



## PROJECT FUNDING REQUEST

**BOARD DATE:** July 24, 2025

**Team Manager:** Bill Blaik

### ACTION REQUESTED

Consider approving by resolution a) a request from the City of Del Rio (Val Verde County) for \$3,455,000 in financing from the State Water Implementation Fund for Texas program for planning, design, and construction of a water system project; and b) a waiver from the requirement to include funds to mitigate water loss as part of this project.

### STAFF RECOMMENDATION

☒ Approve ☐ No Action

### BACKGROUND

The City of Del Rio (City) is located 150 miles west of San Antonio. The City provides water services to a population of approximately 35,829 residents.

### PROJECT NEED AND DESCRIPTION

The City is in need of replacing their membrane system to continue operations at their San Felipe Springs Water Treatment Plant. The membrane has reached the end of its operational life and replacements are no longer fabricated by the original supplier. The treatment plant is approximately 15 years old and needs additional filtration to keep pace with projected water demands.

The City is proposing to plan, design, and construct a new membrane filtration system for their San Felipe Springs Water Treatment Plant. The project involves expanding the treatment capacity from 18.2 million gallons per day to 22.4 million gallons per day. Piping and associated infrastructure will be updated to accommodate the new system.

### PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	May 1, 2026
Design Phase Completion	August 1, 2026
Start of Construction	November 1, 2026
Construction Completion	November 1, 2027

Multi-year Commitment	Expiration
\$265,000 Proposed Series 2025A	December 31, 2025
\$2,500,000 Proposed Series 2026	December 31, 2026
\$690,000 Proposed Series 2027	December 31, 2027

## **KEY ISSUES**

The City submitted a second State Water Implementation Fund for Texas program application. Both requests are included on this agenda and in the financial analysis presented in Attachment 1.

The financial analysis also includes \$590,000 in proposed additional financing from the Drinking Water State Revolving Fund Lead Service Line Replacement program that is anticipated to be presented for Board consideration at a subsequent meeting.

The City is requesting a waiver from having to include funds to mitigate water loss as part of this project. The City is above its threshold for real water loss. In 2009 the City completed a leak detection, water audit study, and hydraulic analysis of the entire distribution system. The City recently completed Phase I of the pipe replacement process that included over 69,000 feet of water line. The City is currently in Phase 2 of the process that includes an additional 59,000 feet of water line replacement. Additionally, the City has started to replace over 16,000 Advanced Metering Infrastructure Meters systemwide. These actions will help mitigate the City's real water loss, which justifies the water loss waiver.

The majority of funding for this project, \$15,040,005, will be provided by the Texas Military Value Revolving Loan Fund.

## **LEGAL/SPECIAL CONDITIONS**

- Water rights reasonable expectation
- Water rights certification

### **Attachments:**

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

# Financial Review

## City of Del Rio

Risk Score: 2B

Audit Reviewed: FY 2024

### Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.26%	State: 1.49%
Top 10 Customers % of Total Revenue	9.87%	10-15%
Median Household Income as % of State	78%	100%
Days of Cash on Hand (3-year Average)	572 days	30-149 days
Net Fixed Assets/ Annual Depreciation	16 years	12-24 years
Debt Service Coverage Ratio	1.20x	1.1x
Debt-to-Operating Revenues	3.53	4.00-5.99x
Unemployment Rate (April 2025)	City:4.50 %	State: 3.70%
Working Capital Ratio	3.27	> 1.0
Cash Balance Ratio	-50.97%	0-9.99%

### Key Risk Score Strengths

- The City's days of cash on hand are above the benchmark, indicating sufficient reserves for operating expenses.
- The City's high fixed assets to depreciation ratio indicates a well-maintained infrastructure and a solid reinvestment strategy, supporting long-term service delivery and financial stability.
- A pledge of ad valorem tax and water and wastewater system revenues are sufficient to cover the existing debt as well as the proposed debt.
- The City's working capital ratio exceeds the benchmark, indicating strong near-term liquidity and financial stability to cover operational needs and unexpected expenses.

