



## PROJECT FUNDING REQUEST

**BOARD DATE:** May 9, 2024

**Team Manager:** William Alfaro

### ACTION REQUESTED

Consider approving by resolution a request from the City of Mission (Hidalgo County) for \$4,100,000 in financing from the Texas Water Development Fund for planning, acquisition, and design of a water treatment plant expansion project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The City of Mission (City) has a population of approximately 86,000. It provides water and sewer service to approximately 103,000 people through 30,553 water connections and 27,559 wastewater connections. The City owns and operates two water treatment plants. The north water treatment plant's capacity is 17.5 million gallons per day (MGD) and the south water treatment plant's capacity is 8 MGD.

The City currently has 16,767 acre-feet of water rights secured through a combination of certificate holdings and perpetual contract lease agreements with the United Irrigation District and Hidalgo County Irrigation District No. 19. The City is currently negotiating the acquisition of approximately 8,743 acre-feet of additional water rights through certificate purchases and perpetual leases. After these acquisitions, the City will still fall short of the estimated 28,500 acre-feet of water needed to meet the existing 25.5 MGD water treatment capacity.

### PROJECT NEED AND DESCRIPTION

The City is currently utilizing nearly 85 percent of its combined water treatment capacity of 25.5 MGD. The City estimates its peak water demands will reach 90 percent of the existing treatment capacity by 2029. Per the Texas Commission on Environmental Quality (TCEQ) regulations, when an entity's water production surpasses 85 percent of its treatment capacity, the entity must begin reporting to TCEQ and demonstrate that the projected growth of the area will not require the City to exceed its current permitted treatment capacity over the next five years.

The proposed project includes planning, acquisition, and design of a 6 MGD water treatment plant. During the planning phase, the City will evaluate various alternatives to the proposed plant's capacity and treatment, including phasing the plant into two 3-MGD expansions and possibly two different water sources, surface water and groundwater, with corresponding treatments methods. The City will also pursue the

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| <b>COMMITMENT PERIOD:</b> FOUR (4) MONTHS TO EXPIRE SEPTEMBER 30, 2024 |
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necessary additional surface water rights to cover the existing and proposed treatment capacity. In addition, the project includes performing a water leak detection study and creating a water loss mitigation plan. The project will safeguard against potential future water shortages and ensure the uninterrupted supply of clean water to its customers.

### **PROJECT SCHEDULE**

| <b>Task</b>   | <b>Schedule Date</b> |
|---|----------------------|
| Closing   | August 15, 2024      |
| Engineering Feasibility Report Completion (End of Planning Phase) | May 1, 2025          |
| Design Phase Completion   | July 1, 2025         |
| *Start of Construction  | June 1, 2026         |
| *Construction Completion  | August 1, 2027       |

\*Note: Construction costs are not included in this funding request.

### **KEY ISSUES**

The City currently lacks sufficient water rights for its existing 25.5 MGD in water treatment capacity. Therefore, if in the future the City wishes to pursue additional Texas Water Development Board funding for the construction of additional surface water treatment capacity, prior to construction, the City will need to acquire sufficient surface water rights to cover the existing and proposed surface water treatment capacity.

### **LEGAL/SPECIAL CONDITIONS**

- Water rights reasonable expectation
- Maintenance and operations reserve
- Quarterly status reports
- Financial audit

#### Attachments:

1. Financial Review
2. Project Budget
3. Resolution (24- )
4. Water Conservation Review
5. Location Map

# Financial Review

## City of Mission

Risk Score: 2B

Audit Reviewed: FY 2022

### Key Indicators

| Indicator                                   | Result        | Benchmark    |
|---|---------------|--------------|
| Population Growth, Average Annual 2010-2020 | County: 1.08% | State: 1.49% |
| Top 10 Customers % of Total Revenue         | 3%            | 10-15%       |
| Median Household Income as % of State       | 79%           | 100%         |
| Days of Cash on Hand (3-year Average)       | 35 days       | 30-149 days  |
| Net Fixed Assets/ Annual Depreciation       | 10 years      | 12-24 years  |
| Debt Service Coverage Ratio                 | 2.10x         | 1.0x         |
| Debt-to-Operating Revenues                  | 1.45          | 4.00-5.99x   |
| Unemployment Rate (January 2024)            | City: 6.00%   | State: 4.10% |
| Working Capital Ratio                       | 0.62          | > 1.0        |

### Key Risk Score Strengths

- Utility system revenues are adequate to maintain coverage for all existing and proposed debt.
- The City maintains a low debt to operating revenues ratio, indicating that the City has the capacity to take on new system debt.

