

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 22, 2021

Team Manager: Tom Barnett

ACTION REQUESTED

Approve by resolution a request from the City of Vernon (Wilbarger County) for \$12,000,000 in financing from the State Water Implementation Revenue Fund for Texas for planning, acquisition, design, and construction of a water system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Vernon (City) is located in Wilbarger County approximately 50 miles northwest of Wichita Falls. The City provides water and wastewater service to approximately 11,800 residents and 4,000 active connections.

PROJECT NEED AND DESCRIPTION

The City relies solely upon groundwater from the Seymour Aquifer that is conveyed to the City through a 24-inch, 16-mile-long pipeline. This transmission system also supplies groundwater to several surrounding water systems that purchase water from the City. Part of this pipeline was installed in 1953 and the other part was installed in 1972. An 8.5-mile section of the older pipeline has experienced frequent breaks, has become increasingly expensive to maintain, and has reached the end of its useful life.

The proposed project will replace 8.5 miles of the old, deteriorated pipeline with 24-inch PVC pipe using open-cut construction. The old pipe will be plugged and abandoned in place. Additionally, various valves and fittings will be strategically placed along the new transmission pipeline.

PROJECT SCHEDULE

Task	Schedule Date
Closing	December 2, 2021
Engineering Feasibility Report Completion (End of Planning Phase)	February 18, 2022
Design Phase Completion	December 16, 2022
Start of Construction	February 7, 2023
Construction Completion	February 9, 2024

KEY ISSUES

The proposed project would implement a water conservation strategy recommended in the 2021 Region B Regional Water Plan and 2022 State Water Plan. This strategy would save roughly 300 acre-feet of water per year.

COMMITMENT PERIOD: FIVE (5) MONTHS TO EXPIRE DECEMBER 31, 2021

The Executive Administrator approved the City's request to use a non-standard, non-level low-interest obligation structure to allow the City a delayed principal payment date of March 15, 2024.

In the project budget, the City has included only \$10,420 for contingency. The City is aware of rapidly increasing construction costs and has developed a project contingency strategy in which they will construct as much of the highest-priority pipeline replacement as possible within the project budget, or commit local funds or request additional TWDB funding to complete the full project scope. This information was provided in a sufficiency of funds letter, dated June 7, 2021.

LEGAL

Special Conditions

None.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (21-)
4. Water Conservation Review
5. Location Map

Financial Review City of Vernon

Attachment 1

Risk Score: 2A

Audit Reviewed: FY 2020

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2019	City: -0.71%	State: 1.24%
Top 10 Customers of the System	24%	<10-15%
Median Household Income as % of State	69%	100%
Days of Cash on Hand (3-year Average)	603 days	30-149 days
Net Fixed Assets/ Annual Depreciation	22 years	12-24 years
Debt Service Coverage Ratio	4.33x	1.0x
Debt-to-Operating Revenues	1.92x	4.00-5.99x
Unemployment Rate (April)	Wilbarger Co: 7.4%	State: 6.3%
Working Capital Ratio	8.58	> 1.0

Key Risk Score Strengths

- The City's debt service coverage ratio is well above the requirement with a pledge of ad valorem tax and surplus system revenues.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position
- Debt to operating revenues is lower than benchmark levels indicating the City is within its debt levels based on the amount of revenues it generates.

Key Risk Score Concerns

- The City's top 10 customers of the system is higher than normal with its largest customer, Solvay, providing 6.3 percent of the annual water revenue. A stress test was run removing Solvay's revenue and the City remains well above the required debt service coverage ratio.
- The City's population has dropped slightly, however; the water and wastewater connections have increased slightly since 2016.

PLEDGE

Legal Pledge Name	Ad valorem tax and surplus system revenues
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2022)	Current Household Cost Factor	Projected Household Cost Factor
WATER	6,000	\$58.62	\$58.62	2.93	2.93
WASTEWATER	6,000	\$45.25	\$45.25		

TAXES

	2020 Tax Year Rate	Max Projected Tax Rate (2020)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.418	\$0.418	\$2.50	96%	\$423,975,538
Interest & Sinking	\$0.116	\$0.116			
Total Tax Rate	\$0.534	\$0.534			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$1,270,960 over the life of the financing.

Responsible Authority	Vernon
Program	SWIFT
Commitment Number	L1001427
Project Number	51070
List Year	2021
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$12,000,000 City of Vernon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2021
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Tom Barnett	Tyrone Alcorn	Natalie Thornton	Chris Caran	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Vernon

\$12,000,000 City of Vernon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2021

Dated Date: 12/2/2021
 Delivery Date: 12/2/2021
 First Interest: 3/15/2022
 First Principal: 3/15/2024
 Last Principal: 3/15/2051
 Fiscal Year End: 09/30
 Required Coverage: 1.1

Source: SWIFT-LOW-30YR
 Rate: 2.22%
 IUP Year: 2021
 Case: Tax and Revenue
 Admin.Fee: \$0
 Admin. Fee Payment Date: N/A
 Total Assessed Valuation: \$423,975,538

