

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: September 14, 2023

Team Manager: Jesse Milonovich

ACTION REQUESTED

Consider approving by resolution a request from the City of Mertzon (Irion County) for \$4,289,000 in financial assistance consisting of \$2,085,000 in financing and \$2,204,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a water system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Mertzon (City) is located approximately 25 miles southwest of San Angelo. The City provides water and wastewater services to a population of approximately 823 residents and 432 water service connections.

PROJECT NEED AND DESCRIPTION

The City provides water service using six groundwater wells. Over the past several years, the City has observed a steady decrease in production from its wells due to drought conditions, thereby producing water with high levels of dissolved solids now exceeding secondary drinking water standards.

The City proposes to plan, design, and construct improvements at its existing water treatment plant site to bring the system into compliance with Texas Commission on Environmental Quality's secondary drinking water requirements. The proposed improvements include a new treatment building, membrane water treatment system, piping, SCADA system, secondary treatment, and ground storage tanks. The City also proposes to prepare an asset management plan as a part of this project.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 30, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	January 30, 2024
Design Phase Completion	May 29, 2024
Start of Construction	September 27, 2024
Construction Completion	September 22, 2025

KEY ISSUES

The City qualifies for principal forgiveness as a Disadvantaged Community in the amount of \$1,904,000 and for Very Small Systems in the amount of \$300,000. The City qualifies for

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE MARCH 31, 2024

zero percent financing as a Disadvantaged Small/Rural community, in the amount of \$2,040,000. The City requests additional financing in the amount of \$45,000.

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 Mertzon

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.44%	State: 1.49%
Top 10 Customers % of Total Revenue	7%	10-15%
Median Household Income as % of State	75%	100%
Days of Cash on Hand (3-year Average)	384 days	30-149 days
Net Fixed Assets/ Annual Depreciation	15 years	12-24 years
Debt Service Coverage Ratio	1.07x	1.1x
Debt-to-Operating Revenues	9.77x	4.00-5.99x
Unemployment Rate (June 2023)	City: 4.1%	State: 4.2%
Cash Balance Ratio	21.16%	0-9.99%
Working Capital Ratio	1.28	> 1.0

Key Risk Score Strengths

- The City's days of cash on hand is above the benchmark, indicating that they can pay operating expenses with the cash available.
- The City's positive cash balance ratio indicates an overall upward trend in funds, as reflected by the increase in cash balance from \$165,274 to \$254,783 over the past 5 years.

Key Risk Score Concerns

- The self-supporting debt-to-operating revenues ratio is above the benchmark due to the amount of debt that would be incurred with the City's series 2023A financing issued earlier this year in combination with the proposed debt. Projected rate increases will result in a ratio more in line with the benchmarks.
- In a no-growth scenario, based on 2022 audited numbers, the City's maximum projected rate increase would be \$2.30. The first projected rate increase would be \$0.85 in 2026, with an additional \$1.46 needed by 2050.
- Population growth is lower than the benchmark. However, the number of active connections has remained constant over the past five years, and the 2022 State Water Plan projections show no change from 2030-2050.

PLEDGE

Legal Pledge Name	Combination Tax and Utility System Revenue
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 2050)	Current Household Cost Factor	Projected Household Cost Factor
Water	4,031	\$51.64	\$52.79	2.11	2.17
Wastewater	N/A	\$30.00	\$31.15		

TAXES

	2023 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.6082	\$0.6082	\$1.50	97%	\$36,074,160
Interest & Sinking	\$0.1559	\$0.1559			
Total Tax Rate	\$0.7641	\$0.7641			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$2,224,793 over the life of the financing. The City is also saving \$2,204,000 in principal forgiveness.

