



PROJECT FUNDING REQUEST

BOARD DATE: September 18, 2025

Team Manager: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the City of Port Arthur (Jefferson County) for \$4,806,122 in financial assistance consisting of \$2,355,000 in financing and \$2,451,122 in principal forgiveness funding from the Drinking Water State Revolving Fund Lead Service Replacement Program for planning of a water system improvements 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 for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines. Projects being presented for consideration have been scored and ranked using prioritization criteria in the Drinking Water State Revolving Fund Lead Service Line Replacement State Fiscal Year 2025 Intended Use Plan. The prioritized list of projects was approved by the Texas Water Development Board in September 2024. All financial assistance will be made at the ratio of 51 percent principal forgiveness and 49 percent financing.

The City of Port Arthur (City) is located 90 miles east of Houston. The City provides water and wastewater services to a population of approximately 56,039 residents and approximately 17,774 water and 16,868 wastewater connections.

PROJECT NEED AND DESCRIPTION

The City has approximately 18,982 service lines in its water distribution system and presumes that some of its water lines are composed of lead or galvanized materials. The City needs to inventory its system to identify the location of these water lines.

The City has inventoried approximately 24 percent of the water service lines in its distribution system, identifying 134 lines as containing lead and needing replacement. The City estimates it will complete the inventory of the entire distribution system by October 2026. The City is not requesting funding for the replacement of lines identified as containing lead or galvanized materials.

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE SEPTEMBER 30, 2026

PROJECT SCHEDULE

| Task | Schedule Date |
|----------------------|----------------------|
| Closing | December 1, 2025 |
| Inventory Completion | October 30, 2026 |

KEY ISSUES

The City qualifies for principal forgiveness from the Drinking Water State Revolving Fund Lead Service Line Replacement Program.

The City qualifies as disadvantaged for this funding program due to 51 percent or more of the benefiting households having an annual median household income that does not exceed 150 percent of that of the state.

To reimburse inventory work, the proposed project is eligible for \$2,451,122 in principal forgiveness and \$2,355,000 in financing at zero-percent interest with a term of up to 15 years.

LEGAL/SPECIAL CONDITIONS

- Executed principal forgiveness agreement
- Return of surplus funds

Attachments:

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

Financial Review

City of Port Arthur

Risk Score: 2BAudit Reviewed: FY 2024

Key Indicators

| Indicator | Result | Benchmark |
|---|---------------|--------------|
| Population Growth, Average Annual 2010-2020 | City: 0.41% | State: 1.49% |
| Top 10 Customers % of Total Revenue | 46% | 10-15% |
| Median Household Income as % of State | 62% | 100% |
| Days of Cash on Hand (3-year Average) | 21 days | 30-149 days |
| Net Fixed Assets/ Annual Depreciation | 20 years | 12-24 years |
| Debt Service Coverage Ratio | 1.49x | 1.1x |
| Debt-to-Operating Revenues | 1.69 | 4.00-5.99x |
| Unemployment Rate (May 2025) | County: 7.40% | State: 4.00% |
| Working Capital Ratio | 0.52 | > 1.0 |
| Cash Balance Ratio | -6.75% | 0-9.99% |

Key Risk Score Strengths

- The City maintains a debt service coverage ratio at a level that adequately covers its debt obligations. While not excessive, the coverage provides a reasonable buffer against economic fluctuations and ensures continued debt repayment capacity.
- The City maintains a low debt to operating revenues ratio, indicating strong fiscal discipline and a sustainable debt burden.

Key Risk Score Concerns

- The City's top 10 water customers account for 46 percent of the system revenue, with a single energy company representing 33 percent of that total. A stress test was conducted excluding this revenue, which projected a potential rate increase of \$12.70 needed by 2026.
- The City's cash balance ratio is below the benchmark due to several major federally funded flood mitigation projects from 2022 to 2024. Despite this reduced liquidity position, the City retains sufficient fiscal capacity to rebuild reserves over time. A comprehensive rate study is underway to increase revenues in alignment with system demands, laying the groundwork for long-term financial sustainability.
- The working capital ratio is currently 0.52, below the 1.0 benchmark, due to depleted cash levels from prior underfunding. The City is addressing this through the ongoing rate study, which will guide adjustments needed to improve the City's short-term liquidity.
- The City's household cost factor is currently 2.40 percent, exceeding the affordability benchmark of 2 percent. Despite this, no further rate increases are anticipated to meet existing obligations. Additionally, the utility system has experienced a 49 percent increase in revenue and a 4percent growth in customer connections over the past five years, indicating improved system performance and a broader rate base to support financial sustainability.

- The 2024 audit reported one material weakness in internal controls due to errors in financial reporting. Issues included untimely reconciliations, grant revenue recognition errors, and lack of review on key accounts. These were attributed to high staff turnover and the challenges of operating two financial systems during a software transition. Since then, the City has added staff, returned to a single system, and approved updated financial policies. Full implementation of revised procedures is expected by September 30, 2025.

