

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: September 14, 2023

Team Manager: Mireya Loewe

ACTION REQUESTED

Consider approving by resolution a request from the Harlingen Waterworks System acting on behalf of the City of Harlingen (Cameron County) for \$10,000,000 in financing from the Clean Water State Revolving Fund for planning, acquisition, and design of a wastewater system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Harlingen (City) is located in Cameron County, approximately 40 miles from the Gulf of Mexico and 260 miles south of San Antonio. The City is the second largest city in Cameron County and the fourth largest in the Rio Grande Valley. The City, through its Waterworks System (HWWS), provides service to approximately 36,186 water connections (approximately 72,169 residents) and 32,186 wastewater connections (approximately 63,000 residents).

The HWWS also provides wholesale water or sewer services to the Town of Combes, East Rio Hondo Water Supply Corporation, Military Highway Water Supply Corporation, and to the cities of Palm Valley and Primera. In addition, there is a commercial water service connection to serve the City of San Benito and an emergency interconnect to the City of La Feria.

The City qualified for disadvantaged principal forgiveness funding; however, since no principal forgiveness funding was available, the HWWS reduced the scope of work to be funded through this project to the planning, acquisition, and design phases only. The HWWS intends to request additional funding for construction of the project in the future.

PROJECT NEED AND DESCRIPTION

The HWWS is experiencing overflows and surcharge in its wastewater collection system, particularly during wet weather. This is because the influent lift station and other infrastructure at the wastewater treatment plant (WWTP) are undersized to handle wet weather flows, and because of the inadequate capacity and depth of the collection lines and lift stations within the HWWS sewer system, in particular those within the Little Creek Interceptor (LCI) sewershed.

The proposed project includes planning, acquisition, and design of improvements at the WWTP's influent lift station, headworks, and flow equalization basin, and upgrades within the collection system. During the planning phase of the project, the HWWS plans to

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE SEPTEMBER 30, 2024

evaluate two alternatives to upgrade the collection system and several of the lift stations within the sewershed system.

PROJECT SCHEDULE

Task	Schedule Date
Closing	January 15, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	October 9, 2024
Design Phase Completion	May 22, 2025

Attachments:

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

Financial Review City of Harlingen

Risk Score: 2A

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 1.03%	State: 1.49%
Top 10 Customers % of Total Revenue	12.11%	10-15%
Median Household Income as % of State	64%	100%
Days of Cash on Hand (3-year Average)	650 days	30-149 days
Net Fixed Assets/ Annual Depreciation	18 years	12-24 years
Debt Service Coverage Ratio	1.9x	1.0x
Debt-to-Operating Revenues	1.17	4.00-5.99x
Unemployment Rate (June 2023)	City: 5.80%	State: 4.20%
Cash Balance Ratio	21.77%	0-9.99%
Working Capital Ratio	8.67	> 1.0

Key Risk Score Strengths

- Water system revenues are adequate to meet current and proposed debt service.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City's days of cash on hand is above the benchmark, indicating the City can pay its operating expenses with the cash it has available.

Key Risk Score Concerns

- The median household income is below the benchmark, and the unemployment rate is greater than the benchmark. However, the Corporation currently has a high debt service coverage ratio and working capital.

PLEDGE

Legal Pledge Name	Utility System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input 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	7,085	\$21.48	\$21.48	1.38	1.38
Wastewater	4,510	\$24.08	\$24.08		

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$2,902,229 over the life of the financing.

Responsible Authority	Harlingen
Program	CWSRF
Commitment Number	L1001698
Project Number	73944
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$10,000,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024 (CWSRF)
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	Planning, Acquisition, and Design
Pre-Design	No
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Mireya Loewe	Arnoldo Rubio	Rohan Jayasuriya	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Harlingen

\$10,000,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024 (CWSRF)

