



PROJECT FUNDING REQUEST

BOARD DATE: January 19, 2023

Team Manager: Dain Larsen

ACTION REQUESTED

Approve by resolution a request from the City of Marble Falls (Burnet County) for \$4,300,859 in financial assistance consisting of \$2,670,000 in financing and \$1,630,859 in principal forgiveness from the Clean Water State Revolving Fund for construction of wastewater system improvements.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Marble Falls (City) is in Burnet County approximately 45 miles northwest of Austin. The City provides water and wastewater services to approximately 7,037 residents with 2,745 wastewater and 3,387 water connections.

PROJECT NEED AND DESCRIPTION

The City currently utilizes both land application and a reclaimed water system for its wastewater effluent management. Due to the increased cost for land application, limited availability of suitable land, relocation of the City’s wastewater treatment plant out of the floodplain, and increased projected future treatment need, the City needs to expand and modify its existing reclaimed water system.

The City proposes to construct 5.3 miles of additional reclaimed water system lines and a pump station with three 700 gallon-per-minute pumps.

Task	Schedule Date
Closing	July 1, 2023
Engineering Feasibility Report Completion(End of Planning Phase)	March 31, 2023
Design Phase Completion	June 30, 2023
Start of Construction	September 1, 2023
Construction Completion	November 29, 2024

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JULY 31, 2023.

KEY ISSUES

The City has submitted a separate request to extend the expiration of its Clean Water State Revolving Fund commitment for a direct potable reuse system to allow the City to combine the commitments into one loan series and close on the same date.

The City qualified for principal forgiveness as a disadvantaged community for \$1,107,061 and green funding for \$523,798. The City also qualified for a portion of the remaining financing to be zero interest as a disadvantaged small/rural community.

LEGAL/SPECIAL CONDITIONS

- Executed Principal Forgiveness Agreement
- Return of Surplus Principal Forgiveness Funds

Attachments

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Water Conservation Review
5. Location Map

Financial Review

City of Marble Falls

Risk Score: 2B

Audit Reviewed: FY 2021

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 1.48%	State: 1.49%
Top 10 Customers % of Total Revenue	2%	10-15%
Median Household Income as % of State	71%	100%
Days of Cash on Hand (3-year Average)	1,160 days	30-149 days
Net Fixed Assets/ Annual Depreciation	25 years	12-24 years
Debt Service Coverage Ratio	0.94x	1.1x
Debt-to-Operating Revenues	7.35x	4.00-5.99x
Unemployment Rate (October, 2022)	County: 3.0%	State: 3.8%
Working Capital Ratio	9.50	> 1.0
Total Assessed Valuation, per Capita	\$148,841	\$30,000 - \$64,999

Key Risk Score Strengths

- The City has 1,160 days of cash on hand indicating it is well prepared for fiscal emergencies.
- The ten largest water customers account for two percent of the revenues generated by the water and sewer system, indicating the City is not reliant on a small subset of customers for revenues.
- With a total assessed valuation per capita of \$148,841, the City has a strong tax base from which to draw tax revenue.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.

Key Risk Score Concerns

- The City's household cost factor is above the benchmark due to the proposed debt and issuance of multiple bonds over the past three years. This signals a potential negative economic impact on the residents in the service area.
- The City's water and sewer system has \$1,087,295 in accounts receivable. The City has indicated that the current collection rate for the water system is 97% and the sewer system is 95%.
- The City is projected to require a total rate increase of \$26.27 in 2024 to meet debt service. The City is currently on track with its 2020 rate study showing combined planned rate increases in water and wastewater of approximately 15 percent of base rate each year in addition to incremental increases each year in its volume rate charge.