PLEDGE

| | |
|----------------------|--|
| Legal Pledge Name | Combination Tax and Surplus System Revenues |
| 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 | 6,000 | \$45.05 | \$45.05 | 2.40 | 2.40 |
| Wastewater | 6,000 | \$45.82 | \$45.82 | | |

TAXES

| | 2024 Tax Year Rate | Max Projected Tax Rate | Maximum Allowable Rate | 3-Year Avg Current Tax Collections | Assessed Valuation |
|-------------------------|--------------------|------------------------|------------------------|------------------------------------|--------------------|
| Maintenance & Operation | \$0.376099 | \$0.376099 | \$2.50 | 92% | \$4,487,015,300 |
| Interest & Sinking | \$0.250173 | \$0.250173 | | | |
| Total Tax Rate | \$0.626272 | \$0.626272 | | | |

Cost Savings

Based on a 15-year maturity schedule and current interest rates, the City could save approximately \$1,022,459 over the life of financing. The City is also saving \$702,778 in principal forgiveness.

Project Data Summary

| | |
|--|---|
| Responsible Authority | City of Port Arthur |
| Program | DWSRF |
| Commitment Number | L1002129, LF1002130 |
| Project Number | 63079 |
| List Year | 2025 |
| Type of Pledge | Combo Tax and Revenue |
| Pledge Level (if applicable) | Third Lien |
| Legal Description | \$2,355,000 City of Port Arthur, Texas Combination Tax and Surplus Revenue, Taxable Certificate of Obligation, Proposed Series 2025, \$2,451,122 City of Port Arthur, Texas Principal Forgiveness Agreement |
| Tax-exempt or Taxable | Taxable |
| Refinance | No |
| Outlay Requirement | Yes |
| Disbursement Method | Escrow |
| Outlay Type | Outlay = Escrow Release |
| Qualifies as Disadvantaged | Yes |
| State Revolving Fund Type | Equivalency |
| Financial Managerial & Technical Complete | Yes |
| Phases Funded | Planning |
| Pre-Design | No |
| Project Consistent with State Water Plan | N/A |
| Water Conservation Plan | Adopted |
| Overall Risk Score | 2B |

PROJECT TEAM

| Team Manager | Financial Analyst | Engineering Reviewer | Environmental Reviewer | Attorney |
|----------------|-------------------|----------------------|------------------------|---------------|
| Nancy Richards | Raul Flores | Grace Davila | Gayla Duaine | Michael Perez |

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Port Arthur

\$2,355,000 City of Port Arthur, Texas Combination Tax and Surplus Revenue Taxable Certificate of Obligation, Proposed Series 2025

| | |
|-----------------------------------|--|
| Dated Date: 12/1/2025 | Source: DWSRF-EQUIVALENCY |
| Delivery Date: 12/1/2025 | Rate: 0.00% |
| First Interest: 3/15/2026 | IUP Year: 2025 |
| First Principal: 3/15/2026 | Case: Tax and Revenue |
| Last Principal: 3/15/2040 | Admin.Fee: \$46,176 |
| Fiscal Year End: 09/30 | Admin. Fee Payment Date: 12/1/2025 |
| Required Coverage: 1.1 | Total Assessed Valuation: \$4,487,015,300 |

| FISCAL YEAR | CURRENT TAX RATE | TAX REVENUES WITH COLL. @ 92% | PROJECTED NET SYSTEM REVENUES | PROJECTED TOTAL REVENUES | CURRENT DEBT SERVICE | \$2,355,000 ISSUE | | | | TOTAL DEBT SERVICE | TOTAL DEBT COVERAGE | |
|-------------|------------------|-------------------------------|-------------------------------|--------------------------|----------------------|-------------------|---------------|------------------|---------------|--------------------|---------------------|--|
| | | | | | | PRINCIPAL PAYMENT | INTEREST RATE | INTEREST PAYMENT | TOTAL PAYMENT | | | |
| 2026 | \$0.250173 | \$10,327,277 | \$7,634,993 | \$17,962,270 | \$11,906,392 | \$155,000 | 0% | \$0 | \$155,000 | \$12,061,392 | 1.49 | |
| 2027 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 11,891,467 | 155,000 | - | - | 155,000 | 12,046,467 | 1.49 | |
| 2028 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 11,593,325 | 155,000 | - | - | 155,000 | 11,748,325 | 1.53 | |
| 2029 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 10,197,109 | 155,000 | - | - | 155,000 | 10,352,109 | 1.74 | |
| 2030 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 10,209,234 | 155,000 | - | - | 155,000 | 10,364,234 | 1.73 | |
| 2031 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 9,606,380 | 155,000 | - | - | 155,000 | 9,761,380 | 1.84 | |
| 2032 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 9,601,704 | 155,000 | - | - | 155,000 | 9,756,704 | 1.84 | |
| 2033 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 9,597,745 | 155,000 | - | - | 155,000 | 9,752,745 | 1.84 | |
| 2034 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 9,603,845 | 155,000 | - | - | 155,000 | 9,758,845 | 1.84 | |
| 2035 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 9,600,190 | 155,000 | - | - | 155,000 | 9,755,190 | 1.84 | |
| 2036 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 9,595,899 | 155,000 | - | - | 155,000 | 9,750,899 | 1.84 | |
| 2037 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 9,602,563 | 155,000 | - | - | 155,000 | 9,757,563 | 1.84 | |
| 2038 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 8,928,923 | 165,000 | - | - | 165,000 | 9,093,923 | 1.98 | |
| 2039 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 8,922,912 | 165,000 | - | - | 165,000 | 9,087,912 | 1.98 | |
| 2040 | 0.250173 | 10,327,277 | 7,634,993 | 17,962,270 | 8,927,834 | 165,000 | - | - | 165,000 | 9,092,834 | 1.98 | |
| | | | | | \$149,785,519 | \$2,355,000 | | | \$0 | \$2,355,000 | \$152,140,519 | |