Dated Date:	1/15/2024	Source:	CWSRF-EQUIVALENCY
Delivery Date:	1/15/2024	Rate:	2.40%
First Interest:	5/1/2024	IUP Year:	2023
First Principal:	11/1/2024	Case:	System Revenue
Last Principal:	11/1/2053	Admin.Fee:	\$171,990
Fiscal Year End:	09/30	Admin. Fee Payment Date:	1/15/2024
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$10,000,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$3,854,345	\$1,567,750	-	-	\$66,099	\$66,099	\$1,633,849	2.36
2025	3,854,345	1,565,325	\$245,000	1.84%	222,234	467,234	2,032,559	1.90
2026	3,854,345	1,571,400	250,000	1.76%	217,780	467,780	2,039,180	1.89
2027	3,854,345	1,570,900	255,000	1.70%	213,413	468,413	2,039,313	1.89
2028	3,854,345	1,568,950	260,000	1.67%	209,074	469,074	2,038,024	1.89
2029	3,854,345	1,585,150	265,000	1.66%	204,704	469,704	2,054,854	1.88
2030	3,854,345	1,578,888	270,000	1.63%	200,304	470,304	2,049,191	1.88
2031	3,854,345	1,579,706	270,000	1.63%	195,903	465,903	2,045,609	1.88
2032	3,854,345	1,232,550	275,000	1.63%	191,461	466,461	1,699,011	2.27
2033	3,854,345	1,228,475	280,000	1.65%	186,910	466,910	1,695,385	2.27
2034	3,854,345	1,227,872	285,000	1.79%	182,049	467,049	1,694,921	2.27
2035	3,854,345	1,235,509	290,000	1.94%	176,685	466,685	1,702,195	2.26
2036	3,854,345	1,235,731	295,000	2.08%	170,804	465,804	1,701,535	2.27
2037	3,854,345	-	305,000	2.21%	164,366	469,366	469,366	8.21
2038	3,854,345	-	310,000	2.30%	157,431	467,431	467,431	8.25
2039	3,854,345	-	315,000	2.35%	150,164	465,164	465,164	8.29
2040	3,854,345	-	325,000	2.39%	142,579	467,579	467,579	8.24
2041	3,854,345	-	330,000	2.42%	134,703	464,703	464,703	8.29
2042	3,854,345	-	340,000	2.46%	126,528	466,528	466,528	8.26
2043	3,854,345	-	350,000	2.49%	117,988	467,988	467,988	8.24
2044	3,854,345	-	355,000	2.53%	109,140	464,140	464,140	8.30
2045	3,854,345	-	365,000	2.54%	100,014	465,014	465,014	8.29
2046	3,854,345	-	375,000	2.57%	90,559	465,559	465,559	8.28
2047	3,854,345	-	385,000	2.59%	80,755	465,755	465,755	8.28
2048	3,854,345	-	395,000	2.62%	70,595	465,595	465,595	8.28
2049	3,854,345	-	405,000	2.63%	60,094	465,094	465,094	8.29
2050	3,854,345	-	415,000	2.63%	49,311	464,311	464,311	8.30
2051	3,854,345	-	425,000	2.65%	38,223	463,223	463,223	8.32
2052	3,854,345	-	440,000	2.65%	26,762	466,762	466,762	8.26
2053	3,854,345	-	450,000	2.66%	14,947	464,947	464,947	8.29
2054	3,854,345	-	475,000	1.89%	4,481	479,481	479,481	8.04
		\$18,748,206	\$10,000,000		\$4,076,059	\$14,076,059	\$32,824,265	

AVERAGE (MATURITY) LIFE	16.96 YEARS
NET INTEREST RATE	2.403%
COST SAVINGS	\$2,902,229
AVERAGE ANNUAL REQUIREMENT	\$454,066

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



Project Budget Summary
Harlingen Water Works System
73944 - WWTP and Southeast Interceptor System
Capacity Improvements

