PROJECT FUNDING REQUEST

BOARD DATE: September 18, 2025 **Team Manager:** Bill Blaik

ACTION REQUESTED

Consider approving by resolution a request from the G-M Water Supply Corporation (Sabine and San Augustine counties) for $5,155,000 in financial assistance consisting of $1,550,000 in financing and $3,605,000 in grant funding from the Water Loan Assistance Fund for planning, design, and construction of water system improvements.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The G-M Water Supply Corporation (Corporation) is located 150 miles northeast of Houston. The Corporation provides water services to a population of approximately 11,220 residents and approximately 3,595 water connections.

PROJECT NEED AND DESCRIPTION

The Corporation's water distribution system is 53 years old and its water lines are made of PVC, ductile iron, reinforced concrete pipe, and high-density polyethylene. The Corporation estimates approximately 3 line breaks per week and that it loses approximately 50 million gallons of water per year, which amounts to 24 percent of water treated in the system. In addition, water demand in the Corporation's service area is projected to increase from the current 570,000 gallons daily to 960,000 gallons daily by 2050. The Corporation's nine booster pumps are over 20 years old and one does not meet the Texas Commission on Environmental Quality's pumping requirements, though no violations have been received.

To address water loss in the distribution system, the Corporation proposes to replace 4,500 feet of water distribution lines and add 2,000 feet of new water distribution lines. The Corporation plans to replace between 4 and 8 booster pumps to be determined during the planning phase of the project. To expand its water supply, the Corporation proposes to construct one or more primary components. The primary components include expanding its surface water treatment plant capacity to 1 million gallons per day and either adding a 250 gallons-per-minute (GPM) water well or rehabilitating a 425 GMP water well. Any cost savings realized from the chosen alternative will be funds used to replace additional distribution lines.

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

PROJECT SCHEDULE

Task	Schedule Date
Closing	December 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	December 13, 2026
Design Phase Completion	August 10, 2027
Start of Construction	November 8, 2027
Construction Completion	November 7, 2029

KEY ISSUES

The Corporation qualifies for $3,605,000 in grant funding as an applicant with a population between 10,001 and 150,000 for a water loss mitigation project.

The Corporation is above its threshold for real water loss. The proposed project includes replacing 4,500 feet of distribution lines with extensive water loss. The proposed project will help the Corporation mitigate its real water loss.

LEGAL/SPECIAL CONDITIONS

- Executed grant agreement
- Return of surplus funds
- Notice of change in legal status
- Notice of conveyance
- Water rights certification

Attachments:

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

Financial Review
G-M Water Supply Corporation

Risk Score: 2C

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.90%	State: 1.49%
Top 10 Customers % of Total Revenue	4%	10-15%
Median Household Income as % of State	64%	100%
Days of Cash on Hand (3-year Average)	80 days	30-149 days
Net Fixed Assets/ Annual Depreciation	13 years	12-24 years
Debt Service Coverage Ratio	0.72x	1.0x
Debt-to-Operating Revenues	2.46	4.00-5.99x
Unemployment Rate (May 2025)	County: 6.00%	State: 4.40%
Working Capital Ratio	0.9	> 1.0

Key Risk Score Strengths

- The Corporation maintains a low debt to operating revenues ratio, indicating strong fiscal discipline and a sustainable debt burden. This prudent financial management enhances the Corporation’s creditworthiness, providing flexibility for future capital investments without over-reliance on borrowing.
- The Corporation has a low percentage of revenue derived from its top ten customers, indicating a well-diversified customer base that reduces reliance on any single entity. This enhances the Corporation’s financial stability and minimizes the risk of revenue fluctuations due to changes in individual customer relationships.

Key Risk Score Concerns

- The Corporation’s household cost factor is above the benchmark at 2.73 percent.
- While the Corporation has a low median household income, it has started to improve their financial performance through prudent budget management such as implementing a rate increase, diverse revenue sources, and stable reserves, ensuring its ability to meet obligations and sustain operations effectively.
- The Corporation’s debt service coverage falls below 1.0x coverage, indicating the need to increase rates by approximately $2.81; however, the Corporation implemented a $10 rate increase in September 2024 alleviating the need for any additional rate adjustments. The $10 rate increase is not reflected in the 2024 audit.

PLEDGE

Legal Pledge Name	Utility 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	3,264	$65.00	$65.00	2.73	2.73

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Corporation could save approximately $874,605 over the life of the financing. The Corporation is also saving $3,605,000 in grant funding.