### Key Risk Score Concerns

- While the City has experienced low population growth over the past decade, 2026 Regional Water Plan projections indicate a modest 14.9 percent growth over the next 15 years. Additionally, the District's water system connections have increased by 20 percent over the last five years, signaling an expansion within the City.
- The City's cash balance has decreased from \$18.7 million in 2019 to \$8.6 million in 2024 resulting in a -50.97 percent cash balance ratio. While there were a few ups and downs during that time, mostly due to planned transfers between accounts, the overall decline reflects rising costs and the City's decision to hold off on increasing fees or taxes. City staff are now taking proactive steps to strengthen the budget moving forward, including working closely with the City's Council to review all rates and ensure the City is on a more stable path.

### PLEDGE

Legal Pledge Name	Combination Tax and Surplus System Revenue
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

## RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
Water	10,976	\$62.42	\$62.42	1.81	1.81
Wastewater	5,979	\$23.54	\$23.54		

## TAXES

	2024 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.2738	\$0.2738	\$2.50	95%	\$2,219,062,014
Interest & Sinking	\$0.4232	\$0.4232			
Total Tax Rate	\$0.6970	\$0.6970			

### Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$34,599 over the life of the financing.

## Project Data Summary

Responsible Authority		City of Del Rio		
Program		SWIFT		
Commitment Number		LM2502220, LM2602220, LM2702220		
Project Number		51094		
List Year		2025		
Type of Pledge		Combo Tax and Revenue		
Pledge Level (if applicable)		Third Lien		
Legal Description		\$265,000 City of Del Rio, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025B, \$2,500,000 City of Del Rio, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2026, \$690,000 City of Del Rio, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2027		
Tax-exempt or Taxable		Tax-Exempt		
Refinance		No		
Outlay Requirement		No		
Disbursement Method		Escrow		
Outlay Type		Outlay <> Escrow Release		
Qualifies as Disadvantaged		No		
Financial Managerial & Technical Complete		N/A		
Phases Funded		Planning, Design, and Construction		
Pre-Design		Yes		
Project Consistent with State Water Plan		Yes		
Water Conservation Plan		Adopted		
Overall Risk Score		2B		
PROJECT TEAM				
Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Bill Blaik	Raul Flores	Paul Jungen	Gayla Duaine	Marshall Walters

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Del Rio

\$4,895,000 City of Del Rio, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025A

Dated Date:	11/1/2025	Source:	SWIFT-LOW-30YR
Delivery Date:	11/1/2025	Rate:	4.35%
First Interest:	3/15/2026	IUP Year:	2025
First Principal:	3/15/2026	Case:	Tax and Revenue
Last Principal:	3/15/2056	Admin.Fee:	\$0
Fiscal Year End:	9/30	Admin. Fee Payment Date:	11/1/2025
Required Coverage:	1.1	Total Assessed Valuation:	\$2,219,062,014

\$265,000 City of Del Rio, Texas, Combination Tax and Revenue Certificates of Obligation, Proposed Series 2025B

Dated Date:	11/1/2025	Source:	SWIFT-LOW-20YR
Delivery Date:	11/1/2025	Rate:	3.43%
First Interest:	3/15/2026	IUP Year:	2025
First Principal:	3/15/2026	Case:	Tax and Revenue
Last Principal:	3/15/2056	Admin.Fee:	\$0
Fiscal Year End:	9/30	Admin. Fee Payment Date:	11/1/2025
Required Coverage:	1.1		

