



PROJECT FUNDING REQUEST

BOARD DATE: September 18, 2025

Team Manager: Candice De Lello

ACTION REQUESTED

Consider approving by resolution a request from the City of Granbury (Hood County) for a) \$57,800,000 in principal forgiveness from the Drinking Water State Revolving Fund – Emerging Contaminants Program for planning, design, and construction of a water system improvements 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 Infrastructure Investment and Jobs Act, 2021, Pub. L. 117-58 (IIJA) appropriated capitalization grant funds for Federal Fiscal Years (FFY) 2022 to 2026 to reduce exposure to perfluoroalkyl and polyfluoroalkyl substance (PFAS) and other emerging contaminants (EC) through drinking water and to help address discharges through wastewater and, potentially, nonpoint sources. All financial assistance will be made as 100 percent principal forgiveness.

The City of Granbury (City) is located in Hood County approximately 38 miles southwest of Fort Worth. The City provides water and wastewater services to a population of approximately 13,148 residents and 6,875 connections.

PROJECT NEED AND DESCRIPTION

The City has confirmed the presence of per- and poly-fluoroalkyl substances (PFAS) in Lake Granbury, the City's primary water source. The U.S. Environmental Protection Agency has identified PFAS as emerging contaminants of concern and is implementing requirements for water supply entities to address these substances.

This project proposes planning, design, and construction of a new water treatment plant (WTP) and upgrades to the existing WTP. Both facilities will incorporate advanced treatment processes for emerging contaminant reduction, enabling the City to meet PFAS removal requirements and safeguard the community's drinking water supply.

PROJECT SCHEDULE

Task	Schedule Date
Closing	January 19, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	February 15, 2027
Design Phase Completion	July 15, 2028
Start of Construction	November 15, 2028
Construction Completion	November 15, 2030

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE MARCH 31, 2026

KEY ISSUES

The City qualifies for 100 percent principal forgiveness through the emerging contaminants program through the Drinking Water State Revolving Fund. Therefore, this funding is not subject to the Texas Water Development Board's (TWDB) internal risk score analysis. For this request, the TWDB reviewed the City's annual audit and funding application information to assess the City's ability to manage existing obligations and business practices. Based on this analysis, the TWDB believes the City has adequate capabilities to manage its obligations.

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 loss. In 2025, the City began replacement of approximately 13,400 linear feet of aging water and a leaking 12-inch water line coming from its existing water treatment plant. Beginning in 2026, the City will enhance production meter and implement new billing software to improve alignment of reporting. These actions will help mitigate the City's real water loss, which justifies the water loss waiver.

Attachments:

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

Responsible Authority	City of Granbury
Program	DWSRF
Commitment Number	LF1002253
Project Number	63074
List Year	2024
Type of Pledge	N/A
Pledge Level (if applicable)	N/A
Legal Description	\$57,800,000 City of Granbury Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
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, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	NA

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Candice DeLello	Rand Zeolla	David Ornelas	Chris Caran	Walter Dean



Project Budget Summary
City of Granbury
63074 - Granbury Emerging Contaminants Reduction
Improvements

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	\$47,722,100	\$29,050,900	\$76,773,000
Subtotal for Construction	\$47,722,100	\$29,050,900	\$76,773,000
Basic Engineering Services			
Construction Engineering	\$614,000	\$0	\$614,000
Design	\$5,682,000	\$0	\$5,682,000
Planning	\$1,381,000	\$0	\$1,381,000
Subtotal for Basic Engineering Services	\$7,677,000	\$0	\$7,677,000
Special Services			
Application	\$20,000	\$0	\$20,000
Environmental	\$50,000	\$0	\$50,000
Geotechnical	\$50,000	\$0	\$50,000
Inspection	\$1,224,000	\$0	\$1,224,000
O&M Manual	\$150,000	\$0	\$150,000
Permits	\$600,000	\$0	\$600,000
Pilot Testing	\$100,000	\$0	\$100,000
Project Management (by engineer)	\$40,000	\$0	\$40,000
Surveying	\$100,000	\$0	\$100,000
Testing	\$50,000	\$0	\$50,000
Water Conservation Plan	\$0	\$15,000	\$15,000
Subtotal for Special Services	\$2,384,000	\$15,000	\$2,399,000
Fiscal Services			
Bond Counsel	\$5,000	\$52,000	\$57,000
Financial Advisor	\$11,900	\$119,000	\$130,900
Fiscal/Legal	\$0	\$12,000	\$12,000
Issuance Costs	\$0	\$1,500	\$1,500
Subtotal for Fiscal Services	\$16,900	\$184,500	\$201,400
Contingency			
Contingency	\$0	\$12,031,880	\$12,031,880
Subtotal for Contingency	\$0	\$12,031,880	\$12,031,880
Total	\$57,800,000	\$41,282,280	\$99,082,280

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO THE CITY OF
GRANBURY FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH \$57,800,000 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The City of Granbury (City), located in Hood County, has applied for financial assistance in the amount of \$57,800,000 from the Drinking Water State Revolving Fund-Emerging Contaminants Program (DWSRF-EC) to finance the planning, design, and construction of certain improvements to address emerging contaminants identified as Project No. 63074.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed execution of a Principal Forgiveness Agreement in an amount of \$57,800,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

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. No debt obligations are to be assumed by the City for the financial assistance and no taxes or revenues are required to be pledged by the City 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.* and Pub. L. 117-58, 135 Stat. 1401-1402, 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 City.
4. The City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques, or technology prescribed by the Texas Water Code and TWDB's rules.
5. The City is above the threshold for real loss. However, the City began remediation measures in 2025 to address such loss through the replacement of a significant portion of its leaking and aging water lines. Additionally, the City plans to implement enhancements to its meter calibration and reporting process that will help mitigate water loss.
6. 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).