Budget Items	TWDB Funds	Total
Basic Engineering Services		
Design	\$6,800,000.00	\$6,800,000.00
Planning	\$1,700,000.00	\$1,700,000.00
Subtotal for Basic Engineering Services	\$8,500,000.00	\$8,500,000.00
Special Services		
Environmental	\$50,000.00	\$50,000.00
Geotechnical	\$30,000.00	\$30,000.00
Permits	\$20,000.00	\$20,000.00
Surveying	\$100,000.00	\$100,000.00
Subtotal for Special Services	\$200,000.00	\$200,000.00
Fiscal Services		
Bond Counsel	\$45,000.00	\$45,000.00
Financial Advisor	\$50,000.00	\$50,000.00
Fiscal/Legal	\$10,000.00	\$10,000.00
Loan Origination Fee	\$171,990.00	\$171,990.00
Subtotal for Fiscal Services	\$276,990.00	\$276,990.00
Other		
Land/Easements Acquisition	\$200,000.00	\$200,000.00
Subtotal for Other	\$200,000.00	\$200,000.00
Contingency		
Contingency	\$823,010.00	\$823,010.00
Subtotal for Contingency	\$823,010.00	\$823,010.00
Total	\$10,000,000.00	\$10,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$10,000,000 TO HARLINGEN WATERWORKS SYSTEM
ACTING ON BEHALF OF THE CITY OF HARLINGEN
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$10,000,000 CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE
BONDS,
PROPOSED SERIES 2024 (CWSRF)

(23 -)

WHEREAS, Harlingen Waterworks System (HWWS) acting on behalf of the City of Harlingen (City), located in Cameron County, has filed an application for financial assistance in the amount of \$10,000,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, acquisition, and design of wastewater system improvements identified as Project No. 73944; and

WHEREAS, HWWS seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$10,000,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024 (CWSRF) (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 a first lien on the net revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue 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 HWWS has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;

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

A commitment is made by the TWDB to Harlingen Waterworks System acting on behalf of the City of Harlingen for financial assistance in the amount of \$10,000,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$10,000,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024 (CWSRF). This commitment will expire on September 30, 2024.

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 as determined by the TWDB. 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;
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 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 the conditions set forth in the TWDB Resolution;
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 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 financial assistance 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 financial assistance 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 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. 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;
12. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must provide that the City is solely responsible for liability resulting from acts or omissions of the City, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments 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 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 the City to 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 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);
21. the Obligations must provide that the City will submit annually, an audit prepared by a certified public accountant in accordance with generally accepted auditing standards:

Conditions Related to Tax-Exempt Status:

22. 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;
23. 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;

24. 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 section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
25. the Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of 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 financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of 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;
26. 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 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 financial assistance with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation

Date, in accordance with rules set forth in 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 financial assistance, and to induce the making of the financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
- 27. 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;
 - 28. 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;
 - 29. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations;
 - 30. 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 refunding's);
 - 31. 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;

32. 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;
33. prior to closing, the City shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project;

State Revolving Fund Conditions:

34. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
35. 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 contract clauses as provided by the TWDB;
36. 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 Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
37. the Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the City will adhere to the approved project schedule;
38. the Obligations 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;
39. the Obligations must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58;
40. 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;

41. The Obligations 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;

Clean Water State Revolving Fund Conditions:

42. the City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;
43. 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;
44. 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 Financial Assistance:

45. the Obligations must require the accumulation of a TWDB Reserve Fund of no less than average annual debt service requirements of the Obligations and all Additional TWDB Bonds, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
46. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after the financial assistance made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
47. the Obligations must include a provision providing, but not limited to, that no installment or series of Additional Bonds shall be issued unless a certificate is executed by an independent certified public accountant, or independent firm of certified public accountants, acting by and through a certified public accountant, signs a written certificate to the effect that, in his or her opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period ending

not more than ninety days prior to the passage of the ordinance authorizing the issuance of the proposed Additional Bonds is passed, the Net Revenues were at least 1.25 times an amount equal to the average annual principal and interest requirements on such Outstanding Bonds and such proposed Additional Bonds as are on parity of Lien with the Bonds or any Additional Bonds. It is specifically provided, however, that in calculating the amount of Net Revenues, if there has been any increase in the rates or charges for services of the System which is then in effect, but which was not in effect during all or any part of the entire period for which the Net Revenues are being calculated (hereinafter referred to as the "entire period"), then the certified public accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Net Revenues as being the total of (i) the actual Net Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

APPROVED and ordered of record this 14th day of September 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 GCD:

Retail population:

Connections per mile:

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:

Threshold Type:

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day

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.

GCD means gallons per connection 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.



Harlingen Waterworks System Cameron County