### Key Risk Score Concerns

- The median household income is below the benchmark; however, the City is not projected to need to increase rates to meet debt service requirements.
- The City currently maintains a low three-year average of days of cash on hand and a low working capital ratio on the system fund. A special condition is recommended to implement and maintain a minimum of 60 days of cash on hand for the life of the financing.

### PLEDGE

|                      |  |
|----------------------|--|
| Legal Pledge Name    | Waterworks and Sewer 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 | Current Household Cost Factor | Projected Household Cost Factor |
|-------------------------|---------------|---------------|-----------------|-------------------------------|---------------------------------|
| Water                   | 5,000         | \$34.61       | \$34.61         | 1.55                          | 1.55                            |
| Wastewater              | 5,000         | \$28.38       | \$28.38         |                               |                                 |

**TAXES**

|                         | 2023 Tax Year Rate | Max Projected Tax Rate | Maximum Allowable Rate | 3-Year Avg Current Tax Collections | Assessed Valuation |
|-------------------------|--------------------|------------------------|------------------------|------------------------------------|--------------------|
| Maintenance & Operation | \$0.4495           | \$0.4495               | \$2.50                 | 98%                                | \$6,501,306,532    |
| Interest & Sinking      | \$0.0781           | \$0.0781               |                        |                                    |                    |
| Total Tax Rate          | \$0.5276           | \$0.5276               |                        |                                    |                    |

**Cost Savings**

Based on a 25-year maturity schedule and current interest rates, the City could save approximately \$137,586 over the life of the financing.

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| <b>Responsible Authority</b>                         | Mission   |
| <b>Program</b>                                       | WDF   |
| <b>Commitment Number</b>                             | L1001763  |
| <b>Project Number</b>                                | 21826   |
| <b>List Year</b>                                     | 2023  |
| <b>Type of Pledge</b>                                | Revenue Pledge  |
| <b>Pledge Level (if applicable)</b>                  | First Lien  |
| <b>Legal Description</b>                             | \$4,100,000, City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024 |
| <b>Tax-exempt or Taxable</b>                         | Tax-Exempt  |
| <b>Refinance</b>                                     | No  |
| <b>Outlay Requirement</b>                            | No  |
| <b>Disbursement Method</b>                           | Escrow  |
| <b>Outlay Type</b>                                   | Outlay <> Escrow Release  |
| <b>Qualifies as Disadvantaged</b>                    | No  |
| <b>Financial Managerial &amp; Technical Complete</b> | N/A   |
| <b>Phases Funded</b>                                 | Planning, Acquisition, and Design   |
| <b>Pre-Design</b>                                    | No  |
| <b>Project Consistent with State Water Plan</b>      | Yes   |
| <b>Water Conservation Plan</b>                       | Adopted   |
| <b>Overall Risk Score</b>                            | 2B  |

### PROJECT TEAM

| <b>Team Manager</b> | <b>Financial Analyst</b> | <b>Engineering Reviewer</b> | <b>Environmental Reviewer</b> | <b>Attorney</b> |
|---------------------|--------------------------|-----------------------------|-------------------------------|-----------------|
| Mireya Loewe        | Arnoldo Rubio            | Rohan Jayasuriya            | Lauren Dill                   | Michael Perez   |

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Mission

**\$4,100,000. City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024**

|                    |           |                          |                |
|--------------------|-----------|--------------------------|----------------|
| Dated Date:        | 8/15/2024 | Source:                  | WDF            |
| Delivery Date:     | 8/15/2024 | Rate:                    | 4.26%          |
| First Interest:    | 2/15/2025 | IUP Year:                | 2023           |
| First Principal:   | 2/15/2026 | Case:                    | System Revenue |
| Last Principal:    | 2/15/2049 | Admin.Fee:               | \$0            |
| Fiscal Year End:   | 09/30     | Admin. Fee Payment Date: | N/A            |
| Required Coverage: | 1.0       |                          |                |

