annual debt service requirements of the parity water and wastewater obligations to be outstanding. In making a determination of net revenues for the purposes of this section, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the water and wastewater system that became effective at least 30 days prior to the last day of the period for which net revenues are determined and, for purposes of satisfying the net revenues coverage test, make a pro forma determination of the net revenues of the water and wastewater system for the period of time covered by the accountant's certification or opinion based on such change in rates and charges begin in effect for the entire period covered by the accountant's certificate or opinion.

Conditions to Close or for Release of Funds:

24. 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;
25. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

26. prior to closing, the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
27. prior to closing, the City's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
28. 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; and
29. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

APPROVED and ordered of record this, the 21st day of July, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

WATER CONSERVATION REVIEW

Entity: _____

Review date: _____

WATER CONSERVATION PLAN DATE:**Approvable****Adopted**

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

WATER LOSS AUDIT YEAR:

Total water loss (GPCD): _____

Total water loss (percent): _____

Wholesale Water

Total no. of connections: _____

Length of mains (miles): _____

Connections per mile: _____

If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

If population ≤ 10K, connections/mile < 32 :

If population ≤ 10K, connections/mile ≥ 32 :

If population > 10K :

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real 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 loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

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.

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 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 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.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then 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 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.

WATER CONSERVATION REVIEWEntity: City of AustinReview date: May 2016**WATER CONSERVATION PLAN DATE:** May 2014 ☐ **Approvable** ☒ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline	149	87	16	12
5-year Goal	141	85	14	10
10-year Goal	138	83	14	10

WATER LOSS AUDIT YEAR: 2015

Total water loss (GPCD): 19 Total water loss (percent): 15 Wholesale Water ☒
 Total no. of connections: 221040 Length of mains (miles): 3,760 Connections per mile: 59

If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): 3.9**WATER LOSS THRESHOLDS:**

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :	NA	NA	NA	NA	NA	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	11	NA	68	26	NA	56

Does the applicant meet Water Loss Threshold requirements? Yes ☐ No ☒ NA ☐**ADDITIONAL INFORMATION:**

According to the City's 2014 Water Conservation Plan, the City has made significant progress in reducing unaccounted-for water. The City employs a full-time employee dedicated to addressing water loss. It has a comprehensive plan to reduce unaccounted-for retail water use, including contracts for subsurface leak detection of the distribution system on a five-year schedule. Consumption data for zero-read meters and suspicious patterns for retail meters and wholesale master meters is routinely analyzed. The City has made staff available to reduce response times for reported leaks and is implementing an extensive capital project to replace lines with a history of leaks and breaks. A program was launched in 2012 to upgrade aging water lines and to ensure the reliability of the distribution system. The City completed a five-year project to perform leak detection on all distribution mains and another cycle of leak detection effort is currently in progress. To discourage excessive use, the City has implemented a five-tiered water rate structure for residential customers. Their marketing and advertising campaign not only includes newspaper and radio commercials but an electronic newsletter campaign in an effort to communicate more regularly with customers.

STAFF NOTES AND RECOMMENDATIONS:

The City is above their water loss threshold for real loss. This request for financial assistance includes district metering that will allow for better system diagnostics through integrated acoustic leak detection sensors. This will assist the City in identifying leaks in need of repair within the distribution system.

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 loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

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.

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 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 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.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

