



PROJECT FUNDING REQUEST

BOARD DATE: July 21, 2016

TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	City of Bryan
TYPE OF ASSISTANCE	\$ 2,345,000 Loan- Proposed Series 2016 \$15,655,000 Loan- Proposed Series 2017
LEGAL PLEDGE	First lien on the net revenues of the waterworks and sewer system

STAFF RECOMMENDATION

☒ Approve ☐ No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Bryan (Brazos County) for an \$18,000,000 multi-year, low interest loan commitment from the State Water Implementation Revenue Fund for Texas to finance the planning, acquisition, design and construction of an Aquifer Storage and Recovery injection well and a recovery well.

PROJECT

Bryan ASR (Carrizo-Wilcox)
Project Number 51040

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 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.

Multi-Year Commitment	Expiration Date
\$ 2,345,000 Proposed Series 2016	December 31, 2016
\$15,655,000 Proposed Series 2017	December 31, 2017

The City proposes to construct an Aquifer Storage and Recovery (ASR) injection well and a recovery well. The recovery well requires the purchase of two acres of land. Additional improvements include two-way pipelines between the ASR well field and existing pump station, an ASR pump station, and piping to existing storage tanks.

FINANCIAL

Key Issues

None.

Multi-Year Commitment

The SWIFT program has the ability to offer applicants multi-year commitments. This flexibility allows 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 two years, 2016 and 2017. Because the City is requesting a 25-year maturity, a subsidy of 25% will be applied for each year commitment.

Pledge and Repayment

The City is pledging net revenues of the waterworks and sewer systems for the repayment of the proposed loan. The utility system generates approximately \$12.5 million in net revenues available for debt service, which provides 1.39 times coverage of existing and proposed debt service in the first year of principal repayment. This is a strong coverage ratio that indicates that system rate increases are not required for the proposed debt service.

Cost Savings

Based on a 25-year maturity and current interest rates, the City could save approximately \$239,197 on the 2016 bond series and \$1,602,863 on the 2017 bond series over the life of the loans.

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 City scored high on the indicators that show the City's financial sustainability. As discussed previously, the City's utility system revenues provide strong coverage of all debt service. In addition, the City continues to reinvest in the assets of the utility infrastructure with an estimated 32 years of remaining useful life. Assets with 12 to 24 years of remaining useful life is considered typical.

The City scored high on an indicator of the overall health of the City. Overall, the City has been able to retain its revenues, as evidenced by a 33% increase over the last five years in the fund balance relative to revenues. An increase above 10% is an indication of strong growth.

The City's median household income is 75% of the State median household income. Despite the City's median household income being below the State median, the average annual cost of water

and wastewater service of 1.75% of household income is below the standard used by the utilities industry and municipal credit rating agencies of 2% of the median household income for two services. Because of the City's good position on the cost of its services to its customer base, it has flexibility to increase rates if needed.

The community has grown quickly while maintaining a relatively low unemployment rate. The City has grown at an average annual rate of 1.38%, compared to the State's overall rapid pace of 1.60% since 2000. The most recent unemployment rate for the City is 3.1%, compared to 4.2% for the State overall. The economic region which includes College Station is supported by major employers in higher education, health services and computer software and hardware.

The City maintains substantial liquidity, with cash and short-term investments equivalent to 526 days of operating expenses. Any amount over 250 days is considered to be a very high level of liquidity. Adequate liquidity provides greater stability to a utility system by providing the resources needed to cover short-term, unplanned needs.

The City has a high level of total debt; however, most of the debt is paid with self-supporting revenues, i.e. revenues other than ad valorem tax revenues. The City's debt that is paid with ad valorem tax revenues represents approximately 1.28% of the total taxable value of properties in the City. Debt paid with ad valorem tax revenues below 2% of the total taxable value of properties is considered to be a low level of tax-supported debt and indicates that the City has additional capacity to issue debt supported by ad valorem tax revenues if needed.