Responsible Authority	Mertzon
Program	DWSRF
Commitment Number	L1001684, L1001685, LF1001686
Project Number	62962
List Year	2022
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$2,085,000 City of Mertzon, Texas Combination Tax and Surplus Revenue Certificates of Obligation Proposed Taxable Series 2023B, \$2,204,000 Principal Forgiveness Agreement
Tax-exempt or Taxable	Taxable
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	Yes
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
Jesse Milonovich	Kyle DuQuesnay	Cooper Stence	Chris Caran	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Mertzon

\$2,085,000 City of Mertzon, Texas Combination Tax and Surplus Revenue Certificates of Obligation Proposed Taxable Series 2023B

Dated Date: 11/30/2023	Source: DWSRF-EQUIVALENCY
Delivery Date: 11/30/2023	Rate: 0.01%
First Interest: 7/1/2024	IUP Year: 2022
First Principal: 7/1/2026	Case: Tax and Revenue
Last Principal: 7/1/2055	Admin.Fee: \$40,882
Fiscal Year End: 09/30	Admin. Fee Payment Date: 11/30/2023
Required Coverage: 1.1	Total Assessed Valuation: \$36,074,160

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 97%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$2,085,000 ISSUE*				TOTAL DEBT SERVICE	COVERAGE	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2024	0.1559	\$54,547	\$78,767	\$133,314	\$58,586	\$0	-	\$493	\$493	\$59,079	2.26	
2025	0.1559	54,547	78,767	133,314	63,586	-	-	841	841	64,427	2.07	
2026	0.1559	54,547	82,323	136,870	63,586	60,000	0.17%	841	60,841	124,427	1.10	
2027	0.1559	54,547	82,323	136,870	63,586	60,000	0.17%	740	60,740	124,326	1.10	
2028	0.1559	54,547	82,323	136,870	63,586	60,000	0.16%	641	60,641	124,226	1.10	
2029	0.1559	54,547	82,323	136,870	63,586	60,000	0.17%	542	60,542	124,127	1.10	
2030	0.1559	54,547	83,440	137,987	55,000	70,000	0.16%	443	70,443	125,443	1.10	
2031	0.1559	54,547	83,440	137,987	55,000	70,000	0.16%	334	70,334	125,334	1.10	
2032	0.1559	54,547	83,440	137,987	55,000	70,000	0.16%	225	70,225	125,225	1.10	
2033	0.1559	54,547	83,440	137,987	55,000	70,000	0.16%	114	70,114	125,114	1.10	
2034	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2035	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2036	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2037	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2038	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2039	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2040	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2041	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2042	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2043	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2044	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2045	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2046	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2047	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2048	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2049	0.1559	54,547	83,440	137,987	55,000	70,000	0.00%	-	70,000	125,000	1.10	
2050	0.1559	54,547	88,453	143,000	55,000	75,000	0.00%	-	75,000	130,000	1.10	
2051	0.1559	54,547	88,453	143,000	55,000	75,000	0.00%	-	75,000	130,000	1.10	
2052	0.1559	54,547	88,453	143,000	55,000	75,000	0.00%	-	75,000	130,000	1.10	
2053	0.1559	54,547	88,453	143,000	55,000	75,000	0.00%	-	75,000	130,000	1.10	
2054	0.1559	54,547	88,453	143,000	60,000	70,000	0.00%	-	70,000	130,000	1.10	
2055	0.1559	54,547	88,453	143,000	-	75,000	0.00%	-	75,000	75,000	1.91	
					\$1,756,515	\$2,085,000			\$5,212	\$2,090,212	\$3,846,726	

AVERAGE (MATURITY) LIFE	17.48 YEARS
NET INTEREST RATE	0.014%
COST SAVINGS	\$ 2,224,793
AVERAGE ANNUAL REQUIREMENT	\$65,319

*: Interest rate is a projected blended rate combining a \$2,040,000 zero percent interest commitment with a \$45,000 equivalency commitment

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.