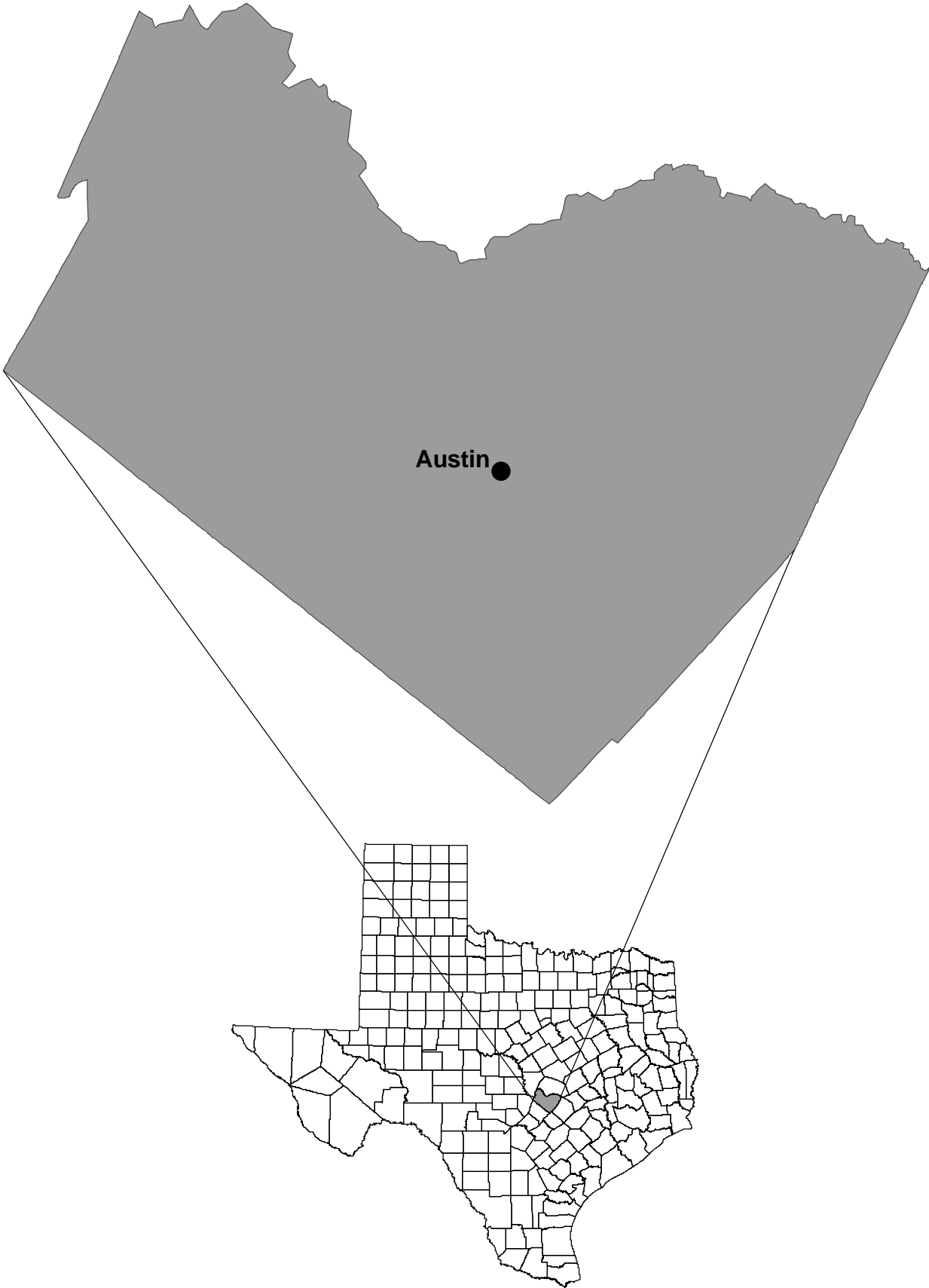
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Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss 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.

City of Austin,
Travis County



**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 17-087
TO PROVIDE FINANCIAL ASSISTANCE TO THE CITY OF AUSTIN
IN THE AMOUNT OF \$80,195,000**

(18-095)

WHEREAS, at its July 21, 2016 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 16-076, as amended by TWDB Resolution No. 17-087, made a multi-year commitment to provide financial assistance in the amount of \$80,195,000 to the City of Austin (City) from the State Water Implementation Revenue Fund for Texas, as secured by the TWDB's purchase of \$80,195,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2017 through Proposed Series 2022, for Project No. 51042, all as is more specifically set forth in the TWDB's Resolution Nos. 16-076 and 17-087 (Resolution), and accompanying documentation, to which documents express reference is made; and

