



PROJECT FUNDING REQUEST

BOARD DATE: June 25, 2025

Team Manager: Bill Blaik

ACTION REQUESTED

Consider approving by resolution a request from the D & M Water Supply Corporation (Nacogdoches County) for \$4,659,000 in financial assistance consisting of \$2,195,000 in financing and \$2,464,000 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

The D & M Water Supply Corporation (Corporation) is located 60 miles southeast of Tyler. The Corporation provides water services to a population of approximately 6,570 residents and 2,216 connections.

PROJECT NEED AND DESCRIPTION

The Corporation needs to relieve capacity issues that have resulted in Texas Commission on Environmental Quality (TCEQ) violations. The Corporation also needs to provide a redundant water source as they are currently purchasing a large portion of water from the City of Nacogdoches. The system also experiences high water loss due to aging and deteriorating lines.

The Corporation is proposing to plan, acquire, design, and construct a new water well site and other plant improvements near the FR Lewis Plant to allow the Corporation self-sufficiency and to account for increased demand. The Corporation is proposing to make pump station improvements and replace aging water lines to address high water loss issues. Development of an asset management plan is also included as part of this project.

PROJECT SCHEDULE

Task	Schedule Date
Closing	September 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	October 1, 2025
Design Phase Completion	January 5, 2026
Start of Construction	April 1, 2026
Construction Completion	April 1, 2028

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE DECEMBER 31, 2025

KEY ISSUES

The Corporation qualifies for \$2,170,000 in principal forgiveness for being a disadvantaged community and \$25,000 in zero interest financing for the development of an asset management plan.

The Corporation has also submitted an application for funding from the Rural Water Assistance Fund program. Both requests are included on this agenda and in the financial analysis presented in Attachment 1.

LEGAL/SPECIAL CONDITIONS

- Water rights certification
- Altering legal status
- Notice of conveyance
- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (25-)
4. Water Conservation Review
5. Location Map

Financial Review

D & M WSC

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 0.02%	State: 1.49%
Top 10 Customers % of Total Revenue	5%	10-15%
Median Household Income as % of State	66%	100%
Days of Cash on Hand (3-year Average)	259 days	30-149 days
Net Fixed Assets/ Annual Depreciation	14 years	12-24 years
Debt Service Coverage Ratio	1.19x	1.0x
Debt-to-Operating Revenues	3.58	4.00-5.99x
Unemployment Rate (March 2025)	County: 4.10%	State: 4.00%
Working Capital Ratio	3.56	> 1.0

Key Risk Score Strengths

- The Corporation's top water customers account for only five percent of the Corporation's revenue, indicating it is well diversified and that the Corporation is not reliant on a small subset of rate payers to repay the obligations.
- The Corporation's connections have increased 4 percent between 2020 and 2024, from 2,129 to 2,216, indicating steady system growth supporting long term revenue stability.
- With a 3-year average of 259 days of cash on hand, the Corporation maintains a strong liquidity position providing a solid buffer to cover operating expenses and enhance overall financial resilience.

PLEDGE

Legal Pledge Name	First Lien System Revenues
Type of Pledge	☐ Tax ☒ Revenue ☐ Tax & Revenue ☐ Contract ☐ Other
Revenue Pledge Level	☒ First ☐ Second ☐ Third ☐ N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
Water	5,540	\$69.09	\$69.09	2.03	2.03

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Corporation could save approximately \$933,676 over the life of the financing. The Corporation is also saving \$2,464,000 in principal forgiveness.

Project Data Summary

Responsible Authority	D & M WSC
Program	DWSRF
Commitment Number	L1002101, L1002102, LF1002103
Project Number	63073
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$2,170,000 D&M WSC Loan Agreement, \$25,000 D&M WSC Loan Agreement, \$2,464,000 Grant Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Bill Blaik	Rand Zeolla	Paul Jungen	Gayla Duaine	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
D&M WSC

