



## PROJECT FUNDING REQUEST

**BOARD DATE:** December 17, 2024

**Team Manager:** Bill Blaik

### ACTION REQUESTED

Consider approving by resolution a request from the Rayburn Country Municipal Utility District (Jasper County) for \$4,265,000 in financial assistance consisting of \$3,765,000 in financing and \$500,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, acquisition, design, and construction of a water system project.

### STAFF RECOMMENDATION

☒ Approve ☐ No Action

### BACKGROUND

Rayburn Country Municipal Utility District (District) is located approximately 80 miles north of Beaumont. The District provides water services to a population of approximately 2,976 residents and 1,081 connections.

### PROJECT NEED AND DESCRIPTION

The District is in need of additional water supply to meet the Texas Commission on Environmental Quality's minimum capacity requirements. The District also seeks to improve water quality by reducing trihalomethane and total haloacetic levels and rehabilitating aging infrastructure. The project qualifies as an urgent need project through the Drinking Water State Revolving Fund due to inadequate water supply capacity.

The proposed project includes the drilling and completion of a new groundwater well, new well filters for the existing and proposed wells, rehabilitation of two existing ground storage tanks, and a pressure monitoring system to aide in leak detection.

### PROJECT SCHEDULE

Task	Schedule Date
Closing	March 12, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	May 12, 2025
Design Phase Completion	July 14, 2025
Start of Construction	October 13, 2025
Construction Completion	June 15, 2026

### KEY ISSUES

The District qualifies for \$2,200,000 in zero-percent interest financing and \$500,000 in principal forgiveness as an urgent need project through the Drinking Water State Revolving Fund.

<b>COMMITMENT PERIOD:</b> SIX (6) MONTHS TO EXPIRE APRIL 30, 2025
---

**LEGAL/SPECIAL CONDITIONS**

- Executed principal forgiveness agreement
- Water rights certification

**Attachments:**

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

# Financial Review

## Rayburn Country MUD

Risk Score: 2C

Audit Reviewed: FY 2023

### Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: -0.79%	State: 1.49%
Top 10 Customers % of Total Revenue	3%	10-15%
Median Household Income as % of State	66%	100%
Days of Cash on Hand (3-year Average)	317 days	30-149 days
Net Fixed Assets/ Annual Depreciation	11 Years	12-24 years
Debt Service Coverage Ratio	-0.41x	1.0x
Debt-to-Operating Revenues	3.61x	4.00-5.99x
Unemployment Rate (August, 2024)	County: 7.00%	State: 5.30%
Working Capital Ratio	3.47	> 1.0

### Key Risk Score Strengths

- The District has a three-year average of 317 days of cash on hand indicating it is prepared for fiscal emergencies.
- A high working capital ratio provides the District with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The District is in the process of creating a capital improvement plan.
- The District's top 10 customers only account for 3 percent of the system's revenue indicating the District is not reliant on any particular customer for revenue generation.

### Key Risk Score Concerns

- The District's debt service coverage ratio is at negative 0.41 times coverage. In addition, the District's revenue was trending down between 2020 and 2023 generating negative net revenues in fiscal year 2023. To reverse course the District instituted two rate increases in 2024, one in January for \$5.00 and an additional \$23.00 in August. With these increases we do not project requiring any additional increases to meet coverage requirements on the proposed obligations.
- The population growth of the County has slightly declined over the past 8 years; however, connections have increased from 968 in 2019 to 1,081 in 2023, an increase of 11.67%.

### PLEDGE

Legal Pledge Name	Water and Sewer 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	4,000	\$57.91	\$57.91	2.96	2.96
WASTEWATER	4,000	\$46.50	\$46.50		

### Cost Savings

Based on a 30-year maturity schedule and current interest rates, the District could save approximately \$2,043,151 over the life of the financing. The District is also saving \$500,000 in principal forgiveness.