WHEREAS, by letter dated February 2, 2018, the City requested that the TWDB amend the Resolution to modify the City's Multi-Year Commitment Annual Loan Closing Schedule; and

WHEREAS, the TWDB hereby finds that the proposed amendments to TWDB Resolution Nos. 16-076 and 17-087, as requested by the City, are reasonable and within the public interest and will serve a public purpose; and

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

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

1. The commitment of financial assistance made through the Resolution to the City of Austin for Project 51042 from the State Water Implementation Revenue Fund for Texas is amended, and shall be evidenced by the TWDB's proposed purchase of the City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2018 through 2023 in accordance with the annual financing schedule proposed below:
 - a. \$3,000,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2018, to expire December 31, 2018;
 - b. \$6,200,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2019, to expire December 31, 2019;
 - c. \$16,995,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2020, to expire December 31, 2020;
 - d. \$18,000,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2021, to expire December 31, 2021;
 - e. \$18,000,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2022, to expire December 31, 2022;

- f. \$18,000,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2023, to expire December 31, 2023;
2. All other terms and conditions of TWDB Resolution Nos. 16-076 and No. 17-087 shall remain in full force and effect.

APPROVED and ordered of record this the 26th day of July, 2018.

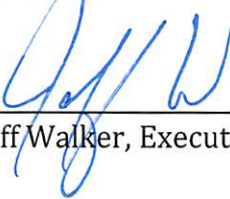
TEXAS WATER DEVELOPMENT BOARD



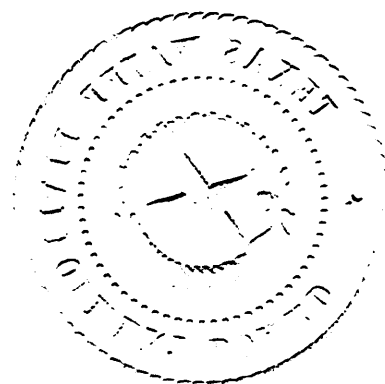
Peter M. Lake, Chairman

DATE SIGNED: 7/27/18

ATTEST:



Jeff Walker, Executive Administrator



A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
THE CITY OF AUSTIN
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$80,195,000 CITY OF AUSTIN, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2017 THROUGH PROPOSED SERIES 2022

(16-076)

WHEREAS, the City of Austin (City) has filed an application for financial assistance in the amount of \$80,195,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, design and construction of certain water supply project(s) identified as Project No. 51042; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$80,195,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2017 through Proposed Series 2022, (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the City has offered a pledge of net revenues of the water and wastewater system, subordinate to outstanding priority obligation (as defined in the City's Master Ordinance) 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 § 363.1307; and

WHEREAS, interest rate subsidies are available to the City at the following levels: 35% for a loan of a term of 20 years, 25% for a loan of a term of 21 to 25 years, and 20% for a loan of a term of 26 to 30 years and, the interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the City, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds:

1. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;
2. that the project is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan has been submitted and implemented in accordance with Water Code § 11.1271 and 31 TAC § 363.1309(b)(1);

4. that the City satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the City and filed with the TWDB in accordance with 31 TAC § 358.6;
6. that the City has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

A commitment is made by the TWDB to the City of Austin for financial assistance in the amount of \$80,195,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of City of Austin, Texas Water and Wastewater System Revenue Bonds as follows:

- a) \$5,195,000 Proposed Series 2017, to expire on December 31, 2017;
- b) \$10,000,000 Proposed Series 2018, to expire on December 31, 2018;
- c) \$10,000,000 Proposed Series 2019, to expire on December 31, 2019;
- d) \$10,000,000 Proposed Series 2020, to expire on December 31, 2020;
- e) \$25,000,000 Proposed Series 2021, to expire on December 31, 2021;
- f) \$20,000,000 Proposed Series 2022, to expire on December 31, 2022.

