

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 21, 2016

TEAM MANAGER: Luis Farias

APPLICANT	City of Keller
TYPE OF ASSISTANCE	\$4,060,000 Loan-Proposed Series 2016 \$4,060,000 Loan-Proposed Series 2019 \$4,060,000 Loan-Proposed Series 2022
LEGAL PLEDGE	Ad Valorem Tax and Surplus Net Revenues of the Waterworks and Sewer System

STAFF RECOMMENDATION

☒ Approve ☐ No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Keller (Tarrant County) for a \$12,180,000 multi-year, low interest loan commitment from the State Water Implementation Revenue Fund for Texas to finance the design and construction of an enhanced water loss control and conservation program.

PROJECT

Enhanced Water Loss Control and Conservation Program
Project Number 51029

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.

The City of Keller (City) is a suburb of Fort Worth and it can proudly trace its beginning to the early pioneer settlement of related families who migrated to the area from Missouri in 1847 (the Peters Colony). The settlement was eventually platted as Athol, but when the railroad decided to

Multi-Year Commitment	Expiration Date
\$4,060,000 Series 2016	December 31, 2016
\$4,060,000 Series 2019	December 31, 2019
\$4,060,000 Series 2022	December 31, 2022

make a stop at the Town of Athol, the new name of Keller was selected by the residents. This name change was to honor the decision of John C. Keller of the Texas Pacific Railroad. This change occurred in 1882. With the railroad service readily available, the City began to expand and prosper. The City advertises itself as "successfully balancing big-city comforts with small-town charm" and was noted by Forbes magazine as one of the best place to live.

The City is experiencing water loss in its water distribution system due to aging lines. Although the City's total water loss is not high, these lines are the cause of most of the water loss due to breaks and leaks. Approximately five percent of the distribution system is composed of older deteriorated pipes consisting of asbestos, cement, thin walled polyvinyl chloride, and steel. The proposed project will alleviate the leakage problem that is causing the unnecessary water loss. The City has identified almost 12 miles of deficient water system pipe and approximately 1,600 deficient water service connections.

The City is proposing to replace approximately 62,000 linear-feet of old and deteriorated water mains and approximately 1,600 water service connections within public right-of-way and public easements. The City is requesting funds for the design and construction phases.

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 six years, 2016 through 2022. The subsidy rate of 35% applicable to 20 year loans will be available to all series through 2020.

Pledge and Repayment

The City is pledging ad valorem taxes and surplus net revenues for the repayment of the proposed loan. The City plans to use only water and sewer system revenues for the repayment of the debt. The current combined average monthly water and wastewater rate is \$97.33. In 2016, the waterworks and sewer system produced \$4,748,836 in net revenues. The total current revenues available for debt service provide 2.05 times coverage of existing and proposed debt service in the first year of principal repayment.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$426,489 over the life of the \$4,060,000 Series 2016 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 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 21 years of assets. Assets of 12 to 24 years are considered typical.

In addition to scoring high on financial indicators of the utility system, the City also scored high on other indicators showing the overall health of the City. Overall, the City has been able to retain its revenues, as evidenced by an increase in the fund balance over the last five years relative to revenues. In addition, taxable property in the City has increased steadily over the last five years. This has resulted in a high net taxable assessed valuation per capita of \$110,414.

The City's socioeconomic indicators are higher than the State of Texas (State) overall. The City's population has increased at an annual rate of 3.10% since 2000, compared to an increase at an annual rate of 1.60% for the population of the State overall. The City's high median household income of \$114,266 is 217% of the median for the State overall. The high median household income, and low utility system rates result in a projected household cost factor of 1.02%. This is well below the standard used by the utilities industry and municipal credit rating agencies of 2% of the median household income for two services.

The City maintains moderate liquidity, with cash and short-term investments equivalent to approximately 174 days of the operating expenses of the utility system. Any amount over 250 days is considered to be a very high level of liquidity.

The City's total outstanding per capita debt, including the proposed loan is \$2,167. This is considered to be a moderate level of debt. However, the City's debt that is paid with ad valorem tax revenues is very low at 0.71% of the total taxable value of properties in the City. A ratio of 5% is high, and over 12% is not recommended.

The City is assigned a risk score of 2A due to their high debt service coverage levels, strong financial profile, low system rates, and growing service area.

LEGAL

Key Issues

None.

