

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 3, 2022

Team Manager: Joe Koen

ACTION REQUESTED

Approve by resolution a request from the City of Mabank (Kaufman County) for \$28,790,000 in financing from the Texas Water Development Fund for the planning, design and construction of water and wastewater system improvement projects.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Mabank (City) is in Kaufman County and located approximately 54 miles southeast of the City of Dallas. The City provides drinking water services to approximately 12,000 residents through 4,229 water connections and 3,400 wastewater connections.

PROJECT NEED AND DESCRIPTION

The City's water system is currently under an Alternative Capacity Requirement Order with the Texas Commission on Environmental Quality (TCEQ). The water infrastructure is operating near plant capacity and the City needs to expand the water intake structure, transmission pipelines and storage to meet projected needs and address TCEQ requirements.

The City's wastewater system is under a Compliance Supplemental Environmental Project, Agreed Order with TCEQ and the City has developed a Sanitary Sewer Overflow Initiative plan. The wastewater system is operating at capacity and the City needs to upgrade the plant and collection system to address demand and alleviate potential effluent discharge permit compliance issues.

The City intends to use planning, design, and construction funds for water and wastewater infrastructure improvements. Water improvements include replacing the 10-inch north transmission main and connections, rehabilitation of the raw water intake structure (pumps, piping and electrical), and building a new elevated storage tank or upgrade existing pump stations. Wastewater plant improvements will include upgrading for conventional treatment processes, and collection system improvements will include adding a new gravity trunk main and replacing deteriorated sewer lines.

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE MARCH 31, 2023

WATER PROJECT SCHEDULE

Task	Schedule Date
Closing	May 15, 2022
Engineering Feasibility Report Completion (End of Planning Phase)	December 1, 2022
Design Phase Complete	December 31, 2024
Start of Construction	April 30, 2024
Construction Completion	December 31, 2026

WASTEWATER PROJECT SCHEDULE

Task	Schedule Date
Closing	May 15, 2022
Engineering Feasibility Report Completion (End of Planning Phase)	June 30, 2023
Design Phase Complete	June 30, 2024
Start of Construction	September 30, 2024
Construction Completion	December 31, 2025

KEY ISSUES

None.

LEGAL

Special Conditions

None.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (22-)
4. Water Conservation Review
5. Location Map

Financial Review City of Mabank

Risk Score: 2B

Audit Reviewed: FY 2020

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2019	County: 3.10%	State: 1.24%
Top 10 Customers % of Total Revenue	10%	10-15%
Median Household Income as % of State	71%	100%
Days of Cash on Hand (3-year Average)	206 days	30-149 days
Net Fixed Assets/ Annual Depreciation	10 years	12-24 years
Debt Service Coverage Ratio	1.24x	1.1x
Debt-to-Operating Revenues	6.07	4.00-5.99x
Unemployment Rate (October 2021)	{County}: 4.2%	State: 4.8%
Working Capital Ratio	3.4	> 1.0

Key Risk Score Strengths

- A high population growth rate, low unemployment rate, average top 10 water customers as a percent of total revenues, and a historically high tax collection rate indicate a strong socioeconomic base to support the proposed obligation.
- A high working capital ratio, a cash balance ratio above the benchmark, and a high number of days of cash on hand provide the City with ample resources to cover short-term liabilities and shows a strong liquidity position.

Key Risk Score Concerns

- The self-supporting debt-to-operating revenues ratio is above benchmark due to system revenues supporting the majority of the outstanding debt and proposed obligation.
- Based on current revenues and a 30-year maturity schedule, the City would require a \$2.91 water and wastewater monthly rate increase in 2024, increasing by an additional \$1.53 by 2032 to meet total debt service requirements.

PLEDGE

Legal Pledge Name	Tax and Surplus Water and Wastewater 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	Current Household Cost Factor	Projected Household Cost Factor
WATER	3,000	\$32.96	\$34.15	1.59	1.71
WASTEWATER	3,000	\$24.72	\$27.97		

TAXES

	2020 Tax Year Rate	Max Projected Tax Rate (Year 2020)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.302	\$0.302	\$1.50	98%	\$433,859,512
Interest & Sinking	\$0.123	\$0.123			
Total Tax Rate	\$0.425	\$0.425			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$105,567 over the life of the financing.