Current Budget Summary

Mertzon

62962 - Mertzon Water System Improvements

Budget Items	Description	TWDB Funds	Total
Construction			
Construction		\$2,629,000.00	\$2,629,000.00
Subtotal for Construction		\$2,629,000.00	\$2,629,000.00
Basic Engineering Services			
Planning		\$53,000.00	\$53,000.00
Design		\$109,000.00	\$109,000.00
Construction Engineering		\$66,000.00	\$66,000.00
Subtotal for Basic Engineering Services		\$228,000.00	\$228,000.00
Special Services			
Application		\$20,000.00	\$20,000.00
Environmental		\$40,000.00	\$40,000.00
Geotechnical		\$10,000.00	\$10,000.00
Inspection		\$336,000.00	\$336,000.00
O&M Manual		\$50,000.00	\$50,000.00
Pilot Testing		\$200,000.00	\$200,000.00
Project Management (by engineer)		\$20,000.00	\$20,000.00
Surveying		\$25,000.00	\$25,000.00
Testing		\$40,000.00	\$40,000.00
Water Conservation Plan		\$5,000.00	\$5,000.00
Subtotal for Special Services		\$746,000.00	\$746,000.00
Fiscal Services			
Bond Counsel		\$25,000.00	\$25,000.00
Financial Advisor		\$37,000.00	\$37,000.00
Fiscal/Legal		\$1,175.00	\$1,175.00
Issuance Costs		\$3,750.00	\$3,750.00
Loan Origination Fee		\$40,882.00	\$40,882.00
Subtotal for Fiscal Services		\$107,807.00	\$107,807.00
Other			
Other (Describe)	Asset Management Plan	\$100,000.00	\$100,000.00
Subtotal for Other		\$100,000.00	\$100,000.00
Contingency			
Contingency		\$510,495.00	\$510,495.00
Subtotal for Contingency		\$510,495.00	\$510,495.00
Total		\$4,289,000.00	\$4,289,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,289,000 TO THE CITY OF MERTZON
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$2,085,000 CITY OF MERTZON, TEXAS COMBINATION TAX AND SURPLUS REVENUE
PROPOSED TAXABLE SERIES 2023B
AND
\$2,204,000 IN PRINCIPAL FORGIVENESS

(23 -)

WHEREAS, the City of Mertzon (City), located in Irion County, has filed an application for financial assistance in the amount of \$4,289,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62962; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$2,085,000 City of Mertzon, Texas Combination Tax and Surplus Revenue Proposed Taxable Series 2023B (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$2,204,000, 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 City's water and sewer 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 § 371.13; 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 Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

4. 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;
5. that the City meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(23) and is therefore eligible for principal forgiveness in the amount of \$1,904,000. The City meets the definition of a very small system in accordance with the current Intended Use Plan, and is therefore eligible for principal forgiveness in the amount of \$300,000 and financial assistance in the amount of \$2,040,000 with a reduced interest rate of zero. The District is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed \$2,204,000 and \$2,040,000 with a reduced interest rate of zero percent.

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

A commitment is made by the TWDB to the City of Mertz on for financial assistance in the amount of \$4,289,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$2,085,000 City of Mertz on, Texas Combination Tax and Surplus Revenue Proposed Taxable Series 2023B, and the execution of a Principal Forgiveness Agreement in the amount of \$2,204,000. This commitment will expire on March 31, 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;
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 371;
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 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 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. 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. 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;
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 TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;
18. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
19. 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;
20. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project;

21. 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);

State Revolving Fund Conditions:

22. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
23. 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;
24. 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 register with the System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
25. the Obligations shall provide that all financial assistance 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;
26. 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 § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions:

27. the City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371;
28. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial,

and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;

29. prior to the 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;

Pledge Conditions for the Financial assistance:

30. 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:

31. prior to closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
32. 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, the 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.

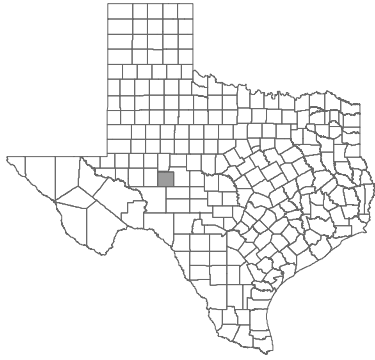
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



City of Mertzon Irion County