Conditions

Standard SWIFT, tax-exempt, and tax and surplus net 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 Keller
Program	State Water Implementation Fund for Texas
Commitment Code	LM16057
Project Number	51029
Intended Use Fund Year	2016
Fund Number	361
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$4,060,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016 \$4,060,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2019 \$4,060,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2022
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	42,050
Rural	No
Water Connections	15,449
Wastewater Connections	13,246
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	Low-Interest Loan
SWIFT Characteristic	Conservation
Financial Managerial & Technical Complete	N/A
Funding Phase Code	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	Aa1
Fitch	Non-Rated
Special Issues	Multi-year funding request

Project Team

Team Manager	Luis Farias
Financial Analyst	Ben Munguia
Engineering Reviewer	William Alfaro
Environmental Reviewer	Kathy Calnan
Attorney	Annette Mass

Source: SWIFT-LOW-20YR
Insurance: No
Case: Future SWIFT
Admin.Fee: \$ -
Admin. Fee Payment Date: N/A
Required Coverage: 1.0

\$4,060,000 ISSUANCE		\$4,060,000 ISSUANCE		\$4,060,000 ISSUANCE		TOTAL AVERAGE ANNUAL REQUIREMENTS
AVERAGE (MATURITY) LIFE	10.19 YEARS	AVERAGE (MATURITY) LIFE	10.19 YEARS	AVERAGE (MATURITY) LIFE	10.19 YEARS	
NET INTEREST RATE	1.878%	NET INTEREST RATE	1.878%	NET INTEREST RATE	1.878%	
COST SAVINGS	\$426,489					
AVERAGE ANNUAL REQUIREMENT	\$241,838	AVERAGE ANNUAL REQUIREMENT	\$241,838	AVERAGE ANNUAL REQUIREMENT	\$241,838	\$1,289,339

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.



Keller
51029 Keller Enhanced Water Loss
Control and Conservation Program
Engineering and Environmental Review

Engineering:Key Issues:

None.

Project Need/Description

Need: Portions of the City of Keller's (City) water distribution system, installed prior to 1978, need to be replaced and/or upgraded to prevent water loss.

Description: The City will begin an Enhanced Water Loss Control and Conservation Program, as outlined in the Region C State Water Plan, to reduce water loss through leaks, pipe breaks and service lines. Approximately five percent of the distribution system is composed deteriorating pipes consisting of asbestos, cement, thin walled polyvinyl chloride, and steel pipe. The City is proposing to replace approximately 62,000 linear-feet of old and deteriorated water mains and approximately 1,600 water services connections within public right-of-way and public easements. The City is requesting funds for the design and construction phases.

Project
Schedule:

Project Task	Schedule Date
Closing	11/30/2016
Engineering Feasibility Report Completion (End of Planning Phase)	1/31/2017
Start of Construction	1/31/2018
Design Phase Complete	6/30/2019
Construction Completion	12/31/2022

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.



Project Budget Summary

City of Keller
TWDB Project #51029

Budget Items	SWIFT LM16057	SWIFT LM19057	SWIFT LM22057	TWDB Funds	Local and Other Funds	Total
Construction						
Construction	\$3,300,000.00	\$3,300,000.00	\$3,300,000.00	\$9,900,000.00	\$0.00	\$9,900,000.00
Subtotal for Construction	\$3,300,000.00	\$3,300,000.00	\$3,300,000.00	\$9,900,000.00	\$0.00	\$9,900,000.00
Basic Engineering Services						
Design	\$400,000.00	\$400,000.00	\$400,000.00	\$1,200,000.00	\$0.00	\$1,200,000.00
Subtotal for Basic Engineering Services	\$400,000.00	\$400,000.00	\$400,000.00	\$1,200,000.00	\$0.00	\$1,200,000.00
Special Services						
Project Management (by engineer)	\$100,000.00	\$100,000.00	\$100,000.00	\$300,000.00	\$0.00	\$300,000.00
Subtotal for Special Services	\$100,000.00	\$100,000.00	\$100,000.00	\$300,000.00	\$0.00	\$300,000.00
Fiscal Services						
Financial Advisor	\$60,000.00	\$60,000.00	\$60,000.00	\$180,000.00	\$0.00	\$180,000.00
Subtotal for Fiscal Services	\$60,000.00	\$60,000.00	\$60,000.00	\$180,000.00	\$0.00	\$180,000.00
Other						
Other (Administration)	\$0.00	\$0.00	\$0.00	\$0.00	\$1,000,000.00	\$1,000,000.00
Subtotal for Other	\$0.00	\$0.00	\$0.00	\$0.00	\$1,000,000.00	\$1,000,000.00
Contingency						
Contingency	\$200,000.00	\$200,000.00	\$200,000.00	\$600,000.00	\$0.00	\$600,000.00
Subtotal for Contingency	\$200,000.00	\$200,000.00	\$200,000.00	\$600,000.00	\$0.00	\$600,000.00
Total	\$4,060,000.00	\$4,060,000.00	\$4,060,000.00	\$12,180,000.00	\$1,000,000.00	\$13,180,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO THE CITY OF KELLER
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$12,180,000 CITY OF KELLER, TEXAS
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2016, PROPOSED SERIES 2019, AND PROPOSED SERIES 2022