| FISCAL YEAR | PROJECTED NET SYSTEM REVENUES | CURRENT DEBT SERVICE | \$4,100,000 ISSUE |               |                  |               | TOTAL DEBT   |          |
|-------------|-------------------------------|----------------------|-------------------|---------------|------------------|---------------|--------------|----------|
|             |                               |                      | PRINCIPAL PAYMENT | INTEREST RATE | INTEREST PAYMENT | TOTAL PAYMENT | SERVICE      | COVERAGE |
| 2025        | \$9,002,102                   | \$3,771,277          | -                 | -             | \$163,371        | \$163,371     | \$3,934,648  | 2.29     |
| 2026        | 9,002,102                     | 4,009,255            | \$110,000         | 3.30%         | 161,556          | 271,556       | 4,280,811    | 2.10     |
| 2027        | 9,002,102                     | 2,913,841            | 115,000           | 3.21%         | 157,895          | 272,895       | 3,186,737    | 2.82     |
| 2028        | 9,002,102                     | 2,053,787            | 120,000           | 3.13%         | 154,172          | 274,172       | 2,327,958    | 3.87     |
| 2029        | 9,002,102                     | 2,032,082            | 125,000           | 3.10%         | 150,356          | 275,356       | 2,307,438    | 3.90     |
| 2030        | 9,002,102                     | 1,593,890            | 125,000           | 3.10%         | 146,481          | 271,481       | 1,865,371    | 4.83     |
| 2031        | 9,002,102                     | 1,594,931            | 130,000           | 3.11%         | 142,522          | 272,522       | 1,867,453    | 4.82     |
| 2032        | 9,002,102                     | 1,594,420            | 135,000           | 3.10%         | 138,408          | 273,408       | 1,867,828    | 4.82     |
| 2033        | 9,002,102                     | 1,595,241            | 140,000           | 3.11%         | 134,139          | 274,139       | 1,869,380    | 4.82     |
| 2034        | 9,002,102                     | 1,058,217            | 145,000           | 3.17%         | 129,663          | 274,663       | 1,332,880    | 6.75     |
| 2035        | 9,002,102                     | 1,054,597            | 145,000           | 3.37%         | 124,922          | 269,922       | 1,324,519    | 6.80     |
| 2036        | 9,002,102                     | 1,059,699            | 150,000           | 3.60%         | 119,779          | 269,779       | 1,329,478    | 6.77     |
| 2037        | 9,002,102                     | 1,058,561            | 160,000           | 3.79%         | 114,047          | 274,047       | 1,332,607    | 6.76     |
| 2038        | 9,002,102                     | 1,061,282            | 165,000           | 3.98%         | 107,731          | 272,731       | 1,334,013    | 6.75     |
| 2039        | 9,002,102                     | 1,057,866            | 170,000           | 4.11%         | 100,954          | 270,954       | 1,328,820    | 6.77     |
| 2040        | 9,002,102                     | 1,058,432            | 175,000           | 4.20%         | 93,786           | 268,786       | 1,327,217    | 6.78     |
| 2041        | 9,002,102                     | 1,058,045            | 185,000           | 4.28%         | 86,152           | 271,152       | 1,329,196    | 6.77     |
| 2042        | 9,002,102                     | 1,056,707            | 195,000           | 4.35%         | 77,951           | 272,951       | 1,329,658    | 6.77     |
| 2043        | 9,002,102                     | 1,059,352            | 200,000           | 4.40%         | 69,310           | 269,310       | 1,328,662    | 6.78     |
| 2044        | 9,002,102                     | 737,702              | 210,000           | 4.44%         | 60,248           | 270,248       | 1,007,950    | 8.93     |
| 2045        | 9,002,102                     | -                    | 220,000           | 4.63%         | 50,493           | 270,493       | 270,493      | 33.28    |
| 2046        | 9,002,102                     | -                    | 230,000           | 4.63%         | 40,076           | 270,076       | 270,076      | 33.33    |
| 2047        | 9,002,102                     | -                    | 240,000           | 4.63%         | 29,195           | 269,195       | 269,195      | 33.44    |
| 2048        | 9,002,102                     | -                    | 250,000           | 4.63%         | 17,852           | 267,852       | 267,852      | 33.61    |
| 2049        | 9,002,102                     | -                    | 260,000           | 4.64%         | 6,032            | 266,032       | 266,032      | 33.84    |
|             |                               | \$32,479,182         | \$4,100,000       |               | \$2,577,088      | \$6,677,088   | \$39,156,269 |          |

|                            |             |
|----------------------------|-------------|
| AVERAGE (MATURITY) LIFE    | 14.77 YEARS |
| NET INTEREST RATE          | 4.255%      |
| COST SAVINGS               | \$137,586   |
| AVERAGE ANNUAL REQUIREMENT | \$267,084   |

