

Control Number: 47288



Item Number: 30

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SOAH DOCKET NO. 473-17-5910.WS
PUC DOCKET NO. 47288

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STATE UTILITY COMMISSION
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RATE PAYERS' APPEAL OF THE
DECISION BY WEST WISE
SPECIAL UTILITY DISTRICT TO
CHANGE RATES

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BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

**WEST WISE SUD'S SUPPLEMENTAL RESPONSE TO COMMISSION STAFF'S
REQUEST FOR INFORMATION TO WEST WISE SPECIAL UTILITY DISTRICT
QUESTION NO. STAFF 1-2**

West Wise Special Utility District files this Supplemental Response to Commission Staff's Request for Information No. Staff 1-2. West Wise Special Utility District agrees and stipulates that all parties may treat these responses as if the answers were filed under oath.

Respectfully submitted,

JACKSON WALKER L.L.P.

By: 

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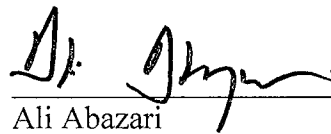
ATTORNEYS FOR WEST WISE SPECIAL
UTILITY DISTRICT

CERTIFICATE OF SERVICE

I hereby certify that on the 29th day of September, 2017, a true and correct copy of the foregoing document was served on the individuals listed below by hand delivery, email, facsimile or First Class Mail.

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Ali Abazari

**SOAH DOCKET NO. 473-17-5910.WS
PUC DOCKET NO. 47288**

RATE PAYERS' APPEAL OF THE DECISION BY WEST WISE SPECIAL UTILITY DISTRICT TO CHANGE RATES	§ § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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**WEST WISE SUD'S SUPPLEMENTAL RESPONSE TO COMMISSION STAFF'S
REQUEST FOR INFORMATION TO WEST WISE SPECIAL UTILITY DISTRICT
QUESTION NO. STAFF 1-2**

STAFF RFI 1-2. Please provide all information pertaining to the historical and projected operations and cost of service of West Wise available to the board of directors (BOD) of West Wise at the time the BOD made the decision to increase its retail water rates subject to this appeal.

SUPPLEMENTAL RESPONSE: Please see additional documents enclosed herein and bates labeled WSUD01077-01095.

Prepared/Sponsored by: James L. Ward

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: February 10, 2017

TEAM MANAGER: Luis Farias

APPLICANT	West Wise Special Utility District
TYPE OF ASSISTANCE	\$13,430,000 Loan
LEGAL PLEDGE	First Lien on the Net Revenues of the Water System

STAFF RECOMMENDATION

☒ Approve ☐ No Action

ACTION REQUESTED

Approve by resolution, a request from the West Wise Special Utility District (Wise County) for a \$13,430,000 loan from the Drinking Water State Revolving Fund to finance planning, acquisition, design, and construction of a surface water treatment plant.

PROJECT

West Wise 2017 Water System Improvements
Project Number 62730

BACKGROUND

The West Wise Special Utility District (District) provides drinking water to approximately 4,206 residents in western Wise County. The District operates its own surface water treatment plant (SWTP) and buys raw water from Tarrant Regional Water District (TRWD) and treated water from Walnut Creek Special Utility District. The District's SWTP is over 40 years old and due to its age, decreased raw water quality and increased regulatory requirements has failed to meet Stage 2 Disinfection Byproduct requirements. The District received a Notice of Violation from the Texas Commission on Environmental Quality (TCEQ), and entered into an Agreed Order on April 28, 2016, to address the deficiencies. The Agreed Order requires that the District be in compliance within one calendar year.

There are also several issues related to the physical location of the raw water intake and the SWTP that have caused water quality and safety issues for the District. Lake Bridgeport, the District's water source, becomes eutrophic for three to four months of the year, and the water intake, which is the original outflow outlet constructed in 1931, is at the bottom of the reservoir. TRWD has tried to improve water quality in the lake by aeration during the summer months, but has been unsuccessful. The current 1 million gallon per day (MGD) SWTP was not designed to handle the current raw water quality and cannot assure treatment capacity during seasons when

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE FEBRUARY 28, 2018.

water quality is poor. Additionally, a severely eroding and failing hill above the SWTP is actively encroaching on the plant and threatening to damage system components. The SWTP is located near the embankment of Lake Bridgeport and requires access through facilities that are monitored around the clock by TRWD as required by the Dam Safety Act. The frequent transit of large vehicles carrying bulk chemicals to and from the SWTP, have caused concerns to both the dam owners and TCEQ. This has created the need to relocate the SWTP further away from the dam.