PLEDGE

Legal Pledge Name	Ad Valorem Tax and Surplus Water and Sewer 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 (Year 2024)	Current Household Cost Factor	Projected Household Cost Factor
Water	13,000	\$88.12	\$95.28	3.46	4.18
Wastewater	8,000	\$64.00	\$83.11		

TAXES

	2021 Tax Year Rate	Max Projected Tax Rate (Year 2021)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.2477	\$0.2477	\$2.50	99%	\$973,715,735
Interest & Sinking	\$0.3513	\$0.3513			
Total Tax Rate	\$0.5990	\$0.5990			

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the City could save approximately \$828,455 over the life of the financing. The City is also saving \$1,630,859 in principal forgiveness due to its eligibility for disadvantaged community and green subsidy.

Responsible Authority	Marble Falls
Program	CWSRF
Commitment Number	L1001586, L1001599, LF1001587
Project Number	73928
List Year	2022
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$1,020,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023C, \$1,650,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023B, \$1,630,859 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
Pre-Design	No
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
Dain Larsen	Rand Zeolla	Shubham Aggarwal	Kristin Miller	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Marble Falls

\$1,650,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023C

Dated Date: 7/1/2023
Delivery Date: 7/1/2023
First Interest: 2/1/2024
First Principal: 8/1/2024
Last Principal: 8/1/2044

Fiscal Year End: 09/30
Required Coverage: 1.1

Source: CWSRF-EQUIVALENCY
Rate: 2.15%
IUP Year: 2022
Case: Tax and Revenue
Admin.Fee: \$28,378

Admin. Fee Payment Date: 7/1/2023
Total Assessed Valuation: \$973,715,735

\$1,020,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023B

Dated Date: 7/1/2023
Delivery Date: 7/1/2023
First Interest: 2/1/2024
First Principal: 8/1/2024
Last Principal: 8/1/2044

Fiscal Year End: 9/30
Required Coverage: 1.1

Source: CWSRF-EQUIVALENCY
Rate: 0.00%
IUP Year: 2022
Case: Tax and Revenue
Admin.Fee: \$17,543
Admin. Fee Payment Date: 7/1/2023

FISCAL YEAR	REQUIRED TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 99%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT* DEBT SERVICE	\$1,650,000 ISSUE				\$1,020,000 ISSUE				DEBT SERVICE	ACTUAL COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	0.3513	\$3,386,457	\$4,564,929	\$7,951,386	\$7,209,583	\$0	-	\$35,230	\$35,230	-	-	\$0	\$0	\$7,244,813	1.10
2025	0.3513	3,386,457	4,593,267	7,979,723	7,087,158	80,000	1.49%	32,520	112,520	50,000	-	-	50,000	7,249,678	1.10
2026	0.3513	3,386,457	4,593,267	7,979,723	6,902,927	80,000	1.53%	31,328	111,328	50,000	-	-	50,000	7,064,255	1.13
2027	0.3513	3,386,457	4,593,267	7,979,723	6,886,462	80,000	1.55%	30,104	110,104	50,000	-	-	50,000	7,046,566	1.13
2028	0.3513	3,386,457	4,593,267	7,979,723	6,553,775	80,000	1.58%	28,864	108,864	50,000	-	-	50,000	6,712,639	1.19
2029	0.3513	3,386,457	4,593,267	7,979,723	6,458,926	80,000	1.60%	27,600	107,600	50,000	-	-	50,000	6,616,526	1.21
2030	0.3513	3,386,457	4,593,267	7,979,723	5,181,678	80,000	1.63%	26,320	106,320	50,000	-	-	50,000	5,337,998	1.49
2031	0.3513	3,386,457	4,593,267	7,979,723	5,183,365	80,000	1.65%	25,016	105,016	50,000	-	-	50,000	5,338,381	1.49
2032	0.3513	3,386,457	4,593,267	7,979,723	4,126,576	80,000	1.66%	23,696	103,696	50,000	-	-	50,000	4,280,272	1.86
2033	0.3513	3,386,457	4,593,267	7,979,723	4,034,669	80,000	1.67%	22,368	102,368	50,000	-	-	50,000	4,187,037	1.91
2034	0.3513	3,386,457	4,593,267	7,979,723	3,346,899	80,000	1.81%	21,032	101,032	50,000	-	-	50,000	3,497,931	2.28
2035	0.3513	3,386,457	4,593,267	7,979,723	2,872,809	85,000	1.95%	19,584	104,584	50,000	-	-	50,000	3,027,393	2.64
2036	0.3513	3,386,457	4,593,267	7,979,723	2,401,760	85,000	2.08%	17,927	102,927	50,000	-	-	50,000	2,554,687	3.12
2037	0.3513	3,386,457	4,593,267	7,979,723	2,393,661	85,000	2.18%	16,159	101,159	50,000	-	-	50,000	2,544,820	3.14
2038	0.3513	3,386,457	4,593,267	7,979,723	1,851,150	85,000	2.27%	14,306	99,306	50,000	-	-	50,000	2,000,456	3.99
2039	0.3513	3,386,457	4,593,267	7,979,723	1,849,676	85,000	2.33%	12,376	97,376	50,000	-	-	50,000	1,927,052	4.00
2040	0.3513	3,386,457	4,593,267	7,979,723	1,782,596	85,000	2.37%	10,396	95,396	50,000	-	-	50,000	1,927,991	4.14
2041	0.3513	3,386,457	4,593,267	7,979,723	1,775,922	85,000	2.41%	8,381	93,381	55,000	-	-	55,000	1,924,303	4.15
2042	0.3513	3,386,457	4,593,267	7,979,723	1,412,016	85,000	2.45%	6,333	91,333	55,000	-	-	55,000	1,558,349	5.12
2043	0.3513	3,386,457	4,593,267	7,979,723	1,181,942	85,000	2.48%	4,250	89,250	55,000	-	-	55,000	1,326,192	6.02
2044	0.3513	3,386,457	4,593,267	7,979,723	610,043	85,000	2.52%	2,142	87,142	55,000	-	-	55,000	752,185	10.61
						\$167,545,854	\$81,103,592	\$1,650,000	\$415,930	\$2,065,930	\$1,020,000	\$0	\$1,020,000	\$84,189,522	