<u>\$2,170,000 D&M WSC Loan Agreement</u>				<u>\$25,000 D&M WSC Loan Agreement</u>			
Dated Date:	9/1/2025	Source:	DWSRF-EQUIVALENCY	Dated Date:	9/1/2025	Source:	DWSRF-EQUIVALENCY
Delivery Date:	9/1/2025	IUP Year:	2023	Delivery Date:	9/1/2025	IUP Year:	2023
First Interest:	3/15/2026	Case:	Revenue	First Interest:	3/15/2026	Case:	Revenue
First Principal:	9/15/2026	Admin.Fee:	\$42,549	First Principal:	9/15/2026	Admin.Fee:	\$490
Last Principal:	9/15/2055	Admin. Fee Payment Date:	9/1/2025	Last Principal:	9/15/2055	Admin. Fee Payment Date:	9/1/2025
Fiscal Year End:	12/31	Required Coverage:	1.0	Fiscal Year End:	12/31	Required Coverage:	1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE*	<u>\$2,170,000 ISSUE</u>				<u>\$25,000 ISSUE</u>				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2026	\$754,309	\$463,024	\$40,000	3.26%	\$88,278	\$128,278	\$5,000	-	\$0	\$5,000	\$596,302	1.26
2027	754,309	458,611	40,000	3.17%	83,669	123,669	5,000	-	-	5,000	\$587,280	1.28
2028	754,309	444,429	45,000	3.19%	82,401	127,401	5,000	-	-	5,000	\$576,830	1.31
2029	754,309	452,379	45,000	3.19%	80,966	125,966	5,000	-	-	5,000	\$583,344	1.29
2030	754,309	451,900	45,000	3.24%	79,530	124,530	5,000	-	-	5,000	\$581,430	1.30
2031	754,309	451,414	50,000	3.28%	78,072	128,072	-	-	-	-	\$579,486	1.30
2032	754,309	455,922	50,000	3.39%	76,432	126,432	-	-	-	-	\$582,354	1.30
2033	754,309	455,244	50,000	3.43%	74,737	124,737	-	-	-	-	\$579,981	1.30
2034	754,309	318,730	55,000	3.58%	73,022	128,022	-	-	-	-	\$446,752	1.69
2035	754,309	318,014	55,000	3.63%	71,053	126,053	-	-	-	-	\$444,067	1.70
2036	754,309	317,288	55,000	3.70%	69,057	124,057	-	-	-	-	\$441,345	1.71
2037	754,309	321,548	60,000	3.75%	67,022	127,022	-	-	-	-	\$448,570	1.68
2038	754,309	320,611	60,000	3.78%	64,772	124,772	-	-	-	-	\$445,382	1.69
2039	754,309	92,654	65,000	3.81%	62,504	127,504	-	-	-	-	\$220,157	3.43
2040	754,309	91,701	65,000	3.85%	60,027	125,027	-	-	-	-	\$216,728	3.48
2041	754,309	90,739	70,000	4.08%	57,525	127,525	-	-	-	-	\$218,263	3.46
2042	754,309	35,331	70,000	4.09%	54,669	124,669	-	-	-	-	\$159,999	4.71
2043	754,309	34,104	75,000	4.10%	51,806	126,806	-	-	-	-	\$160,909	4.69
2044	754,309	37,874	75,000	4.10%	48,731	123,731	-	-	-	-	\$161,604	4.67
2045	754,309	36,439	80,000	4.11%	45,656	125,656	-	-	-	-	\$162,094	4.65
2046	754,309	-	85,000	4.12%	42,368	127,368	-	-	-	-	\$127,368	5.92
2047	754,309	-	85,000	4.13%	38,866	123,866	-	-	-	-	\$123,866	6.09
2048	754,309	-	90,000	4.13%	35,355	125,355	-	-	-	-	\$125,355	6.02
2049	754,309	-	95,000	4.14%	31,638	126,638	-	-	-	-	\$126,638	5.96
2050	754,309	-	100,000	4.15%	27,705	127,705	-	-	-	-	\$127,705	5.91
2051	754,309	-	105,000	4.15%	23,555	128,555	-	-	-	-	\$128,555	5.87
2052	754,309	-	105,000	4.16%	19,198	124,198	-	-	-	-	\$124,198	6.07
2053	754,309	-	110,000	4.17%	14,830	124,830	-	-	-	-	\$124,830	6.04
2054	754,309	-	115,000	4.17%	10,243	125,243	-	-	-	-	\$125,243	6.02
2055	754,309	-	130,000	4.19%	5,447	135,447	-	-	-	-	\$135,447	5.57
		\$ 5,647,951	\$2,170,000		\$1,619,126	\$3,789,126	\$25,000		\$0	\$25,000	\$9,462,077	

*Includes the proposed RWA funding request of \$430,000 for project #21879

<u>\$2,170,000 ISSUANCE</u>	
AVERAGE (MATURITY) LIFE	18.39 YEAR
NET INTEREST RATE	4.058%
COST SAVINGS	\$904,683
AVERAGE ANNUAL REQUIREMENT	\$126,30

<u>\$25,000 ISSUANCE</u>	
AVERAGE (MATURITY) LIFE	3.04 YEAR
NET INTEREST RATE	0.000%
COST SAVINGS	\$28,993
AVERAGE ANNUAL REQUIREMENT	\$83