The State Regional Water Plan calls for the District's SWTP to serve as a regional facility and serve the communities of Alvord and Chico. Expansion in the mining industry around the City of Chico, could possibly impact water quality at their water wells, creating a greater reliance on the District to supply water.

Also, the ability for the SWTP to serve as a regional system was a key benefit that attracted Weatherford College to build a new campus in the northeast portion of the District's service area. The City of Bridgeport does not have enough excess capacity to supply this area.

As an alternative to making major investments to their system, the District considered purchasing water from Walnut Creek Special Utility District, but due to the cost of treated water and necessary improvements, user rates would increase by 155%, which is considered unaffordable.

The District is proposing to construct a new 2 million gallon per day (MGD) SWTP, which will include a new pump station, a packaged treatment plant, and other SWTP enhancements. This project will allow the District to reliably meet Stage 2 Disinfection Byproduct requirements, and to fulfill the Agreed Order with TCEQ. The District is also proposing to install an Automatic Meter Reading System, which will help improve meter accuracy, improve leak detection, minimize water loss and increase revenues.

FINANCIAL

Key Issues

In order to issue additional debt, the District must comply with its existing bond covenants, which require that system net revenues are at least 1.25 times the average annual debt service requirements. In order to meet the required net revenue coverage, rates must be raised 60 days prior to issuance of the proposed debt. The attached proforma presents the necessary revenues to meet the coverage of 1.25 times the average annual debt service required at the time of issuance. The District is also requesting to fully fund the required reserve fund with the bond proceeds.

The District is currently in the process of completing a rate study for its system and anticipates a rate recommendation to its board by end of March 2017. Once the rate study is complete and an appropriate rate is determined, the District will adopt the rate increase. Once adopted, if 10% or more of its customers appeal the rate change, the Public Utility Commission (PUC) would take jurisdiction and assess whether the action by the District was just and reasonable. From the time the rate increase goes into effect, customers have 90 days to protest. If sufficient protests are not received within this time period, the rates will be considered effective and cannot be furthered challenged.

The District has engaged with its customer base on the need for its plant and distribution system improvements. It has participated in local and regional activities such as utilizing its board of directors to engage with community leaders to make the community aware of the need of the project and the long term water supply issues in Wise County. The District continually posts water quality reports and notices on its web site and has participated in ad hoc outreach through regional water quality and supply communications. Additionally, because the rate increase is substantial and is a potential social issue, it will need to be addressed in the Environment Information Document. This issue will be considered in the TCEQ review and if necessary by the PUC. This issue must be resolved prior to the issuance of a favorable environmental finding.

Pledge and Repayment

The District is pledging a first lien on the net revenues of the water system for the repayment of the proposed loan. The water system generates approximately \$250,280 in revenues available for debt service. Based on staff's analysis of the financial documentation received, current system revenues represent 0.30 times the current and proposed debt service in the first year of principal repayment. The District's current average monthly water rate is \$75.96. The average monthly rate will need to increase by approximately \$42.19 to meet all debt service coverage requirements.

Cost Savings

Based on a 28-year maturity and current interest rates, the District could save approximately \$2,279,381 over the life of the loan.

Internal Risk Score

Staff assigns a 2C to the District, and the proposed project to be funded by the TWDB. This means that the District's payment capacity is sufficient.

The District's socioeconomic indicators are on par with the state of Texas (state) overall. The population of Wise County, where the District resides, has increased at an average annual rate of 0.71% since 2010, compared to an increase at an annual rate of 1.08% for the population of the state overall. The average median household income of the areas served by the District is \$52,540, 99% of the median for the state overall. The average, unadjusted, unemployment rate for Wise County was 4.2% in November 2016, compared to 4.2% in the state overall, and the national rate of 4.4%.