* Includes \$995,000 TWDB Proposed Series 2023A

\$1,650,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	11.73 YEARS
NET INTEREST RATE	2.148%
COST SAVINGS	\$347,290
AVERAGE ANNUAL REQUIREMENT	\$98,378

\$1,020,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	11.74 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$481,165
AVERAGE ANNUAL REQUIREMENT	\$48,571

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$4,009,025

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	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	\$3,882,054.00	\$165,885.00	\$4,047,939.00
Subtotal for Construction	\$3,882,054.00	\$165,885.00	\$4,047,939.00
Basic Engineering Services			
Construction Engineering	\$0.00	\$175,000.00	\$175,000.00
Design	\$0.00	\$475,000.00	\$475,000.00
Planning	\$0.00	\$25,000.00	\$25,000.00
Subtotal for Basic Engineering Services	\$0.00	\$675,000.00	\$675,000.00
Special Services			
Environmental	\$0.00	\$38,000.00	\$38,000.00
Geotechnical	\$0.00	\$15,000.00	\$15,000.00
Project Management (by engineer)	\$0.00	\$65,000.00	\$65,000.00
Surveying	\$0.00	\$15,000.00	\$15,000.00
Subtotal for Special Services	\$0.00	\$133,000.00	\$133,000.00
Fiscal Services			
Bond Counsel	\$24,795.00	\$0.00	\$24,795.00
Financial Advisor	\$53,320.00	\$0.00	\$53,320.00
Fiscal/Legal	\$6,445.00	\$0.00	\$6,445.00
Loan Origination Fee	\$86,000.00	\$0.00	\$86,000.00
Subtotal for Fiscal Services	\$170,560.00	\$0.00	\$170,560.00
Other			
Administration	\$0.00	\$99,815.00	\$99,815.00
Subtotal for Other	\$0.00	\$99,815.00	\$99,815.00
Contingency			
Contingency	\$248,245.00	\$0.00	\$248,245.00
Subtotal for Contingency	\$248,245.00	\$0.00	\$248,245.00
Total	\$4,300,859.00	\$1,073,700.00	\$5,374,559.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,300,859 TO THE CITY OF MARBLE FALLS
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$1,650,000 CITY OF MARBLE FALLS, TEXAS TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2023B
AND
\$1,020,000 CITY OF MARBLE FALLS, TEXAS TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2023C
AND
\$1,630,859 IN PRINCIPAL FORGIVENESS