<u>TOTAL AVERAGE ANNUAL REQUIREMENTS</u>
\$315,403

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
D & M WSC
63073 - D&M WSC Water System Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$3,200,000	\$3,200,000
Subtotal for Construction	\$3,200,000	\$3,200,000
Basic Engineering Services		
Construction Engineering	\$201,600	\$201,600
Design	\$257,250	\$257,250
Planning	\$210,650	\$210,650
Subtotal for Basic Engineering Services	\$669,500	\$669,500
Special Services		
Environmental	\$38,000	\$38,000
Special Service Other (Asset Management Plan)	\$25,000	\$25,000
Surveying	\$15,000	\$15,000
Subtotal for Special Services	\$78,000	\$78,000
Fiscal Services		
Bond Counsel	\$40,000	\$40,000
Bond Reserve Fund	\$333,259	\$333,259
Financial Advisor	\$65,500	\$65,500
Issuance Costs	\$34,500	\$34,500
Loan Origination Fee	\$43,039	\$43,039
Subtotal for Fiscal Services	\$516,298	\$516,298
Contingency		
Contingency	\$195,202	\$195,202
Subtotal for Contingency	\$195,202	\$195,202
Total	\$4,659,000	\$4,659,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,659,000 TO THE D & M WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF ONE OR MORE PROMISORY NOTES
NOT TO EXCEED THE AGGREGATE AMOUNT OF \$2,195,000 AND EXECUTION OF
ONE OR MORE LOAN AGREEMENTS
AND
\$2,464,000 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The D & M Water Supply Corporation (Corporation), located in Nacogdoches County, has filed an application for financial assistance in the amount of \$4,659,000 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. 63073.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of one or more Promissory Notes not to exceed the aggregate amount of \$2,195,000 and execution of one or more Loan Agreements (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$2,464,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The Corporation has offered a pledge of system revenues and a mortgaged deed of trust on the Corporation's system 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 Corporation will be sufficient to meet all the Obligations assumed by the Corporation, 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 Corporation.
4. The Corporation 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 Corporation 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 Corporation meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of \$2,464,000.

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

A commitment is made by the TWDB to the D & M Water Supply Corporation for financial assistance in the amount of \$4,659,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of a Promissory Note in the amount of \$2,195,000 and the execution of a Loan Agreement and the execution of a Principal Forgiveness Agreement in the amount of \$2,464,000. This commitment will expire on December 31, 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. Before closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator.
3. This commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371.
4. The Obligations must provide that the Corporation agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no

earlier than 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement.

6. The Corporation, 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 Corporation'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 Corporation's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to those bonds under SEC Rule 15c2-12.
7. The Obligations must contain a provision requiring the Corporation 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 Corporation 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 Corporation to submit a final accounting and disposition of any unused funds.
9. The Obligations must include a provision requiring the Corporation 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 Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must include a provision that states the Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, 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 Corporation, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.

13. Before closing, the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
19. The Obligations must provide that the Corporation 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 Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
21. The Obligations must provide that the Corporation will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

22. Before closing, the Corporation shall submit to the escrow agent a closing memo signed by the Executive Administrator.

State Revolving Fund Conditions:

23. The Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
24. 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 Corporation, 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.
25. The Obligations must include a provision stating that the Corporation 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 Corporation 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.
26. 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 Corporation will adhere to the approved project schedule.
27. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation 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.
28. The Obligations or Principal Forgiveness Agreement must contain a covenant that the Corporation shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
29. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation 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;

30. The Corporation shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

31. 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 Corporation 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.
32. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation 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.

Water Supply Corporation Conditions:

33. The Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System.
34. Upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB.
35. Upon closing or within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office.
36. Before closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution.

37. Before closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary.
38. Before the release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions.
39. Before closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.
40. Before closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator.
41. The Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval.

Pledge Conditions:

42. 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.
43. If the Corporation 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 must be at least on a parity with lien or

liens securing the outstanding obligations.

44. 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 a) 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; or b) the Corporation certifies that the Corporation is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

Special Conditions:

45. 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 Corporation 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.
46. 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 Corporation has the right to use the water that the project financed by the TWDB will provide.
47. The Corporation must notify the Executive Administrator in writing, thirty (30) days before taking any actions to alter its legal status in any manner.
48. The Obligations must include a provision requiring that the Corporation 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.
49. Before closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
50. The Principal Forgiveness Agreement must include a provision stating that the Corporation shall return any principal forgiveness funds that are determined to be surplus funds.

APPROVED and ordered of record this 25th day of June, 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., 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**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline			
5-year Goal			
10-year Goal			

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
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 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.



**D & M WSC
Nacogdoches County**