(16-)

WHEREAS, the City of Keller (City) has filed an application for financial assistance in the amount of \$12,180,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the design and construction of certain water supply project(s) identified as Project No. 51029; 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 \$12,180,000 City of Keller, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016, Proposed Series 2019, and 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 ad valorem taxes and surplus net revenue 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. 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 Texas 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; and
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 Keller for financial assistance in the amount of \$12,180,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of City of Keller, Texas Combination Tax and Surplus Revenue Certificates of Obligation as follows:

- a) \$4,060,000 Proposed Series 2016 to expire on December 31, 2016;
- b) \$4,060,000 Proposed Series 2019 to expire on December 31, 2019; and
- c) \$4,060,000 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 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;
21. 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 which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of such Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements;

Conditions to Close or for Release of Funds:

- 22. 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;
- 23. 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;
- 24. 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;
- 25. 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;

26. 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;
27. 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
28. 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.

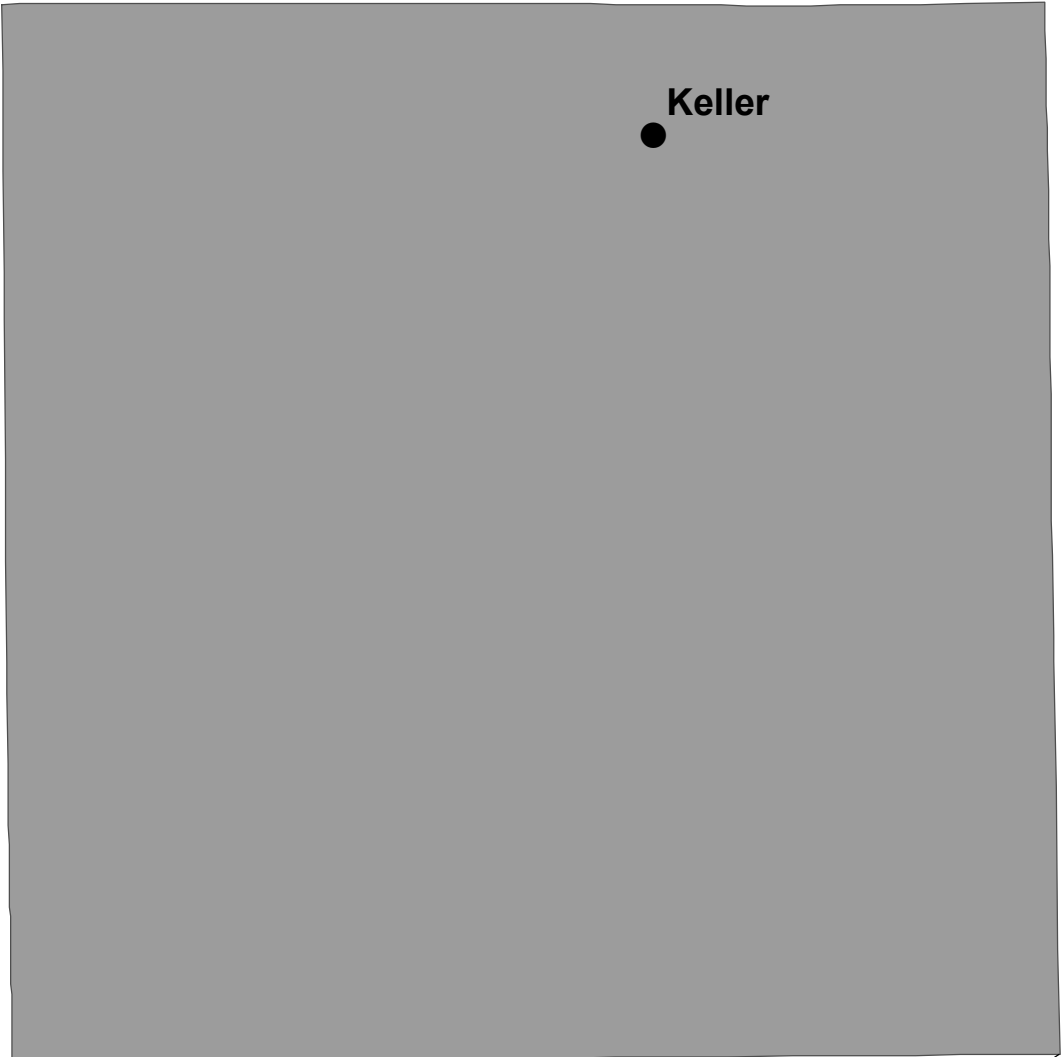
Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

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.

**City of Keller,
Tarrant County**



Keller