7. The City has identified the contaminants to be addressed and demonstrated in a manner acceptable to the executive administrator that the project is viable, feasible, and sustainable.
8. The City 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).
9. Based on the conditions described above, the City is satisfactorily addressing its 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 system water loss in accordance with Texas Water Code § 16.0121(g).

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

1. For the reasons stated above, the TWDB waives the requirements of Texas Water Code § 16.0121(g).
2. A commitment is made by the TWDB to the City of Granbury for financial assistance in the amount of \$57,800,000 from the Drinking Water State Revolving Fund through the TWDB's execution of a Principal Forgiveness Agreement in the amount of \$57,800,000. This commitment will expire on March 31, 2026.

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 City.
3. This commitment is contingent on the City executing a Principal Forgiveness Agreement in form and substance acceptable to the Executive Administrator.
4. This commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371.

5. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.
6. The Obligations must contain a provision requiring the City 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.
7. The Obligations must include a provision requiring the City 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.
8. 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.
9. 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.
10. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site, 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 City 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 City or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.
11. Before closing, and if not previously provided with the application, the City 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.
12. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City 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.

13. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
14. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
15. The City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).
16. The Obligations must provide that the City will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
17. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

State Revolving Fund Conditions;

18. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
19. 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 City, 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.
20. The Obligations must include a provision stating that the City 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 City 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.
21. 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 City will adhere to the approved project schedule.
22. The Principal Forgiveness Agreement must contain a covenant that the City 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.

23. The Principal Forgiveness Agreement must contain a covenant that the City shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
24. Principal Forgiveness Agreement must contain a covenant that the City 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;

25. 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 City 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.
26. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City 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.

APPROVED and ordered of record this 18th day of September, 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:

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:

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.



August 8, 2025

Mr. Bryan McMath, 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 Granbury (PWS ID: TX1110001) Water Loss Waiver

Dear Mr. McMath,

We are writing to request a waiver for the water loss audit requirement under Texas Administrative Code Section 358.6(f) for our upcoming DWSRF-EC #630 Application for the City of Granbury DWSRF Emerging Contaminants (Application No. 63074). The retail public utility is exceeding its real water loss threshold. As a result, the city is submitting a request to waive the requirement of using a portion of any financial assistance received from TWDB for a water supply project to mitigate the utility's water loss.

Current Projects

Elizabeth Blvd. and Penrod Dr. Water Line Improvements

- Replacement of approximately 4,700 linear feet of old cast iron water line with new 8" C-900 PVC water line.
- Construction Start Date: May 12, 2025
- Anticipated Completion Date: September 9, 2025
- Funding Source: City Bond Funds
- Project Cost: \$929,870.00

Business 377 Crossing Replacement

- Replacement of a 12" water line crossing under Business US 377 coming from the Water Treatment Plant. This line has been repaired in the past and has been prone to leaks.
- Construction Start Date: July 27, 2025
- Anticipated Completion Date: August 25, 2025
- Funding Source: Utility Fund
- Estimated Project Cost: \$100,000.00

Planned Projects

US 377 Utility Relocation Project

- This project includes approximately 8,700 linear feet of new water lines (ranging from 8" to 20" diameter) to replace existing water lines along the US 377 corridor, including numerous TxDOT highway crossings, a lake crossing, and other older distribution lines with new C-900 PVC water line.
- Estimated Start Date: November 2025
- Estimated Completion Date: September 2026
- Funding Source: City Bond Funds
- Estimated Project Cost: \$7,900,000.00

Cast Iron Water Line Replacement

- This project includes replacement of approximately 4,700 linear feet of existing galvanized and cast iron water mains along US Business 377 (Pearl Street) with new 8" C-900 PVC water lines. The existing galvanized and cast iron water lines are some of the last remaining cast iron lines in the system and are one of the main areas of leaks within the system.
- Estimated Start Date: 2026
- Estimated Completion Date: 2027
- Funding Source: City Bond Funds
- Estimated Project Cost: \$1,000,000.00

Strengthening Calibration Program

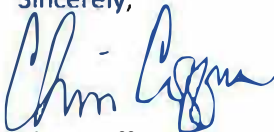
- Enhancement of volumetric testing and calibration program for all production meters.
- Testing will include low, medium and high flows to ensure accuracy across all operating conditions.
- Estimated Start Date: 2026
- Funding Source: Water O&M Budget
- Estimated Project Cost: \$50,000.00

Leveraging Capabilities of New Billing Software with AMI Data

- Use new billing software to generate reports based on monthly cycles (rather than billing cycles), to maximize the use of AMI data and align billed consumption with the Total System Input Volume and reporting period.
- Estimated Start Date: 2026
- Funding Source: Water O&M Budget
- Estimated Project Cost: \$25,000.00

The City of Granbury appreciates your consideration on this matter and looks forward to the completion of all these projects. This project is critical to the health and safety of our citizens.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Coffman".

Chris Coffman, CPM
City Manager

CC: Keith Kindle PE. eHT



City of Granbury Hood County