## Project Data Summary

<b>Responsible Authority</b>	Rayburn Country MUD
<b>Program</b>	DWSRF
<b>Commitment Number</b>	L1001948, L1001949, LF1001950
<b>Project Number</b>	63006
<b>List Year</b>	2024
<b>Type of Pledge</b>	Revenue Pledge
<b>Pledge Level (if applicable)</b>	First Lien
<b>Legal Description</b>	\$1,565,000 Rayburn Country Municipal Utility District Revenue Bonds Series 2025B, \$2,200,000 Rayburn Country Municipal Utility District Water and Sewer Revenue Bonds Series 2025A, \$500,000 Principal Forgiveness Agreement
<b>Tax-exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Qualifies as Disadvantaged</b>	No
<b>State Revolving Fund Type</b>	Equivalency
<b>Financial Managerial &amp; Technical Complete</b>	Yes
<b>Phases Funded</b>	Planning, Acquisition, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Yes
<b>Overall Risk Score</b>	2C

### PROJECT TEAM

<b>Team Manager</b>	<b>Financial Analyst</b>	<b>Engineering Reviewer</b>	<b>Environmental Reviewer</b>	<b>Attorney</b>
Bill Blaik	Rand Zeolla	Mazin AlAsadi	Gayla Duaine	Michael Perez

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Rayburn Country Municipal Utility District

**\$2,200,000 Rayburn Country Municipal Utility District, Water and Wastewater System Revenue Bonds Series 2025A**

Dated Date:	3/1/2025	Source:	DWSRF-EQUIVALENCY
Delivery Date:	3/1/2025	IUP Year:	2024
First Interest:	9/1/2025	Case:	Revenue
First Principal:	3/1/2026	Admin.Fee:	\$43,137
Last Principal:	3/1/2055	Admin. Fee Payment Date:	3/1/2025
Fiscal Year End:	09/30	Required Coverage:	1.0

**\$1,565,000 Rayburn Country Municipal Utility District, Water and Wastewater System Revenue Bonds Series 2025B**

Dated Date:	3/1/2025	Source:	DWSRF-EQUIVALENCY
Delivery Date:	3/1/2025	IUP Year:	2024
First Interest:	9/1/2025	Case:	Revenue
First Principal:	3/1/2026	Admin.Fee:	\$30,686
Last Principal:	3/1/2055	Admin. Fee Payment Date:	3/1/2025
Fiscal Year End:	09/30	Required Coverage:	1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$2,200,000 ISSUE				\$1,565,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2025	\$97,055	\$75,450	\$0	-	\$0	\$0	\$0	-	\$21,605	\$21,605	\$97,055	1.00
2026	226,335	73,500	75,000	-	-	75,000	35,000	2.14%	42,835	77,835	226,335	1.00
2027	228,394	76,300	75,000	-	-	75,000	35,000	2.09%	42,094	77,094	228,394	1.00
2028	228,394	73,850	75,000	-	-	75,000	35,000	2.11%	41,359	76,359	225,209	1.01
2029	231,877	76,313	75,000	-	-	75,000	40,000	2.13%	40,564	80,564	231,877	1.00
2030	231,877	-	75,000	-	-	75,000	40,000	2.16%	39,706	79,706	154,706	1.50
2031	231,877	-	75,000	-	-	75,000	40,000	2.24%	38,826	78,826	153,826	1.51
2032	231,877	-	75,000	-	-	75,000	40,000	2.26%	37,926	77,926	152,926	1.52
2033	231,877	-	75,000	-	-	75,000	40,000	2.30%	37,014	77,014	152,014	1.53
2034	231,877	-	75,000	-	-	75,000	40,000	2.33%	36,088	76,088	151,088	1.53
2035	231,877	-	75,000	-	-	75,000	45,000	2.42%	35,078	80,078	155,078	1.50
2036	231,877	-	75,000	-	-	75,000	45,000	2.50%	33,971	78,971	153,971	1.51
2037	231,877	-	75,000	-	-	75,000	45,000	2.57%	32,830	77,830	152,830	1.52
2038	231,877	-	75,000	-	-	75,000	45,000	2.63%	31,660	76,660	151,660	1.53
2039	231,877	-	75,000	-	-	75,000	50,000	2.70%	30,393	80,393	155,393	1.49
2040	231,877	-	75,000	-	-	75,000	50,000	2.76%	29,028	79,028	154,028	1.51
2041	231,877	-	75,000	-	-	75,000	50,000	2.82%	27,633	77,633	152,633	1.52
2042	231,877	-	75,000	-	-	75,000	50,000	2.87%	26,211	76,211	151,211	1.53
2043	231,877	-	75,000	-	-	75,000	55,000	2.90%	24,696	79,696	154,696	1.50
2044	231,877	-	75,000	-	-	75,000	55,000	2.94%	23,090	78,090	153,090	1.51
2045	231,877	-	75,000	-	-	75,000	55,000	2.96%	21,467	76,467	151,467	1.53
2046	231,877	-	75,000	-	-	75,000	60,000	2.99%	19,756	79,756	154,756	1.50
2047	231,877	-	75,000	-	-	75,000	60,000	3.02%	17,953	77,953	152,953	1.52
2048	231,877	-	75,000	-	-	75,000	60,000	3.03%	16,138	76,138	151,138	1.53
2049	231,877	-	75,000	-	-	75,000	65,000	3.05%	14,238	79,238	154,238	1.50
2050	231,877	-	75,000	-	-	75,000	65,000	3.06%	12,252	77,252	152,252	1.52
2051	231,877	-	75,000	-	-	75,000	70,000	3.07%	10,183	80,183	155,183	1.49
2052	231,877	-	75,000	-	-	75,000	70,000	3.08%	8,031	78,031	153,031	1.52
2053	231,877	-	75,000	-	-	75,000	70,000	3.09%	5,871	75,871	150,871	1.54
2054	231,877	-	75,000	-	-	75,000	75,000	3.09%	3,631	78,631	153,631	1.51
2055	231,877	-	25,000	-	-	25,000	80,000	3.09%	1,236	81,236	106,236	2.18
		\$ 375,413	\$2,200,000			\$0	\$2,200,000	\$1,565,000	\$803,359	\$2,368,359	\$4,943,771	