The District scored poorly on its financial sustainability indicators. These more heavily weighted internal risk score indicators show the District's short-term and long-term ability to repay the debt. As discussed previously, the District's current utility system revenues prior to system rate increases do not provide coverage of all debt service. The utility system produced an average of \$355,254 in net revenues from 2011 to 2014, but in 2015 the net revenues declined to \$250,280. The decline can be attributed to a drop in water sales due to significant rainfall, an increase in purchased water rates, and an increase in expenses related to damages caused by drought.

In response to the decline in system revenues the District implemented a 7.5% increase to water rates in January 2016. This resulted in unaudited 2016 net system revenues of \$356,209. While

the increase in net revenues potentially reduces the projected rate increase of \$42.19 to \$35.51, the District will still need to increase rates prior to closing on the loan.

Total capital assets in the utility system have an asset condition ratio of 22 years. Assets of 12 to 24 years is considered typical. Additionally, the water system's self-supporting debt compared to operating revenues, including the proposed loan, is high at 15.22. A debt to operating revenues ratio of 4 to 6 is considered to be typical for utility systems.

Liquidity has declined slightly with a 6% decrease in unrestricted cash relative to operating revenues over the most recent five years. The District maintains unrestricted cash and short-term investments of approximately 62 days of the operating expenses of the utility system. This is considered to be a moderate level of liquidity.

Including the projected rate increase, the District's utility system rates are high with a projected household cost factor of 2.70% for water service. The standard used by the utility industry and municipal credit rating agencies is 1% of the median household income for one service.

The District's socioeconomic indicators are moderate with a median household income slightly above the states, but the utility system supported debt is high, as is the projected household cost factor. This gives the District less flexibility to assume additional future debt if needed, or to increase system rates. The District is assigned a risk score of 2C.

LEGAL

Key Issues

None.

Conditions

Standard Drinking Water State Revolving Fund, tax-exempt, and net revenue conditions and further conditioned as follows:

- Prior to closing, submit documentation evidencing sufficient rates and charges have been approved by the Public Utility Commission, or are no longer subject to review;
- Prior to closing, submittal of rate study;
- Prior to closing adopt a water conservation plan;
- Water rights certification;
- Notification prior to any change in legal status;
- Prior approval of any conveyance and assumption of the obligations; and,
- Useful life.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (17-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	West Wise Special Utility District
Program	Drinking Water State Revolving Fund
Commitment Code	L1000579
Project Number	62730
Intended Use Plan Year	2017
Fund Number	951
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$13,430,000 West Wise Special Utility District Revenue Bonds, Proposed Series 2017
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	4,206
Rural	Yes
Water Connections	1,322
Wastewater Connections	N/A
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	Yes
Internal Risk Score	2C
External Ratings (for SRF rates)	
Standard and Poor's	A-
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
West Wise Special Utility District

Attachment 2

\$13,430,000 West Wise Special Utility District Revenue Bonds, Proposed Series 2017