Texas Water Development Board

Project Data Summary

Responsible Authority	G-M WSC
Program	WLAF
Commitment Number	G1002189, L1002190
Project Number	21886
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$3,605,000 Grant Agreement, $1,550,000 G-M Water Supply Corporation Water System Revenue Loan, Proposed Taxable Series 2025
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
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	2C

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
Bill Blaik	Arnoldo Rubio	Grace Davila	Gayla Duaine	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
G-M Water Supply Corporation

$1,550,000 G-M Water Supply Corporation Water System Revenue Loan, Proposed Taxable Series 2025

Dated Date:	**12/1/2025**	**Source:**	**RWAF**
Delivery Date:	**12/1/2025**	**Rate:**	**3.80%**
First Interest:	**3/1/2026**	**IUP Year:**	**2024**
First Principal:	**3/1/2027**	**Case:**	**System Revenue**
Last Principal:	**3/1/2056**	**Admin.Fee:**	**$0**
Fiscal Year End:	**12/31**	**Admin. Fee Payment Date:**	**N/A**
Required Coverage:	**1.0**		

	PROJECTED	CURRENT	$1,550,000 ISSUE					
FISCAL YEAR	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2026	$396,798	$348,737	-	-	$48,061	$48,061	$396,798	1.00
2027	438,794	351,560	$30,000	2.93%	57,234	87,234	438,794	1.00
2028	438,794	349,190	30,000	2.93%	56,355	86,355	435,545	1.01
2029	438,794	346,737	30,000	2.95%	55,473	85,473	432,210	1.02
2030	438,794	349,176	35,000	3.05%	54,496	89,496	438,672	1.00
2031	438,794	346,520	35,000	3.08%	53,424	88,424	122,944	1.01
2032	438,794	348,768	35,000	3.26%	52,314	87,314	436,082	1.01
2033	438,794	345,921	35,000	3.29%	51,168	86,168	432,089	1.02
2034	438,794	347,967	35,000	3.47%	49,985	84,985	432,952	1.01
2035	438,794	349,827	40,000	3.49%	48,680	88,680	438,507	1.00
2036	438,794	346,592	40,000	3.51%	47,280	87,280	433,872	1.01
2037	438,794	348,267	40,000	3.57%	45,864	85,864	434,131	1.01
2038	438,794	344,842	40,000	3.60%	44,430	84,430	429,272	1.02
2039	438,794	346,316	45,000	3.63%	42,893	87,893	434,209	1.01
2040	438,794	347,613	45,000	3.65%	41,255	86,255	433,868	1.01
2041	438,794	214,218	45,000	4.03%	39,527	84,527	298,745	1.47
2042	438,794	215,336	50,000	4.04%	37,610	87,610	302,946	1.45
2043	438,794	216,283	50,000	4.05%	35,588	85,588	301,871	1.45
2044	438,794	217,044	55,000	4.06%	33,459	88,459	305,503	1.44
2045	438,794	212,706	55,000	4.07%	31,223	86,223	298,929	1.47
2046	438,794	213,282	55,000	4.08%	28,982	83,982	297,264	1.48
2047	438,794	164,417	60,000	4.09%	26,633	86,633	251,050	1.75
2048	438,794	142,429	60,000	4.10%	24,176	84,176	226,605	1.94
2049	438,794	-	65,000	4.10%	21,613	86,613	86,613	5.07
2050	438,794	-	65,000	4.11%	18,945	83,945	83,945	5.23
2051	438,794	-	70,000	4.12%	16,167	86,167	86,167	5.09
2052	438,794	-	75,000	4.12%	13,180	88,180	88,180	4.98
2053	438,794	-	75,000	4.13%	10,086	85,086	85,086	5.16
2054	438,794	-	80,000	4.14%	6,882	86,882	86,882	5.05
2055	438,794	-	85,000	4.15%	3,462	88,462	88,462	4.96
2056	438,794	-	90,000	1.89%	849	90,849	90,849	4.83
		$6,813,748	$1,550,000		$1,097,285	$2,647,285	$9,149,033	

AVERAGE (MATURITY) LIFE	**18.62 YEARS**
NET INTEREST RATE	**3.801%**
COST SAVINGS	**$874,605**
AVERAGE ANNUAL REQUIREMENT	**$85,396**