| | |
|----------------------------|------------|
| AVERAGE (MATURITY) LIFE | 7.37 YEARS |
| NET INTEREST RATE | 0.000% |
| COST SAVINGS | \$ 702,778 |
| AVERAGE ANNUAL REQUIREMENT | \$157,000 |

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 Port Arthur
63079 - Lead Service Line Inventory

| Budget Items | TWDB Funds | Total |
|--|-----------------------|-----------------------|
| Basic Engineering Services | | |
| LSLR Inventory | \$4,464,946.00 | \$4,464,946.00 |
| Subtotal for Basic Engineering Services | \$4,464,946.00 | \$4,464,946.00 |
| Fiscal Services | | |
| Bond Counsel | \$60,000.00 | \$60,000.00 |
| Loan Origination Fee | \$46,176.00 | \$46,176.00 |
| Subtotal for Fiscal Services | \$106,176.00 | \$106,176.00 |
| Contingency | | |
| Contingency | \$235,000.00 | \$235,000.00 |
| Subtotal for Contingency | \$235,000.00 | \$235,000.00 |
| Total | \$4,806,122.00 | \$4,806,122.00 |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,806,122 TO THE CITY OF PORT ARTHUR
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$2,355,000 CITY OF PORT ARTHUR, TEXAS, COMBINATION TAX AND SURPLUS
REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED TAXABLE SERIES 2025
AND
\$2,451,122 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The City of Port Arthur (City), located in Jefferson County, has applied for financial assistance in the amount of \$4,806,122 from the Drinking Water State Revolving Fund-Lead Service Line Replacement Program (DWSRF-LSLR) to finance the inventory of certain water system improvements identified as Project No. 63079.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$2,355,000 City of Port Arthur, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2025 (Obligations), together with all authorizing documents, and the execution of a Principal Forgiveness Agreement in an amount of \$2,451,122, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of ad valorem taxes and the surplus revenues of the City's water and sewer system as sufficient security for the repayment of the Obligations.

Findings:

1. The revenue or taxes pledged by the City will be sufficient to meet all the Obligations assumed 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. 1400-1401, as well as state law, in accordance with Texas Water Code § 15.607.
3. 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.
4. 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).

5. The City is eligible for principal forgiveness through the DWSRF-LSLR in a total amount not to exceed \$2,451,122 and financial assistance in the amount of \$2,355,000 with a reduced interest rate of zero percent.

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

A commitment is made by the TWDB to the City of Port Arthur for financial assistance in the amount of \$4,806,122 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$2,355,000 City of Port Arthur, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2025 and the execution of a Principal Forgiveness Agreement in the amount of \$2,451,122. This commitment will expire on September 30, 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 upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371.
4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations at a redemption price of par.
6. 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 the rule, this 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 those bonds under SEC Rule 15c2-12.

7. 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.
8. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project explicitly approved by the Executive Administrator, or, if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds.
9. 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.
10. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
11. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
12. Proceeds of this commitment must not be used by the 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.
13. Before closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.

14. Before closing, and if not previously provided with the application, the 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.
15. 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.
16. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
17. The TWDB retains the option to purchase the Obligations in separate lots or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.
18. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
19. 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.
20. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
21. 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).
22. 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.
23. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

State Revolving Fund Conditions;

24. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.

25. 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.
26. 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.
27. 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.
28. The Obligations and 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.
29. The Obligations and 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.
30. The Obligations and 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;

31. The City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
32. 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.
33. 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.

Pledge Conditions;

34. 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 which 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 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 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 or both, 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 these, 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 which 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 which 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.

Special Conditions:

35. Before closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
36. The Principal Forgiveness Agreement must include a provision stating that the City shall return any principal forgiveness funds that are determined to be surplus funds.

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:

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 benchmarking 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 Port Arthur Jefferson County