FISCAL YEAR	REQUIRED TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 95%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$4,865,000 ISSUE				\$265,000 ISSUE				2026-2027		DEBT SERVICE	ACTUAL COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	SWIFT \$11,020,000 Issuance	LSLR \$590,000 Issuance		
2026	\$0.4232	\$8,921,517	\$5,542,204	\$14,463,721	\$11,747,982	\$95,000	2.81%	\$169,753	\$264,753	5,000	2.45%	\$7,513	12,513	\$0	\$25,000	\$12,050,247	1.20
2027	0.4232	8,921,517	5,542,204	14,463,721	11,160,121	95,000	2.77%	192,024	287,024	5,000	2.42%	8,494	13,494	999,061	25,000	12,484,699	1.16
2028	0.4232	8,921,517	5,542,204	14,463,721	10,051,107	100,000	2.78%	189,133	289,133	5,000	2.43%	8,365	13,365	739,090	25,000	11,117,694	1.30
2029	0.4232	8,921,517	5,542,204	14,463,721	9,159,684	100,000	2.80%	186,128	286,128	5,000	2.45%	8,233	13,233	693,952	25,000	10,177,996	1.42
2030	0.4232	8,921,517	5,542,204	14,463,721	8,509,266	105,000	2.85%	183,001	288,001	5,000	2.49%	8,100	13,100	691,149	35,000	9,536,515	1.52
2031	0.4232	8,921,517	5,542,204	14,463,721	7,159,256	110,000	2.92%	179,673	289,673	5,000	2.55%	7,965	12,965	688,040	35,000	8,184,934	1.77
2032	0.4232	8,921,517	5,542,204	14,463,721	6,456,477	110,000	2.99%	176,208	286,208	10,000	2.61%	7,758	17,758	689,523	35,000	7,484,965	1.93
2033	0.4232	8,921,517	5,542,204	14,463,721	6,132,319	115,000	3.05%	172,608	287,608	10,000	2.66%	7,478	17,478	690,538	40,000	7,167,942	2.02
2034	0.4232	8,921,517	5,542,204	14,463,721	5,772,839	120,000	3.17%	168,770	288,770	10,000	2.77%	7,193	17,193	705,782	40,000	6,824,584	2.12
2035	0.4232	8,921,517	5,542,204	14,463,721	5,185,121	125,000	3.26%	164,678	289,678	15,000	2.85%	6,828	21,828	700,257	45,000	6,241,884	2.32
2036	0.4232	8,921,517	5,542,204	14,463,721	5,179,917	125,000	3.46%	160,378	285,378	15,000	3.02%	6,377	21,377	699,015	45,000	6,230,687	2.32
2037	0.4232	8,921,517	5,542,204	14,463,721	4,592,699	130,000	3.57%	155,838	285,838	15,000	3.12%	5,911	20,911	692,006	50,000	5,641,453	2.56
2038	0.4232	8,921,517	5,542,204	14,463,721	4,592,346	135,000	3.69%	151,000	286,000	15,000	3.22%	5,433	20,433	694,251	50,000	5,643,029	2.56
2039	0.4232	8,921,517	5,542,204	14,463,721	3,795,673	140,000	3.80%	145,850	285,850	15,000	3.32%	4,943	19,943	685,732	55,000	4,842,197	2.99
2040	0.4232	8,921,517	5,542,204	14,463,721	3,794,105	145,000	3.90%	140,362	285,362	20,000	3.41%	4,353	24,353	686,454	60,000	4,850,273	2.98
2041	0.4232	8,921,517	5,542,204	14,463,721	3,797,716	150,000	4.01%	134,527	284,527	20,000	3.50%	3,662	23,662	681,308		4,787,213	3.02
2042	0.4232	8,921,517	5,542,204	14,463,721	3,811,299	160,000	4.12%	128,224	288,224	20,000	3.59%	2,953	22,953	675,346		4,797,821	3.01
2043	0.4232	8,921,517	5,542,204	14,463,721	3,534,263	165,000	4.23%	121,496	286,496	20,000	3.69%	2,231	22,231	673,443		4,516,432	3.20
2044	0.4232	8,921,517	5,542,204	14,463,721	585,513	170,000	4.29%	114,468	284,468	25,000	3.74%	1,406	26,406	665,679		1,562,066	9.26
2045	0.4232	8,921,517	5,542,204	14,463,721	586,736	180,000	4.37%	106,976	286,976	25,000	3.82%	473	25,473	657,182		1,556,366	9.29
2046	0.4232	8,921,517	5,542,204	14,463,721	582,826	185,000	4.55%	98,972	283,972	-		-	-	657,480		1,524,277	9.49
2047	0.4232	8,921,517	5,542,204	14,463,721	593,859	195,000	4.55%	90,536	285,536	-		-	-	509,506		1,388,901	10.41
2048	0.4232	8,921,517	5,542,204	14,463,721	594,756	205,000	4.55%	81,656	286,656	-		-	-	464,622		1,346,033	10.75
2049	0.4232	8,921,517	5,542,204	14,463,721	330,517	210,000	4.55%	72,443	282,443	-		-	-	464,948		1,077,908	13.42
2050	0.4232	8,921,517	5,542,204	14,463,721	330,275	220,000	4.55%	62,897	282,897	-		-	-	464,592		1,077,763	13.42
2051	0.4232	8,921,517	5,542,204	14,463,721	-	230,000	4.63%	52,780	282,780	-		-	-	463,409		746,189	19.38
2052	0.4232	8,921,517	5,542,204	14,463,721	-	240,000	4.63%	42,088	282,088	-		-	-	461,394		743,481	19.45
2053	0.4232	8,921,517	5,542,204	14,463,721	-	255,000	4.63%	30,826	285,826	-		-	-	463,568		749,395	19.30
2054	0.4232	8,921,517	5,542,204	14,463,721	-	265,000	4.63%	18,996	283,996	-		-	-	459,933		743,929	19.44
2055	0.4232	8,921,517	5,542,204	14,463,721	-	285,000	4.63%	6,484	291,484	-		-	-	460,487		751,970	19.23
2056	0.4232	8,921,517	5,542,204	14,463,721	-	-	4.63%	-	-	-		-	-	445,266		445,266	32.48
			\$448,375,349		\$118,036,670	\$4,865,000		\$3,698,765	\$8,563,765	\$265,000		\$115,664	\$380,664	18,723,009	\$590,000	\$146,294,109	