*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**  
 Mission  
 21826 - 6 MGD Water Treatment Plant

| Budget Items  | TWDB Funds            | Total                 |
|---|-----------------------|-----------------------|
| <b>Basic Engineering Services</b>                           |                       |                       |
| Design  | \$1,400,000.00        | \$1,400,000.00        |
| Planning  | \$300,000.00          | \$300,000.00          |
| <b>Subtotal for Basic Engineering Services</b>              | <b>\$1,700,000.00</b> | <b>\$1,700,000.00</b> |
| <b>Special Services</b>                                     |                       |                       |
| Application   | \$45,000.00           | \$45,000.00           |
| Environmental   | \$95,000.00           | \$95,000.00           |
| Geotechnical  | \$55,000.00           | \$55,000.00           |
| Permits   | \$15,000.00           | \$15,000.00           |
| Special Service Other (Water Leak Survey & Mitigation Plan) | \$120,000.00          | \$120,000.00          |
| Surveying   | \$56,000.00           | \$56,000.00           |
| <b>Subtotal for Special Services</b>                        | <b>\$386,000.00</b>   | <b>\$386,000.00</b>   |
| <b>Fiscal Services</b>                                      |                       |                       |
| Bond Counsel  | \$50,000.00           | \$50,000.00           |
| Financial Advisor   | \$60,000.00           | \$60,000.00           |
| <b>Subtotal for Fiscal Services</b>                         | <b>\$110,000.00</b>   | <b>\$110,000.00</b>   |
| <b>Other</b>  |                       |                       |
| Administration  | \$44,000.00           | \$44,000.00           |
| Land/Easements Acquisition                                  | \$1,260,000.00        | \$1,260,000.00        |
| Project Legal Expenses                                      | \$100,000.00          | \$100,000.00          |
| <b>Subtotal for Other</b>                                   | <b>\$1,404,000.00</b> | <b>\$1,404,000.00</b> |
| <b>Contingency</b>  |                       |                       |
| Contingency   | \$500,000.00          | \$500,000.00          |
| <b>Subtotal for Contingency</b>                             | <b>\$500,000.00</b>   | <b>\$500,000.00</b>   |
| <b>Total</b>  | <b>\$4,100,000.00</b> | <b>\$4,100,000.00</b> |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$4,100,000 TO THE CITY OF MISSION  
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF  
THE TEXAS WATER DEVELOPMENT FUND II  
THROUGH THE PROPOSED PURCHASE OF  
\$4,100,000 CITY OF MISSION, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE  
BONDS,  
PROPOSED SERIES 2024

(24- )

Recitals:

The City of Mission (City), located in Hidalgo County, has filed an application for financial assistance in the amount of \$4,100,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code § 17.959, to finance water system improvements, identified as Project No. 21826.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$4,100,000 through the TWDB's purchase of \$4,100,000 City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of a first lien on the net revenues of City's waterworks and sewer system as sufficient security for the repayment of the Obligations.

In accordance with Texas Water Code § 17.124, the TWDB has considered all matters required by law and in particular the following:

1. the needs of the area to be served by the water supply project, the benefit of the water supply project to the area, the relationship of the water supply project to the overall, statewide water needs, and the relationship of the water supply project to the approved regional and state water plans; and
2. the availability of revenue to the City, from all sources, for the ultimate repayment of the cost of the water supply project, including interest.

Findings:

1. The public interest requires state assistance in the water supply project, in accordance with Texas Water Code § 17.125(a)(1).