Dated Date:	5/15/2017	Source:	DWSRF
Delivery Date:	5/15/2017	Rate:	1.82%
First Interest:	8/15/2017	Insurance:	No
First Principal:	8/15/2019	Case:	Revenue
Last Principal:	8/15/2046	Admin Fee:	\$295,526
Fiscal Year End:	12/31	Admin. Fee Payment Date:	5/15/2017
Required Coverage:	1.25		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	\$13,430,000 ISSUE TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE*
2017	919,577	227,075	-	-	61,107	61,107	288,182	1.25
2018	919,577	227,800	-	-	244,426	244,426	472,226	1.25
2019	919,577	228,300	370,000	1.82%	244,426	614,426	842,726	1.25
2020	919,577	228,575	380,000	1.82%	237,692	617,692	846,267	1.25
2021	919,577	228,625	385,000	1.82%	230,776	615,776	844,401	1.25
2022	919,577	223,450	395,000	1.82%	223,769	618,769	842,219	1.25
2023	919,577	223,275	400,000	1.82%	216,580	616,580	839,855	1.25
2024	919,577	227,875	405,000	1.82%	209,300	614,300	842,175	1.25
2025	919,577	227,025	415,000	1.82%	201,929	616,929	843,954	1.25
2026	919,577	225,950	420,000	1.82%	194,376	614,376	840,326	1.25
2027	919,577	224,650	430,000	1.82%	186,732	616,732	841,382	1.25
2028	919,577	223,125	440,000	1.82%	178,906	618,906	842,031	1.25
2029	919,577	226,375	445,000	1.82%	170,898	615,898	842,273	1.25
2030	919,577	224,175	455,000	1.82%	162,799	617,799	841,974	1.25
2031	919,577	221,750	460,000	1.82%	154,518	614,518	836,268	1.25
2032	919,577	224,100	470,000	1.82%	146,146	616,146	840,246	1.25
2033	919,577	221,000	480,000	1.82%	137,592	617,592	838,592	1.25
2034	919,577	222,675	490,000	1.82%	128,856	618,856	841,531	1.25
2035	919,577	223,900	495,000	1.82%	119,938	614,938	838,838	1.25
2036	919,577	224,675	505,000	1.82%	110,929	615,929	840,604	1.25
2037	919,577	-	515,000	1.82%	101,738	616,738	616,738	1.25
2038	919,577	-	525,000	1.82%	92,365	617,365	617,365	1.25
2039	919,577	-	535,000	1.82%	82,810	617,810	617,810	1.25
2040	919,577	-	545,000	1.82%	73,073	618,073	618,073	1.25
2041	919,577	-	555,000	1.82%	63,154	618,154	618,154	1.25
2042	919,577	-	565,000	1.82%	53,053	618,053	618,053	1.25
2043	919,577	-	575,000	1.82%	42,770	617,770	617,770	1.25
2044	919,577	-	585,000	1.82%	32,305	617,305	617,305	1.25
2045	919,577	-	595,000	1.82%	21,658	616,658	616,658	1.25
2046	919,577	-	595,000	1.82%	10,829	605,829	605,829	1.25
	\$	4,504,375	\$ 13,430,000		\$ 4,135,450	\$ 17,565,450	\$ 22,069,825	

*Coverage is based on 1.25 times the average annual requirement

AVERAGE (MATURITY) LIFE	16.92 YEARS
NET INTEREST RATE	1.820%
COST SAVINGS	\$2,279,381
AVERAGE ANNUAL REQUIREMENT	\$735,661

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.

WWSUD01082

**West Wise SUD
62730 West Wise 2017 Water System Improvements
Engineering and Environmental Review**

Engineering:

Key Issues:

None

Project Need/Description

Project Need: The West Wise Special Utility District's (District) 1 million gallon per day surface water treatment plant (SWTP) is over 40 years old and services approximately 1,121 connections. Due to the age of the system, decreased raw water quality, and increased regulatory requirements, the SWTP failed to meet Stage 2 Disinfection Byproduct requirements. The District received a Notice of Violation from the Texas Commission on Environmental Quality (TCEQ), and entered into an Agreed Order on April 28, 2016 to address the deficiencies. The agree order requires that the District be in compliance within one calendar year. There are also several issues related to the physical location of the raw water intake and the SWTP that have caused water quality and safety issues for the District.

Project Description: The District will utilize funds for the planning, acquisition, design and construction of a new 2 million gallon per day (MGD) SWTP, which includes a new pump station, a packaged treatment plant, and other SWTP enhancements. This project will allow the District to reliably meet Stage 2 Disinfection Byproduct requirements, and to fulfill the Agreed Order with TCEQ. The District is also proposing to install an Automatic Meter Reading System, which will help improve meter accuracy, improve leak detection, minimize water loss and increase revenues.

ProjectSchedule:

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	2/15/2017
Closing	5/15/2017
Design Phase Complete	7/30/2017
Start of Construction	11/1/2017
Construction Completion	7/30/2018

Environmental Section:

Key Issues.