\$2,200,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	15.17 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$1,548,982.5
AVERAGE ANNUAL REQUIREMENT	\$70,968

\$1,565,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.55 YEARS
NET INTEREST RATE	2.925%
COST SAVINGS	\$494,168
AVERAGE ANNUAL REQUIREMENT	\$76,399

TOTAL
AVERAGE
ANNUAL
REQUIREMENTS
\$159,476

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**  
 Rayburn Country MUD  
 63006 - Rayburn  
 Country Drinking Water  
 SRF

Budget Items	TWDB Funds	Total
<b>Construction</b>		
Construction	\$2,654,000	\$2,654,000
<b>Subtotal for Construction</b>	<b>\$2,654,000</b>	<b>\$2,654,000</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$160,890	\$160,890
Design	\$197,080	\$197,080
Planning	\$104,210	\$104,210
<b>Subtotal for Basic Engineering Services</b>	<b>\$462,180</b>	<b>\$462,180</b>
<b>Special Services</b>		
Environmental	\$17,130	\$17,130
Inspection	\$129,590	\$129,590
O&M Manual	\$17,160	\$17,160
Permits	\$10,040	\$10,040
Project Management (by engineer)	\$54,700	\$54,700
Special Service Other (Hydrology Report)	\$46,000	\$46,000
Surveying	\$8,800	\$8,800
<b>Subtotal for Special Services</b>	<b>\$283,420</b>	<b>\$283,420</b>
<b>Fiscal Services</b>		
Bond Counsel	\$65,000	\$65,000
Bond Reserve Fund	\$304,605	\$304,605
Financial Advisor	\$81,000	\$81,000
Fiscal/Legal	\$4,560	\$4,560
Issuance Costs	\$9,000	\$9,000
Loan Origination Fee	\$73,823	\$73,823
<b>Subtotal for Fiscal Services</b>	<b>\$537,988</b>	<b>\$537,988</b>
<b>Contingency</b>		
Contingency	\$327,412	\$327,412
<b>Subtotal for Contingency</b>	<b>\$327,412</b>	<b>\$327,412</b>
<b>Total</b>	<b>\$4,265,000</b>	<b>\$4,265,000</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$4,265,000 TO THE RAYBURN COUNTRY MUNICIPAL UTILITY DISTRICT  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE IN ONE OR MORE SERIES OF  
\$3,765,000 RAYBURN COUNTRY MUNICIPAL UTILITY DISTRICT UTILITY SYSTEM  
REVENUE BONDS  
AND  
\$500,000 IN PRINCIPAL FORGIVENESS

(24 - )

Recitals:

The Rayburn Country Municipal Utility District (District), located in Jasper County, has applied for financial assistance in the amount of \$4,265,000 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. 63006.

The District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase in one or more series of \$3,765,000 Rayburn Country Municipal Utility District Utility System Revenue Bonds (together with all authorizing documents), and the execution of a Principal Forgiveness Agreement in an amount of \$500,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The District has offered a pledge of utility system revenues as sufficient security for the repayment of the Obligations.