FISCAL YEAR	PROPOSED TAX RATE	TAX REVENUES WITH COLL. @ 96%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$12,000,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2022	0.023	\$94,004	\$3,753,395	\$3,847,399	\$549,100	-	0.12%	\$178,119	\$178,119	\$727,219	5.29
2023	0.023	94,004	3,753,395	3,847,399	551,275	-	0.17%	225,785	225,785	777,060	4.95
2024	0.021	85,830	3,753,395	3,839,225	311,675	\$350,000	0.28%	225,295	575,295	886,970	4.33
2025	0.020	81,742	3,753,395	3,835,137	309,400	350,000	0.42%	224,070	574,070	883,470	4.34
2026	0.021	85,830	3,753,395	3,839,225	315,700	355,000	0.55%	222,358	577,358	893,058	4.30
2027	0.021	85,830	3,753,395	3,839,225	311,600	355,000	0.68%	220,175	575,175	886,775	4.33
2028	0.021	85,830	3,753,395	3,839,225	317,100	360,000	0.80%	217,528	577,528	894,628	4.29
2029	0.021	85,830	3,753,395	3,839,225	322,000	360,000	0.91%	214,450	574,450	896,450	4.28
2030	0.021	85,830	3,753,395	3,839,225	316,500	365,000	1.01%	210,969	575,969	892,469	4.30
2031	0.014	57,220	3,753,395	3,810,615	212,800	370,000	1.05%	207,183	577,183	789,983	4.82
2032	0.014	57,220	3,753,395	3,810,615	215,800	375,000	1.32%	202,766	577,766	793,566	4.80
2033	0.014	57,220	3,753,395	3,810,615	218,400	380,000	1.54%	197,365	577,365	795,765	4.79
2034	0.014	57,220	3,753,395	3,810,615	215,700	385,000	1.72%	191,128	576,128	791,828	4.81
2035	0.014	57,220	3,753,395	3,810,615	212,800	390,000	1.79%	184,326	574,326	787,126	4.84
2036	0.015	61,307	3,753,395	3,814,702	224,400	400,000	1.90%	177,036	577,036	801,436	4.76
2037	-	-	3,753,395	3,753,395	-	405,000	1.99%	169,206	574,206	574,206	6.54
2038	-	-	3,753,395	3,753,395	-	415,000	2.07%	160,881	575,881	575,881	6.52
2039	-	-	3,753,395	3,753,395	-	425,000	2.14%	152,038	577,038	577,038	6.50
2040	-	-	3,753,395	3,753,395	-	435,000	2.21%	142,684	577,684	577,684	6.50
2041	-	-	3,753,395	3,753,395	-	445,000	2.28%	132,804	577,804	577,804	6.50
2042	-	-	3,753,395	3,753,395	-	455,000	2.34%	122,408	577,408	577,408	6.50
2043	-	-	3,753,395	3,753,395	-	465,000	2.39%	111,527	576,527	576,527	6.51
2044	-	-	3,753,395	3,753,395	-	475,000	2.44%	100,176	575,176	575,176	6.53
2045	-	-	3,753,395	3,753,395	-	485,000	2.48%	88,367	573,367	573,367	6.55
2046	-	-	3,753,395	3,753,395	-	500,000	2.51%	76,078	576,078	576,078	6.52
2047	-	-	3,753,395	3,753,395	-	510,000	2.54%	63,326	573,326	573,326	6.55
2048	-	-	3,753,395	3,753,395	-	525,000	2.56%	50,129	575,129	575,129	6.53
2049	-	-	3,753,395	3,753,395	-	540,000	2.58%	36,443	576,443	576,443	6.51
2050	-	-	3,753,395	3,753,395	-	555,000	2.61%	22,234	577,234	577,234	6.50
2051	-	-	3,753,395	3,753,395	-	570,000	2.63%	7,496	577,496	577,496	6.50
					\$4,604,250	\$12,000,000		\$4,534,342	\$16,534,342	\$21,138,592	

AVERAGE (MATURITY) LIFE	17.03 YEARS
NET INTEREST RATE	2.219%
COST SAVINGS	\$ 1,270,960
AVERAGE ANNUAL REQUIREMENT	\$704,620

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.