The anticipated increase in the user rate, to meet debt obligations associated with the loan, could constitute a social issue if it was determined to be a hardship on the customers. This issue will be considered in the TCEQ review, and if needed, by the PUC. This issue also will be addressed in the TWDB environmental review and must be resolved prior to the issuance of a favorable environmental finding.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Code Chapter 371, Subchapter E, all financial assistance shall be conditioned to read that funding for construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental finding has been issued.

Project Budget Summary
West Wise SUD
62730 - West Wise 2017 Water System
Improvements

Budget Items	This Commitment	TWDB Funds	Total
Construction			
Construction	\$8,911,300.00	\$8,911,300.00	\$8,911,300.00
Subtotal for Construction	\$8,911,300.00	\$8,911,300.00	\$8,911,300.00
Basic Engineering Services			
Construction Engineering	\$401,009.00	\$401,009.00	\$401,009.00
Design	\$802,017.00	\$802,017.00	\$802,017.00
Planning	\$216,500.00	\$216,500.00	\$216,500.00
Subtotal for Basic Engineering Services	\$1,419,526.00	\$1,419,526.00	\$1,419,526.00
Special Services			
Environmental	\$40,000.00	\$40,000.00	\$40,000.00
Geotechnical	\$30,000.00	\$30,000.00	\$30,000.00
Inspection	\$133,670.00	\$133,670.00	\$133,670.00
O&M Manual	\$100,000.00	\$100,000.00	\$100,000.00
Permits	\$15,000.00	\$15,000.00	\$15,000.00
Project Management (by engineer)	\$167,900.00	\$167,900.00	\$167,900.00
Surveying	\$50,000.00	\$50,000.00	\$50,000.00
Testing	\$45,000.00	\$45,000.00	\$45,000.00
Water Conservation Plan	\$15,000.00	\$15,000.00	\$15,000.00
Subtotal for Special Services	\$596,570.00	\$596,570.00	\$596,570.00
Fiscal Services			
Bond Counsel	\$47,000.00	\$47,000.00	\$47,000.00
Bond Reserve Fund	\$619,000.00	\$619,000.00	\$619,000.00
Financial Advisor	\$56,000.00	\$56,000.00	\$56,000.00
Issuance Costs	\$16,000.00	\$16,000.00	\$16,000.00
Loan Origination Fee	\$295,526.00	\$295,526.00	\$295,526.00
Subtotal for Fiscal Services	\$1,033,526.00	\$1,033,526.00	\$1,033,526.00
Other			
Administration	\$44,557.00	\$44,557.00	\$44,557.00
Land/Easements Acquisition	\$40,000.00	\$40,000.00	\$40,000.00
Project Legal Expenses	\$40,000.00	\$40,000.00	\$40,000.00
Subtotal for Other	\$124,557.00	\$124,557.00	\$124,557.00
Contingency			
Contingency	\$1,344,521.00	\$1,344,521.00	\$1,344,521.00
Subtotal for Contingency	\$1,344,521.00	\$1,344,521.00	\$1,344,521.00
Total	\$13,430,000.00	\$13,430,000.00	\$13,430,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$13,430,000 TO WEST WISE SPECIAL UTILITY DISTRICT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$13,430,000 WEST WISE SPECIAL UTILITY DISTRICT REVENUE BONDS,
PROPOSED SERIES 2017

(17-)

WHEREAS, the West Wise Special Utility District (District) has filed an application for financial assistance in the amount of \$13,430,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design and construction of certain water system improvements identified as Project No. 62730; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$13,430,000 West Wise Special Utility District Revenue Bonds, Proposed Series 2017 (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 District has offered a pledge of net system revenues 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 District will be sufficient to meet all the Obligations assumed by the District, 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 District has submitted a proposed program of water conservation 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 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); and

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the District and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the West Wise Special Utility District for financial assistance in the amount of \$13,430,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$13,430,000 West Wise Special Utility District Revenue Bonds, Proposed Series 2017. This commitment will expire on January 31, 2018.