The City generates the utility system revenues that exceed the debt service requirements of the debt paid with utility system revenues. Also, the City generates substantial revenues in its other funds. This has allowed the City to reinvest in the utility system and maintain a high level of liquidity. Even with a moderately low median household income, system rates are relatively low. The City is growing quickly, and is maintaining low unemployment. The economic region has stable employers in industries that require moderate and highly-skilled labor. Based on an assessment of the utility system and City's financial condition, and the indicators of the economic condition of the community, the City is assigned a risk score of 2A.

LEGAL

Key Issues

None.

Conditions

Standard SWIFT, tax-exempt and revenue conditions.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (16-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	City of Bryan
Program	State Water Implementation Fund for Texas
Commitment Code	LM16052, LM17052
Project Number	51040
Intended Use Plan Funding Year	2016
Fund Number	361
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$2,345,000 Waterworks and Sewer System Revenue Bonds, Proposed New Series 2016 \$15,420,000 Waterworks and Sewer System Revenue Bonds, Proposed New Series 2017
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	78,368
Rural	No
Water Connections	22,780
Wastewater Connections	22,780
Qualifies as Disadvantaged	N/A
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	Low Interest Loan
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Planning, Acquisition, 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	AA-
Moody's	Aa2
Fitch	Non-Rated
Special Issues	Multi-year commitment

Project Team

Team Manager	Caaren Skrobarczyk
Financial Analyst	Dain Larsen
Engineering Reviewer	Kevin Smith
Environmental Reviewer	Jean Devlin
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Bryan

ATTACHMENT 2

\$2,345,000 Waterworks and Sewer System Revenue Bonds, Proposed New Series 2016

Dated Date: 11/1/2016 **Source:** SWIFT-LOW-25YR
Delivery Date: 11/1/2016 **Insurance:** No
First Interest: 2/15/2017 **Case:** Revenue only
First Principal: 8/15/2017 **Admin.Fee:** N/A
Last Principal: 8/15/2041 **Admin. Fee Payment Date:** N/A
Fiscal Year End: 09/30 **Required Coverage:** 1.0

\$15,655,000 Waterworks and Sewer System Revenue Bonds, Proposed New Series 2017

Dated Date: 11/1/2017 **Source:** SWIFT-LOW-25YR
Delivery Date: 11/1/2017 **Insurance:** No
First Interest: 2/15/2018 **Case:** Revenue only
First Principal: 8/15/2018 **Admin.Fee:** N/A
Last Principal: 8/15/2042 **Admin. Fee Payment Date:** N/A
Fiscal Year End: 9/30 **Required Coverage:** 1.0