\$4,865,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.71 YEARS
NET INTEREST RATE	4.350%
COST SAVINGS	\$84,488
AVERAGE ANNUAL REQUIREMENT	\$276,250

\$265,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	12.73 YEARS
NET INTEREST RATE	3.426%
COST SAVINGS	\$34,599
AVERAGE ANNUAL REQUIREMENT	\$12,279

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$4,719,165

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

City of Del Rio

51094 - Water Treatment Plant  
Expansion

Budget Items	TWDB Funds	Other Funds	Total
<b>Construction</b>			
Construction	\$2,438,868	\$11,213,092	\$13,651,960
<b>Subtotal for Construction</b>	<b>\$2,438,868</b>	<b>\$11,213,092</b>	<b>\$13,651,960</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$36,585	\$168,196	\$204,781
Design	\$195,109	\$897,048	\$1,092,157
Planning	\$36,583	\$168,196	\$204,779
<b>Subtotal for Basic Engineering Services</b>	<b>\$268,277</b>	<b>\$1,233,440</b>	<b>\$1,501,717</b>
<b>Special Services</b>			
Project Management (by engineer)	\$73,166	\$336,393	\$409,559
Surveying	\$24,389	\$180,390	\$204,779
<b>Subtotal for Special Services</b>	<b>\$97,555</b>	<b>\$516,783</b>	<b>\$614,338</b>
<b>Fiscal Services</b>			
Bond Counsel	\$33,201	\$86,799	\$120,000
Financial Advisor	\$33,200	\$86,799	\$119,999
Issuance Costs	\$99,527	\$260,203	\$359,730
<b>Subtotal for Fiscal Services</b>	<b>\$165,928</b>	<b>\$433,801</b>	<b>\$599,729</b>
<b>Contingency</b>			
Contingency	\$484,372	\$1,642,889	\$2,127,261
<b>Subtotal for Contingency</b>	<b>\$484,372</b>	<b>\$1,642,889</b>	<b>\$2,127,261</b>
<b>Total</b>	<b>\$3,455,000</b>	<b>\$15,040,005</b>	<b>\$18,495,005</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO  
THE CITY OF DEL RIO  
IN THE FORM OF A MULTI-YEAR COMMITMENT  
THROUGH THE PROPOSED PURCHASE OF  
\$3,455,000 CITY OF DEL RIO, TEXAS COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION,  
PROPOSED SERIES 2025A THROUGH PROPOSED SERIES 2027

(25- )

Recitals:

The City of Del Rio (City), located in Val Verde County, has filed an application for financial assistance in the amount of \$3,455,000 to finance the planning, design, and construction of a water supply project identified as Project No. 51094 (Project).