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

G-M WSC

21886 - Water Distribution Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	$3,700,000.00	$3,700,000.00
Subtotal for Construction	**$3,700,000.00**	**$3,700,000.00**
Basic Engineering Services		
Construction Engineering	$271,040.00	$271,040.00
Design	$295,600.00	$295,600.00
Planning	$131,000.00	$131,000.00
Subtotal for Basic Engineering Services	**$697,640.00**	**$697,640.00**
Special Services		
Environmental	$54,000.00	$54,000.00
Surveying	$48,000.00	$48,000.00
Water Distribution Modeling	$148,000.00	$148,000.00
Subtotal for Special Services	**$250,000.00**	**$250,000.00**
Fiscal Services		
Financial Advisor	$73,179.00	$73,179.00
Fiscal/Legal	$10,000.00	$10,000.00
Issuance Costs	$26,821.00	$26,821.00
Subtotal for Fiscal Services	**$110,000.00**	**$110,000.00**
Contingency		
Contingency	$397,360.00	$397,360.00
Subtotal for Contingency	**$397,360.00**	**$397,360.00**
Total	$5,155,000.00	$5,155,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
$5,155,000 TO G-M WATER SUPPLY CORPORATION
FROM THE WATER LOAN ASSISTANCE FUND
THROUGH THE PROPOSED PURCHASE OF
A PROMISSORY NOTE IN THE AMOUNT OF $1,550,000
AND EXECUTION OF A LOAN AGREEMENT
AND
EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF $3,605,000

(25-)

Recitals:

The G-M Water Supply Corporation (Corporation), located in Sabine and San Augustine Counties, Texas, has filed an application for financial assistance in the amount of $5,155,000, to finance certain water system improvements, identified as Project No. 21886.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of $5,155,000 through the TWDB's purchase of a Promissory Note in the amount of $1,550,000 and execution of a Loan Agreement (Obligations), together with all authorizing documents, and execution of a Grant Agreement in the amount $3,605,000, 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 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 § 363.16.

The Board hereby authorizes the transfer of $5,155,000 from the Texas Water Fund to the Water Assistance Fund, as authorized by Texas Water Code § 15.504(a).

The Board hereby authorizes the transfer of $5,155,000 from the Water Assistance Fund to the Water Loan Assistance fund, as authorized by Texas Water Code § 15.011(b).

In accordance with Texas Water Code § 15.105, 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 project and the benefit of the project to the area in relation to the needs of other areas requiring state assistance in any manner and the benefits of those projects to the other areas.

2. The availability of revenue to the Corporation, from all sources, for the ultimate repayment of the cost of the project, including interest.

3. The relationship of the project to overall statewide needs.

4. The ability of the Corporation to finance the project without state assistance.

5. The ability of the applicant to construct the project without the grant and benefits of the project to water and wastewater needs of the state.

Findings:

1. The public interest requires state assistance in the financing of this project, in accordance with Texas Water Code § 15.106(a)(1).

2. In its opinion the tax or revenue pledged by the Corporation will be sufficient to meet all the Obligations assumed by the Corporation, in accordance with Texas Water Code § 15.106(a)(2).

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 that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).

6. The Corporation has completed its current water audit required by Texas Water Code § 16.0121 and has filed it with the TWDB, in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the G-M Water Supply Corporation for financial assistance in the amount of $5,155,000 from the Water Loan Assistance Fund through a transfer from the Texas Water Fund to the Water Loan Assistance Fund through the Water Assistance Fund, to be evidenced by the TWDB's proposed purchase of a Promissory Note in the amount of $1,550,000 and execution of a Loan Agreement and the execution of a Grant Agreement in the amount of $3,605,000. This commitment will expire on March 31, 2026.

This commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB.

2. Before closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the debt;

3. This commitment is contingent upon the Corporation'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. 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 the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;

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

6. 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.

7. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

8. The Obligations must provide that 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 SEC rule 15c2-12, the 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 the bonds under SEC Rule 15c2-12.

9. The Obligations must require the Corporation 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.

10. The Obligations must require the Corporation 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.

11. The Obligations and Grant Agreement 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.

12. Financial assistance proceeds are public funds. Therefore, the Grant Agreement and 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.

13. Financial assistance proceeds shall not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations and Grant Agreement must provide that 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.

14. Before closing, the Corporation 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.

15. Before closing, and if required under the TWDB’s financial assistance program and not previously provided with the application, the Corporation must submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB’s financial assistance for the project, in a form and substance satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator.