FISCAL YEAR	PROJECTED	CURRENT	\$2,345,000 ISSUE				\$15,655,000 ISSUE				TOTAL					
	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE				
2017	12,540,874	8,897,500	90,000	0.75%	38,000	128,000	-	0.00%	-	-	9,025,500	1.39				
2018	12,540,874	8,905,760	75,000	0.84%	47,494	122,494	585,000	0.75%	254,227	839,227	9,867,481	1.27				
2019	12,540,874	8,681,115	75,000	0.94%	46,864	121,864	505,000	0.84%	317,873	822,873	9,625,851	1.30				
2020	12,540,874	8,695,239	80,000	1.04%	46,159	126,159	510,000	0.94%	313,631	823,631	9,645,028	1.30				
2021	12,540,874	8,748,601	80,000	1.14%	45,327	125,327	515,000	1.04%	308,837	823,837	9,697,764	1.29				
2022	12,540,874	8,669,876	80,000	1.24%	44,415	124,415	520,000	1.14%	303,481	823,481	9,617,771	1.30				
2023	12,540,874	5,399,314	80,000	1.33%	43,423	123,423	525,000	1.24%	297,553	822,553	6,345,289	1.98				
2024	12,540,874	5,279,301	80,000	1.42%	42,359	122,359	535,000	1.33%	291,043	826,043	6,227,702	2.01				
2025	12,540,874	4,565,483	85,000	1.49%	41,223	126,223	545,000	1.42%	283,927	828,927	5,520,632	2.27				
2026	12,540,874	3,555,608	85,000	1.57%	39,956	124,956	550,000	1.49%	276,188	826,188	4,506,752	2.78				
2027	12,540,874	3,521,126	85,000	1.80%	38,622	123,622	560,000	1.57%	267,993	827,993	4,472,741	2.80				
2028	12,540,874	3,429,089	85,000	1.96%	37,092	122,092	570,000	1.80%	259,201	829,201	4,380,381	2.86				
2029	12,540,874	3,402,989	90,000	2.10%	35,426	125,426	585,000	1.96%	248,941	833,941	4,362,355	2.87				
2030	12,540,874	2,751,201	90,000	2.22%	33,536	123,536	600,000	2.10%	237,475	837,475	3,712,212	3.38				
2031	12,540,874	1,213,900	95,000	2.33%	31,538	126,538	610,000	2.22%	224,875	834,875	2,175,313	5.77				
2032	12,540,874	803,688	95,000	2.42%	29,324	124,324	625,000	2.33%	211,333	836,333	1,764,345	7.11				
2033	12,540,874	-	100,000	2.50%	27,025	127,025	645,000	2.42%	196,771	841,771	968,796	12.94				
2034	12,540,874	-	100,000	2.57%	24,525	124,525	660,000	2.50%	181,162	841,162	965,687	12.99				
2035	12,540,874	-	105,000	2.63%	21,955	126,955	680,000	2.57%	164,662	844,662	971,617	12.91				
2036	12,540,874	-	105,000	2.68%	19,194	124,194	700,000	2.63%	147,186	847,186	971,379	12.91				
2037	12,540,874	-	110,000	2.73%	16,380	126,380	715,000	2.68%	128,776	843,776	970,155	12.93				
2038	12,540,874	-	115,000	2.77%	13,377	128,377	740,000	2.73%	109,614	849,614	977,990	12.82				
2039	12,540,874	-	115,000	2.80%	10,191	125,191	760,000	2.77%	89,412	849,412	974,603	12.87				
2040	12,540,874	-	120,000	2.83%	6,971	126,971	780,000	2.80%	68,360	848,360	975,331	12.86				
2041	12,540,874	-	125,000	2.86%	3,575	128,575	805,000	2.83%	46,520	851,520	980,095	12.80				
2042	12,540,874	-	-	0.00%	-	-	830,000	2.86%	23,738	853,738	853,738	14.69				
	\$	86,519,789	\$	2,345,000	\$	783,943	\$	3,128,943	\$	15,655,000	\$	5,252,772	\$	20,907,772	\$	110,556,503

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.

\$2,345,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	13.82 YEARS
NET INTEREST RATE	2.42%
COST SAVINGS	\$239,197
AVERAGE ANNUAL REQUIREMENT	\$125,158

\$15,655,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	13.86 YEARS
NET INTEREST RATE	2.42%
COST SAVINGS	\$ 1,602,863
AVERAGE ANNUAL REQUIREMENT	\$836,311

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$4,252,173



**City of Bryan
51040 Bryan ASR (Carrizo-Wilcox)
Engineering and Environmental Review**

Engineering:

Key Issues:

None known at this time.

Project Need/Description

Need: The City of Bryan (City) is proposing an Aquifer Storage and Recovery (ASR) project as a water management strategy to address water supply shortages during droughts and high demand periods. The proposed project will allow the City to meet the maximum day demands beyond 2040.

Project Description:

The first phase of the project involves construction of one ASR injection well, one ASR recovery well, land acquisition, two-way pipelines, pump stations and other system improvements. The project also includes a pilot study of existing Well No. 10, which will be used to store ASR water. Additional improvements will depend on the pressure required to inject water and other water characteristics.