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 District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the District, 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 District'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 District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the District to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet

the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;

7. the Obligations must include a provision requiring the District 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 District to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the District 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 for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) deposit into a reserve fund;
9. 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;
10. 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;
11. loan proceeds shall not be used by the District 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 District 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 District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
12. prior to closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges for the repayment of all system debt service requirements. Such rates and charges must have either been approved by the Public Utility Commission or have been in place for a sufficient amount of time that they are no longer be subject to review by the Public Utility Commission;
13. prior to closing, and if not previously provided with the application, the District 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;

14. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District 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;
15. the Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
16. 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;

Conditions Related To Tax-Exempt Status

17. the District'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 District when rendering this opinion;
18. the District'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 District when rendering this opinion;
19. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
20. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the

Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

21. the Obligations must include a provision requiring the District take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the District 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 District may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The District 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;
22. the Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
23. the Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;

25. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
26. the Obligations must provide that neither the District 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 District by the TWDB;

State Revolving Fund Conditions

27. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
28. 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 District, 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;
29. the Obligations must include a provision stating that the District 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 District 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;
30. 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 District will adhere to the approved project schedule;
31. The Obligations must contain a covenant that the District 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

32. prior to or at closing, the District shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;

33. 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 District 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;
34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District 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 Loan

35. the Obligations must require the accumulation of a reserve fund of the lesser of 10 percent of the principal amount of the bonds, or 1.25 percent of the average annual debt service requirements, or the maximum annual debt service requirements on the bonds, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
36. if the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) 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;
37. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if: the District is not in default as to any covenant or requirement of any Prior Lien Obligations; and if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant;

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

Special Conditions:

38. prior to closing, the District shall adopt and implement the water conservation program approved by the TWDB;
39. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the District has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
40. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding

that the District has the right to use the water that the project financed by the TWDB will provide;

41. the District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility;
42. the Obligations must include a provision requiring that, prior to any action by the District to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB; and
43. prior to the release of funds, the District shall provide 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 estimated useful life of the project, as determined by the schedule; and
44. prior to closing, the District shall provide its rate study to the Executive Administrator.

APPROVED and ordered of record this 10th day of February, 2017.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

WATER CONSERVATION REVIEWEntity: West Wise Special Utility DistrictReview date: October 2016**WATER CONSERVATION PLAN DATE:** October 2016 (draft)☒ **Approvable** ☐ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline	97	56	24	25
5-year Goal	96	56	19	20
10-year Goal	94	56	15	16

WATER LOSS AUDIT YEAR: 2015Total water loss (GPCD): 21Total water loss (percent): 22

Wholesale Water

Total no. of connections: 1,113Length of mains (miles): 83Connections per mile: 13If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): NA**WATER LOSS THRESHOLDS:**

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :	5	778	NA	12	1600	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	NA	NA	NA	NA	NA	NA

Does the applicant meet Water Loss Threshold requirements?

Yes



No



NA

**ADDITIONAL INFORMATION:**

The District is working to minimize water loss as part of its new treatment plant and distribution system project. Its goal, according to the District's water conservation plan, is to achieve significant conservation savings without burdening the customer with extra costs. Part of the new project will reduce the volume of water disposed from the treatment process by reclaiming backwash water, reducing the necessity to flush the distribution lines, and improving system hydraulics. The District follows American Water Works Association standards for universal metering, testing, repair, and replacement. Approximately 20 meters are replaced monthly under the current meter replacement program and corrective actions are taken immediately to address breaks and leaks in the system. A record management system is utilized and monthly system audits performed to compare current and previous month usage. The District also uses data from the annual audit to revise meter testing and repair procedures, reduce unauthorized water use, improve accounting for authorized but unbilled water, and implement effective water loss management strategies.

The District's public education program provides water conservation information to customers through its website, flyers, and bill inserts. The District is also considering implementing the Showerhead, Aerator, and Toilet Flapper Retrofit best management practice, as well as exploring implementing the Water Conservation Pricing best management practice.

STAFF NOTES AND RECOMMENDATIONS:

The District will need to provide proof of adoption of its water conservation plan prior to loan closing.

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The ILI is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The ILI is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the ILI should be viewed with care.

NA means not applicable.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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

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

Total water loss is the sum of the apparent and real water losses.

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

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

**West Wise Special Utility District,
Wise County**