Responsible Authority	Mabank
Program	WDF
Commitment Number	L1001464
Project Number	21800
List Year	N/A
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$28,790,000 City of Mabank, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2022
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Lina Linehan	Dennis Newman	Christopher Ryon	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Mabank

\$28,790,000 City of Mabank, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2022

Dated Date: 5/15/2022
Delivery Date: 5/15/2022
First Interest: 8/15/2022
First Principal: 2/15/2023
Last Principal: 2/15/2052
Fiscal Year End: 09/30
Required Coverage: 1.1

Source: WDF
Rate: 3.33%
IUP Year: 2021
Case: Tax and Revenue
Admin.Fee: \$0
Admin. Fee Payment Date: N/A
Total Assessed Valuation: \$433,859,512

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 98.43%	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$28,790,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE	
					PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2022	\$0.1233	\$526,550	\$2,078,719	\$523,800	\$0	-	\$205,429	\$729,229	2.85	
2023	0.1233	526,550	2,078,719	527,775	325,000	0.59%	820,756	1,673,531	1.24	
2024	0.1233	526,550	2,226,283	526,375	680,000	0.67%	817,519	2,023,894	1.10	
2025	0.1233	526,550	2,235,311	524,675	695,000	0.81%	812,426	2,032,101	1.10	
2026	0.1233	526,550	2,248,240	522,675	715,000	0.96%	806,180	2,043,855	1.10	
2027	0.1233	526,550	2,256,925	523,200	730,000	1.15%	798,550	2,051,750	1.10	
2028	0.1233	526,550	2,271,984	526,000	750,000	1.31%	789,440	2,065,440	1.10	
2029	0.1233	526,550	2,279,165	523,100	770,000	1.47%	778,868	2,071,968	1.10	
2030	0.1233	526,550	2,284,268	519,600	790,000	1.57%	767,007	2,076,607	1.10	
2031	0.1233	526,550	2,292,886	520,400	810,000	1.67%	754,042	2,084,442	1.10	
2032	0.1233	526,550	2,303,798	525,300	830,000	1.98%	739,062	2,094,362	1.10	
2033	0.1233	526,550	2,078,719	-	850,000	2.23%	721,367	1,571,367	1.32	
2034	0.1233	526,550	2,078,719	-	870,000	2.43%	701,319	1,571,319	1.32	
2035	0.1233	526,550	2,078,719	-	895,000	2.61%	679,069	1,574,069	1.32	
2036	0.1233	526,550	2,078,719	-	915,000	2.76%	654,762	1,569,762	1.32	
2037	0.1233	526,550	2,078,719	-	940,000	2.90%	628,505	1,568,505	1.33	
2038	0.1233	526,550	2,078,719	-	960,000	3.02%	600,379	1,560,379	1.33	
2039	0.1233	526,550	2,078,719	-	985,000	3.13%	570,468	1,555,468	1.34	
2040	0.1233	526,550	2,078,719	-	1,010,000	3.23%	538,741	1,548,741	1.34	
2041	0.1233	526,550	2,078,719	-	1,035,000	3.31%	505,300	1,540,300	1.35	
2042	0.1233	526,550	2,078,719	-	1,060,000	3.41%	470,098	1,530,098	1.36	
2043	0.1233	526,550	2,078,719	-	1,085,000	3.48%	433,146	1,518,146	1.37	
2044	0.1233	526,550	2,078,719	-	1,115,000	3.54%	394,532	1,509,532	1.38	
2045	0.1233	526,550	2,078,719	-	1,140,000	3.60%	354,276	1,494,276	1.39	
2046	0.1233	526,550	2,078,719	-	1,170,000	3.66%	312,345	1,482,345	1.40	
2047	0.1233	526,550	2,078,719	-	1,200,000	3.71%	268,674	1,468,674	1.42	
2048	0.1233	526,550	2,078,719	-	1,230,000	3.75%	223,352	1,453,352	1.43	
2049	0.1233	526,550	2,078,719	-	1,260,000	3.78%	176,475	1,436,475	1.45	
2050	0.1233	526,550	2,078,719	-	1,290,000	3.81%	128,087	1,418,087	1.47	
2051	0.1233	526,550	2,078,719	-	1,325,000	3.84%	78,072	1,403,072	1.48	
2052	0.1233	526,550	2,078,719	-	1,360,000	3.87%	26,316	1,386,316	1.50	
				\$5,762,900	\$28,790,000		\$16,554,559	\$45,344,559	\$51,107,459	

AVERAGE (MATURITY) LIFE	17.27 YEARS
NET INTEREST RATE	3.329%
COST SAVINGS	\$ 105,567
AVERAGE ANNUAL REQUIREMENT	\$1,648,628

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.