(23-)

WHEREAS, the City of Marble Falls (City), located in Burnet County has filed an application for financial assistance in the amount of \$4,300,859 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73928; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,650,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023B, and \$1,020,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023C (together with all authorizing documents, (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$1,630,859, 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 net revenues of the City's utility system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. 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;

4. that the City meets the definition of a “Disadvantaged Community” in 31 TAC § 375.1(23) and is therefore eligible for principal forgiveness in the amount of \$1,107,061;
5. that the TWDB has made a timely and concerted effort to solicit projects that address green infrastructure, water, or energy efficiency improvements and other environmentally innovative activities and has determined that the entire Project, or a portion of the Project, satisfies the EPA’s criteria for Green Projects, and is eligible for principal forgiveness in the amount of \$523,798; and
6. that the City qualifies as a “small” or “rural” system as determined by the applicable IUP, and the project is therefore eligible for funding with an interest rate of zero percent (0%) in an amount, including the origination fee, not to exceed \$1,020,000.

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

A commitment is made by the TWDB to the City of Marble Falls for financial assistance in the amount of \$4,300,859 from the Clean Water State Revolving Fund through the TWDB’s proposed purchase of \$1,650,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023B, and \$1,020,000 City of Marble Falls, Texas Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2023C, and the execution of a Principal Forgiveness Agreement in the amount of \$1,630,859. This commitment will expire on July 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 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 compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the City agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;

5. 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 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;
6. 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;
7. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges, as applicable, to produce system funds 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;
8. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved 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 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. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;
14. 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;
15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
16. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
17. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
18. 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;
19. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;
20. the City must immediately notify the TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition);

Conditions Related to Tax-Exempt Status

21. 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;
22. the City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
23. 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 section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
24. 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 section 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 section 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;
25. 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 section 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 section 148(f) of the Code, section 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;
26. 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;
 27. 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 section 149(b) of the Code;
 28. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations;
 29. the Obligations must contain a provision that the City will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the

Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);

30. the transcript must include evidence that the information reporting requirements of section 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 section 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;
31. 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;

State Revolving Fund Conditions

32. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
33. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
34. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
35. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the City will adhere to the approved project schedule;
36. the Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to

the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;

37. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;
38. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216;
39. the City shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions

40. the City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;
41. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;
42. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;
43. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)–(C), the City must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq.* and 33 U.S.C. § 1382(b)(14);

Pledge Conditions for the Loan

44. 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.

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions

45. prior to closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
46. the Principal Forgiveness Agreement must include a provision stating that the City shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator.

APPROVED and ordered of record this 19th day of January 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

Review Date:

Project ID:

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

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

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss

Retail population:

Connections per mile:

(gal/connection/day):

Water Loss GPCD:

ILI¹:

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

WATER LOSS THRESHOLDS

Water Loss Project:

Wholesale Adjusted:

	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
<u>Threshold Type</u>						

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 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.

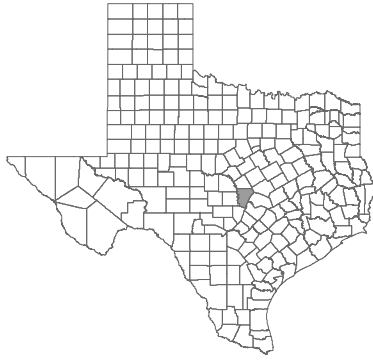
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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 Marble Falls Burnet County