2. In its opinion the tax or revenue pledged by the City will be sufficient to meet all the Obligations assumed by the City during the succeeding period of not more than 50 years, in accordance with Texas Water Code § 17.125(a)(2).
3. 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. The application and financial assistance requested meet the requirements of Chapter 17, Subchapters D, E, and L, Water Code, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A.
5. 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).
6. The current water audit required by Texas Water Code § 16.0121 has been completed by the City and filed with the TWDB, in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the City of Mission for financial assistance in the amount of \$4,100,000 from the Financial Assistance Account of the Texas Water Development Fund II, to be evidenced by the TWDB's purchase of \$4,100,000 City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2024. This commitment will expire on September 30, 2024.

This 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.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City complied with all of the requirements of the laws under which the Obligations were issued; that the Obligations were issued in conformance with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.

3. This commitment is contingent upon the City's compliance with all applicable laws, rules, policies, and guidance (as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement), including but not limited to 31 TAC Chapter 363.
4. The Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption.
5. The Obligations must provide that the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to the bonds under SEC Rule 15c2-12.
6. The Obligations must require the City to levy a tax 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 required by the Obligations.
7. The Obligations must require the City to use any surplus financial assistance proceeds from the Obligations remaining after completion of a final accounting in a manner approved by the Executive Administrator.
8. The Obligations must provide 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 will be of no force and effect.
9. Financial assistance proceeds are public funds. Therefore, the Obligations must require that these proceeds be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256 and the Public Funds Collateral Act, Government Code, Chapter 2257.

10. 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.
11. Before closing, the City must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
12. Before closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the City must submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator.
13. Before closing, when any portion of financial assistance proceeds are to be held in escrow or in trust, the City must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.
14. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
15. The City 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).

Conditions Related To Tax-Exempt Status:

16. Before closing, the City's bond counsel must prepare a written opinion that states the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion.

17. Before closing, the City's bond counsel must prepare a written opinion that states the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.
18. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations).
19. The Obligations must provide that no portion of the proceeds of the financial assistance 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 used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds issued to provide 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 § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount, or, in the case of a discount, the issue price of the Obligations.
20. The Obligations must require the City to take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
  - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments on its books of account) separately and apart from all other funds (and receipts, expenditures, and investments) 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 with those proceeds;

- 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 § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings under the Code. The City must 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 in order 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 for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time after discovery, including payment to the United States of any interest and any penalty required by the Regulations.
- 21. The Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
  - 22. The Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code.
  - 23. The Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to "advance refundings").
  - 24. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations.
  - 25. The transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing

an IRS Form 8038 with the Internal Revenue Service. In addition, the 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 14 days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

26. The Obligations must provide that neither the City nor a related party 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.
27. Prior to closing, the City must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120 percent of the average reasonably expected economic life of the Project.

Pledge Conditions:

28. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
29. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding \$4,255,000 City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Series 2023 (L1001643).

Special Conditions:

30. Before 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 City 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 a finding will be made before the release of funds for construction.
31. The Obligations must require the City to maintain a two (2)-month reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year, which amount shall be retained in the Revenue Fund.
32. The Obligations must require the City to submit quarterly status reports on the progress of the project that detail information requested by the Executive Administrator. The Executive Administrator may withhold authorization to release funds from escrow or adjust the amount of funds to be released from escrow based on the receipt of the quarterly status reports and the projected quarterly needs for the project.

33. Before executing the financing agreement and no later than June 21, 2024, the City must submit a 2023 audit in form and substance satisfactory to the Executive Administrator.

APPROVED and ordered of record this, the 9<sup>th</sup> day of May 2024.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Brooke T. Paup, Chairwoman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Bryan McMath, Interim Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

**WATER CONSERVATION REVIEW**

Entity:

Other entity:

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

|                     | <b>Total GPCD</b> | <b>Residential GPCD</b> | <b>Water Loss GPCD</b> |
|---------------------|-------------------|-------------------------|------------------------|
| <b>Baseline</b>     |                   |                         |                        |
| <b>5-year Goal</b>  |                   |                         |                        |
| <b>10-year Goal</b> |                   |                         |                        |

**WATER LOSS AUDIT YEAR:**

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

**WATER LOSS THRESHOLDS**

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Apparent Loss GCD

Real Loss GCD

Threshold Type:

Reported

Threshold

Reported

Threshold

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.

**GMD** means gallons per mile 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 benchmarking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**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 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 Mission Hidalgo County