The City qualifies for financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$3,455,000 City of Del Rio, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025A through Proposed Series 2027 (Obligations), together with all authorizing documents, all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The City has offered a pledge of ad valorem taxes and surplus net revenue of the City's waterworks and sewer 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 § 363.1307.

Subject to the City's use of an approved debt service structure, the interest rate subsidy applicable to each subsequent proposed series may be different than the interest rate subsidy available for State Fiscal Year 2025 and will be set through each financing agreement executed between the TWDB and the City.

The interest rate subsidies as approved by the Board at its April 10, 2025 meeting, are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIFT bond issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIFT Program. The subsidies will be available to the City without regard to the source of funds.

The City requests a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss because the City has developed and implemented a plan to address the loss.

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.
2. And 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 application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M; or the requirements of Chapter 17, Subchapters D, E, and L, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A.
2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The public interest requires state assistance in the financing of this project, in accordance with Texas Water Code § 17.125(a)(1).
4. The City has adopted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
5. The City has completed its current water audit and filed it with the TWDB in accordance with Texas Water Code §§ 16.0121 and 16.053(j) and 31 TAC § 358.6.
5. Based on the conditions described above, the City is satisfactorily addressing the City's system water loss, which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss in accordance with Texas Water Code § 16.0121(g).
6. The City acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB commits to the following:

1. For the reasons stated above, the TWDB waives the requirements of Texas Water Code § 16.0121(g).
2. The TWDB will provide financial assistance to the City of Del Rio in the amount of \$3,455,000 from the State Water Implementation Revenue Fund for Texas or from the Financial Assistance Account of the Texas Water Development Fund II to be evidenced by the TWDB's proposed purchase of one or more City of Del Rio, Texas Combination Tax and Surplus Revenue Certificates of Obligation as follows.

- a. \$265,000 Proposed Series 2025A, to expire on December 31, 2025;
  - b. \$2,500,000 Proposed Series 2026, to expire on December 31, 2026; and
  - c. \$690,000 Proposed Series 2027, to expire on December 31, 2027.
3. The Executive Administrator is authorized to determine the source account, whether the State Water Implementation Revenue Fund for Texas or the Financial Assistance Account of the Texas Water Development Fund II for each subsequent series.

The commitment is subject to the following:

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 has 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 continued 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.
4. This commitment is contingent upon the City executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.
5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.
6. The City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. 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.
8. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

9. The Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
10. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by 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 SEC rule 15c2-12, the 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 the 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.
12. 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 established and required by the Obligations.
13. The Obligations must require the City to use any surplus financial assistance proceeds from the Obligations remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
14. 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 shall be of no force and effect.
15. 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.
16. Financial assistance proceeds shall 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.

17. The Obligations must require the City to report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.
18. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).
19. The City must abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
20. The City must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Government Code § 2.103 and Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.
21. The Obligations must require the City to submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
22. The Obligations must include a provision that, if the collateral or credit pledged by the City securing the Obligations is rated by a nationally-recognized statistical rating agency, the City, or other obligated person, will not discontinue the rating issued by a nationally-recognized statistical rating agency until the underlying Obligations are retired or no longer held by TWDB.

#### Tax-Exempt Conditions:

23. The Obligations must prohibit 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 section 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated under it (Regulations).
24. 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 section 148(a) of the Code and Regulations, including to acquire or to replace funds that were 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 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 lesser 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.
25. The Obligations must require the City to take all necessary steps to comply with the requirement that amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 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 thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and retain all records of the 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 the Gross Proceeds and the obligations acquired with the Gross 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 section 148(f) of the Code, section 1.148-3 of the Regulations, and the associated rulings. The City shall maintain a copy of the calculations for at least six years after the final Computation Date;
  - c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing 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 of TWDB's Bonds for federal income tax purposes;
  - d. exercise reasonable diligence to ensure 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, including payment to the United States of any interest and any penalty required by the Regulations.

26. 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.
27. 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 section 149(b) of the Code.
28. 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 the borrower’s obligations in contravention of section 149(d) of the Code (related to “advance refundings”).
29. The Obligations must provide that neither the City nor a party related to it 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.