16. Before closing, when any portion of financial assistance proceeds are to be held in escrow or in trust, the Corporation must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.

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

18. The Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

19. The Corporation 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 F and Texas Water Code § 17.183.

20. The Corporation 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).

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.

Water Supply Corporation Conditions:

22. The Obligations must include a provision stating that the Corporation's indebtedness to the TWDB shall be 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. Before 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.

28. 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 entity; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.

29. 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.

30. 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.

The Following Conditions Must Be Included in the Grant Agreement:

31. The Grant Agreement 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.

32. The Grant Agreement must provide that the Corporation will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project.

33. The Grant Agreement must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

34. The Grant Agreement must a include a provision requiring a final accounting to be made of the total sources and authorized use of Project funds within 60 days of the completion of the Project.

35. The Grant Agreement must include a provision stating that the Corporation shall return any grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the grant funds in a manner approved by the executive administrator.

36. The Grant Agreement must contain a provision stating that the Corporation shall 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.

37. Before release of funds for the relevant services, and if required under the TWDB's financial assistance program and if not previously provided with the application, the Corporation shall submit executed contracts for engineering and, if applicable, financial advisor and legal services, 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.

38. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Corporation 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.

39. Before 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, if all acquisitions have not been completed, evidence that the applicant has the legal Corporation necessary to complete the acquisitions.

Pledge Conditions:

40. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial 60 months following the issuance of the Obligations.

41. 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 provided 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.

42. **T**he Obligations must provide that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than 90 days preceding the adoption of the additional obligations as certified by a certified public accountant.

Special Conditions:

43. Before 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 such a finding will be made before the release of funds for construction;

44. Before 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;

45. The Corporation must notify the Executive Administrator in writing 30 days before taking any actions to alter its legal status in any manner.

46. The Obligations must require 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.

47. Before closing, the Corporation shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator.

APPROVED and ordered of record this, the 18th day of September 2025.

TEXAS WATER DEVELOPMENT BOARD

____
L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _________________________

ATTEST:

____
Bryan McMath, Executive Administrator

Attachment 4

☑ Water
☐ Wastewater
☐ Other ______________

WATER CONSERVATION REVIEW

Review Date: 07/07/2025
Project ID: 21886

Entity: G-M Water Supply Corporation

Other entity:

WATER CONSERVATION PLAN DATE: 2024 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	**58**	37	18
5-year Goal	54	36	15
10-year Goal	50	35	12

WATER LOSS AUDIT YEAR: 2024 Validation Required: Yes Validation Performed: Yes

Service connections: 4,162
Retail population: 12,486
Length of main lines (miles): 250
Connections per mile: 17
Water Loss GCD: 45
Water Loss GPCD: 15
ILI: 1
Real Loss GMD: 746

WATER LOSS THRESHOLDS Water Loss Project: ☑ Waiver Requested: ☐

Wholesale Adjusted: ☐

Threshold Type:

Connection Density < 32 per mile

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
.46	5	45	30

Does the applicant meet Water Loss Threshold Requirements? **Yes** ☐ **No** ☑ **NA** ☐

ADDITIONAL INFORMATION

The corporation's water conservation plan meets minimum requirements, utilizes several best management practices, and implements the following to achieve goals
• provide flyers and tips on water conservation to customers and post "Conserve Water" signs throughout the system during summer months,
• prepare monthly internal reports and do annual reviews to evaluate the effectiveness of the existing strategies, and identify new strategies that can be implemented,
• leak detection through visual inspections and an alarm system notifications for decreased pressure in the system.

STAFF NOTES AND RECOMMENDATIONS

Water Loss Audit Validation Requirement Satisfied.

The corporation is above its threshold for real water loss. This project includes replacing approximately 4,500 linear feet almost (1%) of its water lines that experience frequent water leaks and water loss due to aging and deteriorating infrastructure. The corporation also proposes booster station upgrades and water system study and mapping.

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.

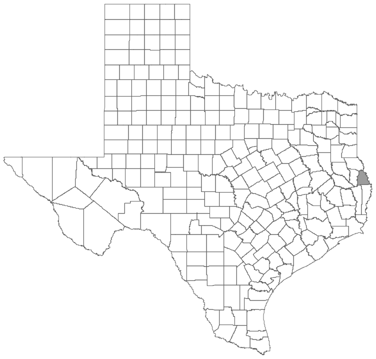
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



G-M WSC
Sabine County