Project Budget Summary

City of Vernon

51070 - Odell-Winston Wellfield Pipeline

Budget Items	TWDB Funds	Total
Construction		
Construction	\$10,230,880.00	\$10,230,880.00
Subtotal for Construction	\$10,230,880.00	\$10,230,880.00
Basic Engineering Services		
Construction Engineering	\$201,900.00	\$201,900.00
Design	\$951,500.00	\$951,500.00
Planning	\$87,825.00	\$87,825.00
Subtotal for Basic Engineering Services	\$1,241,225.00	\$1,241,225.00
Special Services		
Environmental	\$35,000.00	\$35,000.00
Surveying	\$81,075.00	\$81,075.00
Geotechnical	\$34,500.00	\$34,500.00
Permits	\$20,000.00	\$20,000.00
Inspection	\$38,200.00	\$38,200.00
Project Management (by engineer)	\$100,000.00	\$100,000.00
Subtotal for Special Services	\$308,775.00	\$308,775.00
Fiscal Services		
Financial Advisor	\$43,700.00	\$43,700.00
Bond Counsel	\$51,500.00	\$51,500.00
Issuance Costs	\$1,500.00	\$1,500.00
Fiscal/Legal	\$12,000.00	\$12,000.00
Subtotal for Fiscal Services	\$108,700.00	\$108,700.00
Other		
Land Easements/Acquisition	\$100,000.00	\$100,000.00
Subtotal for Other	\$100,000.00	\$100,000.00
Contingency		
Contingency	\$10,420.00	\$10,420.00
Subtotal for Contingency	\$10,420.00	\$10,420.00
Total	\$12,000,000.00	\$12,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$12,000,000 TO THE CITY OF VERNON
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$12,000,000 CITY OF VERNON, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2021

(21 -)

WHEREAS, the City of Vernon (City) has filed an application for financial assistance in the amount of \$12,000,000 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. 51070 (Project); and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$12,000,000 City of Vernon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2021, (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 ad valorem taxes and surplus revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations; and

WHEREAS, subject to the City's use of an approved debt service structure, interest rate subsidies are available to the City for State Fiscal Year 2021 at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% for financial assistance for a term of 26 to 30 years; and

WHEREAS, the interest rate subsidies provided above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance, and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program; 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 project 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 Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1);
4. that the City satisfactorily completed all requests 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 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.0121 and 31 TAC § 358.
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 City of Vernon for financial assistance in the amount of \$12,000,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of \$12,000,000 City of Vernon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2021. This commitment will expire on December 31, 2021.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City has complied with all of the requirements of the laws under which said Obligations were issued; 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. interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator;
6. 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 of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee;

The Following Conditions Must Be Included in the Obligations:

7. the Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
8. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
9. the Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
10. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;
11. 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;
12. 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;

13. the Obligations must include a provision requiring the City to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator;
14. 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;
15. financial assistance 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;
16. financial assistance 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;
17. 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;
18. 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);
19. the Obligations must contain a provision stating that the City shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183;
20. the Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);

21. the Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB’s bonds that are issued to provide financing for the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 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;

22. 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 financial assistance 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 financial assistance, 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 providing financial assistance, and in order to induce providing financial assistance 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;
- 23. 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;
- 24. 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;
- 25. the Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to "advance refundings");
- 26. 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;
- 27. the Obligations must contain a provision that provides as follows:
 - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
 - b. if surplus revenues are based upon budgeted amounts:
 - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must

include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;

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

Conditions to Close or for Release of Funds:

- 28. 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;
- 29. prior to closing, if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel, 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;
- 30. 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;

31. 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;
32. prior to closing, the City’s bond counsel must prepare a written opinion that states that the Obligations are not “private activity bonds.” Bond counsel may rely on covenants and representations of the City when rendering this opinion;
33. 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
34. the transcript must include evidence that the information reporting requirements of § 149(e) of the Internal Revenue 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 22nd day of July 2021.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

<input checked="" type="checkbox"/>	Water	
<input type="checkbox"/>	Wastewater	
<input type="checkbox"/>	Other	SWIFT

WATER CONSERVATION REVIEW

May 2021

Project ID:

51070

Entity: City of Vernon

Other entity:

WATER CONSERVATION PLAN DATE: 2019

Approvable

Adopted

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	147	60	7
5-year Goal	143	59	8
10-year Goal	140	57	8

WATER LOSS AUDIT YEAR: 2020

Water Loss GPCD: <u>11.0</u>	Water Loss (percent): <u>7.5</u>	Water Loss (gal/ connection/day): <u>28.0</u>
Service connections: <u>4,106</u>	Length of main lines (miles): <u>90</u>	Connections per mile: <u>45.6</u>
Retail population: <u>10,509</u>	ILI ¹ : <u>1.2</u>	Wholesale Adjusted: <u>Yes</u>

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

WATER LOSS THRESHOLDS

Water Loss Project: No

Threshold Type	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day
Population ≤ 10K, connections/mile ≥ 32	8	NA	19	20	NA	50

Does the applicant meet Water Loss Threshold Requirements?

Yes

ADDITIONAL INFORMATION

The city's water conservation plan describes the activities that will be used to meet its long-term water conservation goals. They include a conservation-oriented rate structure; improving accounting of water use and water loss; and providing conservation education and information to customers. The city plans to address and maintain its water loss by continuing to test and replace water meters, responding to maintenance requests and customer complaints in a timely manner, and visual inspections for leaks that are performed routinely by meter readers and city staff. The city plans a bi-annual distribution of water conservation brochures through bill inserts and mail-outs and provide presentations to local schools and organizations. Water conservation information is also provided to applicants for new services within the system.

STAFF NOTES AND RECOMMENDATIONS

None.

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population divided by 365.

Total water loss is the sum of the apparent and real water losses.

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

Water Loss GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



City of Vernon Wilbarger County