Pledge Conditions:

30. The Obligations must contain a provision that provides as follows:
  - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
  - b. if surplus revenues are based upon budgeted amounts:
    - i. the Obligations must include a requirement that the City shall transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City’s pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
    - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and before the time taxes are to be levied for that year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination of the above into the Interest and Sinking

Fund for the repayment of the Obligations; and

- iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City that are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of the Obligations, or the City shall provide documentation that evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

Conditions To Close or for Release of Funds:

31. 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.
32. Before closing, if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel 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.
33. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
34. Before closing, the City shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.
35. Before closing, the City'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 City when rendering this opinion.
36. Before closing, the City's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.

37. 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.
38. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue 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.
39. Before closing, the City shall submit to the escrow agent a closing memo signed by the executive administrator.

Special Conditions:

40. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued 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 such a finding will be made before the release of funds for construction.
41. 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 City has the right to use the water that the Project financed by the TWDB will provide.

APPROVED and ordered of record this, the 24th day of July 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**

	<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:**

Validation Required:

Validation Performed:

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 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.



CITY OF DEL RIO  
109 West Broadway St.  
Del Rio, Texas 78840-5527

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*Mr. Bryan McMath, Interim Executive Administrator Texas  
Water Development Board  
Water Supply & Infrastructure - Regional Water Planning and Development  
Stephen F. Austin Building  
1700 N. Congress Avenue, 5th Floor Austin,  
Texas 78711-3231*

Re: City of Del Rio Water Loss Waiver Dear

Mr. McMath,

We are writing to formally request a water loss waiver for both upcoming State Water Implementation Fund for Texas (SWIFT) projects with the Texas Water Development Board. The City of Del Rio has submitted financial assistance applications for SWIFT Project #51094 Del Rio, Water Treatment Plant Expansion and Project #51093 Del Rio, Drill and equip a new well and connect to distribution system. The City of Del Rio is, and has been, working on several fronts over the years to decrease water loss in the City's water lines.

A leak detection and water audit study were conducted in October 2009 by JBS Water, Inc. subcontracted under Tetra Tech. This study reported that 28.7% of the City's produced water was non-revenue water and that 85% of the non-revenue water was due to pipe leakage in the City's old water mains and service lines. Based on those findings, Tetra Tech conducted a hydraulic analysis for the entire distribution system, separating the system into 5 areas in order of highest to lowest priority based on leaks in the area.

The City of Del Rio discusses below the current activities being implemented and planned activities to mitigate water loss along with its funding sources that the Executive Administrator can consider for the water loss waiver.

Current activities include replacing the remaining 960 meters out of 16,000 meters (6 percent) until 2027. The cost for the whole project was \$3.6 million and the funding source was a TWDB financial loan. The City started on an AMI meter replacement project for the City's 16,000 meters in September 2023. This project allows the City to monitor data in real-time and intercept and respond to leaks and outages more quickly. The City has replaced over 94% of the meters to date.

Future activities include Phase 2 that targets replacing an additional 59,000 linear feet of 8", 12", 16" and 18" water lines. The project will start in FY2026 with a total cost of \$14 million and funding sources are TWDB for \$6 million and North American Development Bank for \$8 million. In 2015, the City completed replacements of approximately 69,000 linear feet of pipe in Phase I, which totaled \$10 million and funding source was a TWDB financial loan.

While the SWIFT projects referenced above support the City's priority concern of bolstering its water supply capacity for its residents, as well as Laughlin Air Force Base, these continued efforts to replace water lines and install AMI meters exemplify the City's continued dedication to addressing water loss. The City greatly appreciates the opportunity to work with TWDB in addressing mounting water supply concerns and is happy to answer any questions or concerns regarding this water loss waiver request.

Sincerely,  
  
Public Works Director  
Gregory Velazquez,

CC: Carlos Canales, Water Production Superintendent  
Art Villareal, Water Production Assistant Superintendent Rogiero  
Sanchez, Assistant Public Works Director  
Lia Clark, Water Finance Exchange



# City of Del Rio Val Verde County