Budget Items	This Commitment	Total
Construction		
Construction	\$21,847,300.00	\$21,847,300.00
Subtotal for Construction	\$21,847,300.00	\$21,847,300.00
Basic Engineering Services		
Construction Engineering	\$1,737,000.00	\$1,737,000.00
Design	\$2,105,700.00	\$2,105,700.00
Planning	\$475,000.00	\$475,000.00
Subtotal for Basic Engineering Services	\$4,317,700.00	\$4,317,700.00
Special Services		
Environmental	\$75,000.00	\$75,000.00
Geotechnical	\$25,000.00	\$25,000.00
I/I Studies/Sewer Evaluation	\$50,000.00	\$50,000.00
Surveying	\$40,000.00	\$40,000.00
Water Distribution Modeling	\$50,000.00	\$50,000.00
Subtotal for Special Services	\$240,000.00	\$240,000.00
Fiscal Services		
Bond Counsel	\$48,000.00	\$48,000.00
Financial Advisor	\$95,000.00	\$95,000.00
Subtotal for Fiscal Services	\$143,000.00	\$143,000.00
Contingency		
Contingency	\$2,242,000.00	\$2,242,000.00
Subtotal for Contingency	\$2,242,000.00	\$2,242,000.00
Total	\$28,790,000.00	\$28,790,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$28,790,000 TO CITY OF MABANK
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE PROPOSED PURCHASE OF
\$28,790,000 CITY OF MABANK, TEXAS COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
PROPOSED SERIES 2022

(22 -)

WHEREAS, the City of Mabank, located in Kaufman County, Texas (City), has filed an application for financial assistance in the amount of \$28,790,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code §17.959, to finance water and wastewater system improvements, identified as Project No. 21800; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$28,790,000 through the TWDB's purchase of \$28,790,000 City of Mabank, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2022 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the City has offered a pledge of ad valorem taxes and surplus revenues of the water and wastewater 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 § 363.16; and

WHEREAS, in accordance with Texas Water Code § 17.275, the TWDB has considered all matters required by law and in particular the following:

1. the water quality needs of the waters into which effluent from the treatment works will be discharged, the benefit of the treatment works to such water quality needs, the relationship of the treatment works to the overall, statewide water quality needs, and the relationship of the treatment works to water quality planning for the state;
2. the availability of revenue to the political subdivision, from all sources, for the ultimate repayment of the cost of the treatment works, including interest; and

WHEREAS, the TWDB hereby finds:

1. that the public interest will benefit from state assistance in the financing of this project, in accordance with Texas Water Code § 17.277(a);
2. that the City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
3. that the application and financial assistance requested meet the requirements of Texas Water Code, Chapter 17, Subchapters E, F, and L, and 31 TAC Chapter 363, Subchapter A; and
4. that any treatment works to be financed under the application will consider cost-effective innovative, nonconventional methods of treatment such as rock reed, root zone, ponding, irrigation, or other methods that may have been developed by the National Aeronautics and Space Administration or the Tennessee Valley Authority, in accordance with Texas Water Code § 17.189.

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

A commitment is made by the TWDB to the City of Mabank for financial assistance in the amount of \$28,790,000 from the Financial Assistance Account of the Texas Water Development Fund II, to be evidenced by the TWDB's purchase of \$28,790,000 City of Mabank, Texas Combination Tax and Revenue Certificates of Obligation, Proposed Series 2022. This commitment will expire on March 31, 2023.

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 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), including but not limited to 31 TAC Chapter 363;

4. the Obligations must provide that the Obligations can be called for early redemption (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;
5. 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, 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;
6. 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;
7. the Obligations must include a provision requiring the City to use any surplus loan proceeds from the Obligations remaining after completion of a final accounting in a manner as approved by the Executive Administrator;
8. 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;
9. 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;
10. 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 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;

11. 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;
12. prior to closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the City shall submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance that are satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator;
13. prior to closing, when any portion of financial assistance proceeds are 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;
14. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
15. 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 F and Texas Water Code § 17.183;

Conditions Related to Tax-Exempt Status:

16. 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;
17. 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;
18. 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 of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);

19. 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) that 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;

20. 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;
- 21. 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;
- 22. 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;
- 23. 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");
- 24. 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;
- 25. 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;
- 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;

Pledge Conditions for the Loan:

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 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.

APPROVED and ordered of record this, the 3rd day of March, 2022.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

Water
 Wastewater
 Other

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

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 benchmarking 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.

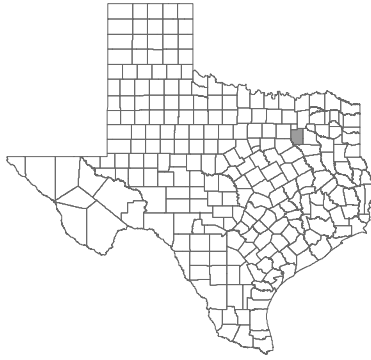
Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

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 Mabank Kaufman County