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.

Findings:

1. The revenue 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. 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. The term of the Obligations does not exceed the expected useful life of the project proposed by the District.
4. The District 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. 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 consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
6. The District has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
7. The project qualifies as an Urgent Need project in accordance with the applicable Intended Use Plan and 31 TAC § 371.21(f) and is eligible for principal forgiveness in the amount of \$500,000 and financial assistance with a reduced interest rate.

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

A commitment is made by the TWDB to the Rayburn Country Municipal Utility District for financial assistance in the amount of \$4,265,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase in one or more series of \$3,765,000 Rayburn Country Municipal Utility District Utility System Revenue Bonds and the execution of a Principal Forgiveness Agreement in the amount of \$500,000. This commitment will expire on June 30, 2025.

The commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which the Obligations were issued have been complied with; that the Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that the 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 District agrees to comply with all the conditions set forth in the TWDB Resolution.

5. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date 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.
6. 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 the 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 the rule, this 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 the Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to those bonds under SEC Rule 15c2-12.
7. The Obligations must contain a provision requiring the District to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
8. The Obligations must include a provision requiring the District 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 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.
9. The Obligations must include a provision requiring the District to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
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. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
12. Proceeds of this commitment must not be used by the District when sampling, testing, removing, or disposing of contaminated soils or media at the project site,

except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines OR for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must include an environmental indemnification provision wherein the District agrees, and agrees to cause its construction contractors, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action, or damages arising from activities performed by the District or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.

13. Before closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.
14. Before 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.
15. Before 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.
16. The Executive Administrator may require the District to 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 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 District will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
19. The Obligations must provide that the District 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 District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

21. The District 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).
22. The Obligations must provide that the District will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

23. 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.
24. 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.
25. The Obligations must include a provision prohibiting the District from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated under section 141 (Regulations).
26. The Obligations must provide that no portion of the proceeds of this commitment will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for this commitment (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 the proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the 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.

27. 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 to satisfy the requirements of section 148 of the Code. The Obligations must provide that the District must:
- 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 the 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 financing with other money of the District, provided that the District separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with them;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financing, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings under these sections. The District shall maintain a copy of the calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of this commitment, and to induce the making of the commitment 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 to correct the error within a reasonable amount of time including payment to the United States of any interest and any penalty required by the Regulations;
28. 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.
29. 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 section 149(b) of the Code.
30. 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.

31. The Obligations must contain a provision that the District will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings).
32. The transcript must include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
33. The Obligations must provide that neither the District 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 District by the TWDB.
34. The District's federal tax certificate shall provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

State Revolving Fund Conditions;

35. The District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
36. 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 the financial assistance made available shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB.
37. 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 Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.
38. The Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the District will adhere to the approved project schedule.

39. The Obligations and Principal Forgiveness Agreement 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.
40. The Obligations and Principal Forgiveness Agreement must contain a covenant that the District shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the District will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58 and 2 CFR part 184.

Drinking Water State Revolving Fund Conditions;

42. The District shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
43. Before 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.
44. Before the 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:

45. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements of the Obligations and the annual debt service requirement of all additional debt, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.
46. If the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any financial assistance made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing the outstanding obligations.
47. The Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements of the Obligations and the annual debt service requirement of all additional debt 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.

Special Conditions:

48. 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 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 a finding will be made before the release of funds for construction.
49. Before 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.
50. The District must notify the Executive Administrator in writing, thirty (30) days before taking any actions to alter its legal status in any manner.
51. The Obligations must include a provision requiring that the District notify the Executive Administrator in writing before any action by it 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.
52. Before closing, the District shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
53. The Principal Forgiveness Agreement must include a provision stating that the District shall return any principal forgiveness funds that are determined to be surplus funds.



APPROVED and ordered of record this 17th day of December, 2024.

TEXAS WATER DEVELOPMENT BOARD

---

Brooke T. Paup, Chairwoman

DATE SIGNED:

---

ATTEST:

---

Bryan McMath, 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:

Threshold Type:

<b>Apparent Loss GCD</b>		<b>Real Loss GCD</b>	
<b>Reported</b>	<b>Threshold</b>	<b>Reported</b>	<b>Threshold</b>

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 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 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.



# Rayburn Country MUD Jasper County