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 continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;
4. this commitment is contingent upon the City executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;

5. the City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments;

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
7. the Obligations must include a provision wherein the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by 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;
8. the Obligations must contain a provision requiring the City to maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized 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, recycling 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. the Obligations must include a provision stating that the City shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC § 363.42(c)(1);
15. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
17. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the

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

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
18. 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;
 19. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 20. 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;
 21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
 22. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing

the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:
 - a. a designated financial officer executes a certificate stating that the City is in compliance with all covenants contained in its Master Ordinance and any supplement, is not in default in the performance and observance of any of the terms, provisions and conditions thereof, and the funds and accounts used to secure the then outstanding water and wastewater obligations of the City contains the amounts required to be therein or the proceeds of sale of any parity water and wastewater obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of those funds and accounts, if any and;
 - b. a certified public accountant shall certify or render an opinion that for the last completed fiscal year of the City, preceding the date of the then proposed water and wastewater obligations to be issued on parity with the proposed series the subject of this Resolution, or for any twelve (12) consecutive calendar month period ending not more than ninety days prior to the date of the then proposed parity obligations, the net revenues of the water and wastewater system, after deducting amounts expended from the net revenues of the system during the last completed fiscal year for the payment of debt service requirements for prior first lien obligations and prior subordinate lien obligations, are equal to 1.25 times the average annual debt service requirements of the parity water and wastewater obligations to be outstanding. In making a determination of net revenues for the purposes of this section, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the water and wastewater system that became effective at least 30 days prior to the last day of the period for which net revenues are determined and, for purposes of satisfying the net revenues coverage test, make a pro forma determination of the net revenues of the water and wastewater system for the period of time covered by the accountant's certification or opinion based on such change in rates and charges begin in effect for the entire period covered by the accountant's certificate or opinion.

Conditions to Close or for Release of Funds:

24. 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;
25. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

26. prior to closing, the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
27. prior to closing, the City's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
28. 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; and
29. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

APPROVED and ordered of record this, the 21st day of July, 2016.

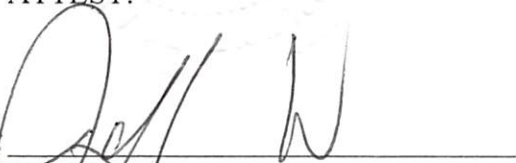
TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 7-21-16

ATTEST:



Jeff Walker
Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD
RESOLUTION NO. 16-075
TO PROVIDE FINANCIAL ASSISTANCE TO THE CITY OF AUSTIN
IN THE AMOUNT OF \$86,980,000

(17-080)

WHEREAS, at its July 21, 2016 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 16-075, made a multi-year commitment to the City for financial assistance in the amount of \$86,980,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), through the purchase of \$86,980,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2016A through proposed Series 2022, all as is more specifically set forth in the TWDB's Resolution No. 16-075 (Resolution) and accompanying documentation, to which documents express reference is made; and

WHEREAS, by letter dated February 2, 2017, the City requested that the TWDB amend the Resolution to modify the City's Annual Loan Closing Schedule; and

WHEREAS, by additional correspondence on June 7, 2017, the City requests to withdraw from the remaining commitments on its multi-year schedule through 2022, lowering the TWDB's total commitment of financial assistance from \$86,980,000 to \$65,605,000, and to amend the original project scope of Project 51041; and

WHEREAS, the TWDB hereby finds that the proposed amendments to TWDB Resolution No. 16-075, as requested by the City, are reasonable and within the public interest and will serve a public purpose; and

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

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

1. The commitment of financial assistance made through the Resolution to the City of Austin for Project 51041 from the State Water Implementation Revenue Fund for Texas is amended, and shall be evidenced by the TWDB's proposed purchase of \$45,175,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Proposed Series 2017A. The TWDB commitment of financial assistance for proposed series 2018 through 2022 shall expire upon the effective date of this Resolution.
2. All other terms and conditions of TWDB Resolution No. 16-075 shall remain in full force and effect.

APPROVED and ordered of record this the 20th day of July, 2017.

TEXAS WATER DEVELOPMENT BOARD



Beck K. Bruun

Beck K. Bruun, Chairman

DATE SIGNED: 7-20-17

ATTEST:

Jeff Walker
Executive Administrator