Project Schedule:

Project Task	Schedule Date
Closing	11/1/2016
Engineering Feasibility Report Completion (End of Planning Phase)	8/7/2017
Design Phase Complete	2/28/2018
Start of Construction	6/4/2018
Construction Completion	3/4/2019

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

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



Project Budget Summary
City of Bryan
51040 - Bryan ASR (Carrizo-Wilcox)

Budget Items	2016 TWDB Funds	2017 TWDB Funds	Local Funds	Total
Construction				
Construction	\$0.00	\$12,100,000.00	\$0.00	\$12,100,000.00
Subtotal for Construction	\$0.00	\$12,100,000.00	\$0.00	\$12,100,000.00
Basic Engineering Services				
Basic Engineering Other (Preliminary Design)	\$400,000.00	\$0.00	\$0.00	\$400,000.00
Construction Engineering	\$580,000.00	\$100,000.00	\$0.00	\$680,000.00
Design	\$785,000.00	\$0.00	\$0.00	\$785,000.00
Planning	\$120,000.00	\$0.00	\$0.00	\$120,000.00
Subtotal for Basic Engineering Services	\$1,885,000.00	\$100,000.00	\$0.00	\$1,985,000.00
Special Services				
Environmental	\$35,000.00	\$0.00	\$0.00	\$35,000.00
Permits	\$15,000.00	\$0.00	\$0.00	\$15,000.00
Pilot Testing	\$100,000.00	\$0.00	\$0.00	\$100,000.00
Surveying	\$10,000.00	\$0.00	\$0.00	\$10,000.00
Testing	\$15,000.00	\$0.00	\$0.00	\$15,000.00
Subtotal for Special Services	\$175,000.00	\$0.00	\$0.00	\$175,000.00
Fiscal Services				
Bond Counsel	\$12,500.00	\$16,000.00	\$0.00	\$28,500.00
Bond Reserve Fund	\$128,935.00	\$844,682.00	\$0.00	\$973,617.00
Financial Advisor	\$24,000.00	\$38,000.00	\$0.00	\$62,000.00
Issuance Costs	\$7,000.00	\$13,000.00	\$0.00	\$20,000.00
Subtotal for Fiscal Services	\$172,435.00	\$911,682.00	\$0.00	\$1,084,117.00
Other				
Land/Easements Acquisition	\$100,000.00	\$0.00	\$0.00	\$100,000.00
Other (Miscellaneous Fees & Rounding)	\$12,565.00	\$8,318.00	\$0.00	\$20,883.00
Subtotal for Other	\$112,565.00	\$8,318.00	\$0.00	\$120,883.00
Contingency				
Contingency	\$0.00	\$2,535,000.00	\$0.00	\$2,535,000.00
Subtotal for Contingency	\$0.00	\$2,535,000.00	\$0.00	\$2,535,000.00
Total	\$2,345,000.00	\$15,655,000.00	\$0.00	\$18,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO CITY OF BRYAN
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$18,000,000 CITY OF BRYAN, TEXAS,
WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
PROPOSED NEW SERIES 2016 AND PROPOSED NEW SERIES 2017

(16-)

WHEREAS, the City of Bryan (City) has filed an application for financial assistance in the amount of \$18,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design and construction of certain water supply project(s) identified as Project No. 51040; 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 \$18,000,000 City of Bryan, Texas, Waterworks and Sewer System Revenue Bonds, Proposed New Series 2016 and Proposed New Series 2017 (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 a first lien on and pledge of net revenues of the water and sewer systems 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: 35.0% for a loan of a term of 20 years, 25.0% for a loan of a term of 21 to 25 years, and 20.0% for a loan of a term of 26 to 30 years. 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 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);

4. 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; and
5. 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 Bryan for financial assistance in the amount of \$18,000,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of City of Bryan, Texas, Waterworks and Sewer System Revenue Bonds as follows:

- a) \$2,345,000 Proposed New Series 2016, to expire on December 31, 2016; and
- b) \$15,655,000 Proposed New Series 2017, to expire on December 31, 2017.

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 levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
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;

Pledge Conditions For The Loan

- 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 net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the City certifies that the City is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the City must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

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:

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

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.

City of Bryan, Brazos County

