



PROJECT FUNDING REQUEST

BOARD DATE: September 12, 2024

Team Manager: William Alfaro

ACTION REQUESTED

Consider approving by resolution a request from the East Rio Hondo Water Supply Corporation (Cameron County) for \$18,985,000 in financial assistance consisting of \$8,985,000 in financing and \$10,000,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a water system improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The East Rio Hondo Water Supply Corporation (Corporation) is located in Rio Hondo approximately 10 miles northeast of Harlingen. The Corporation provides water and wastewater services to a population of approximately 34,269 residents and 8,957 connections.

PROJECT NEED AND DESCRIPTION

The North Cameron Reverse Osmosis Treatment Plant (WTP) needs to be expanded to meet current and escalating future water needs, avoid future compliance issues, and mitigate the risk of system outages from weather-related events. The plant was originally designed for future expansions and was constructed in 2006 with a reverse osmosis (RO) system to desalinate brackish groundwater. The expansion requires an increase in raw brackish groundwater production to support additional capacity.

The proposed project includes upgrading and expanding the WTP from 2.3 to 5 million gallons per day (MGD). This is Phase One of a three-phase project that will expand the total water production capacity to 10 MGD. The proposed project also includes the addition of two new groundwater wells at sites owned by the Corporation, two new reverse osmosis (RO) trains, cartridge filters, RO feed pumps, clean-in-place equipment, chemical feed equipment, a new degasifier, and additional high-service pumps. Additional improvements include building improvements, site process piping, electrical, controls and instrumentation, and site civil.

PROJECT SCHEDULE

Task	Schedule Date
Closing	January 15, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	June 6, 2025
Design Phase Completion	February 18, 2026
Start of Construction	June 15, 2026
Construction Completion	December 15, 2027

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

KEY ISSUES

The Corporation qualifies for \$10,000,000 in principal forgiveness as a disadvantaged community, with the remaining \$8,985,000 in financing. The Corporation has submitted a separate request for Drinking Water State Revolving Fund funding for additional costs to upgrade the Corporation's Martha Ann Simpson Water Treatment Plant. This proposed financing is also included in the credit review.

LEGAL/SPECIAL CONDITIONS

- Water rights certification
- Executed principal forgiveness agreement
- Conversion or conveyance
- Return of principal forgiveness surplus funds

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (24-)
4. Water Conservation Review
5. Location Map

Financial Review

East Rio Hondo Water Supply Corporation

Risk Score: 2BAudit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 0.36%	State: 1.49%
Top 10 Customers % of Total Revenue	11%	10-15%
Median Household Income as % of State	63%	100%
Days of Cash on Hand (3-year Average)	91 days	30-149 days
Net Fixed Assets/ Annual Depreciation	26 years	12-24 years
Debt Service Coverage Ratio	1.85x	1.00x
Debt-to-Operating Revenues	2.77	4.00-5.99x
Unemployment Rate (June 2024)	County: 6.20%	State: 4.50%
Working Capital Ratio	1.12	> 1.00

Key Risk Score Strengths

- Water system revenues are sufficient to cover the proposed debt. The system revenue has grown by approximately 13 percent over the past 5 years.
- A high working capital ratio provides the Corporation with ample resources to cover short-term liabilities and shows a strong liquidity position.

Key Risk Score Concerns

- The population growth of the Corporation is below the benchmark over the past 10 years; however, 2021 Region M Regional Water Plan projections expect the region to grow by approximately 2 percent over the next 10 years.

PLEDGE

Legal Pledge Name	Utility System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input 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	7,631	\$65.35	\$65.35	3.64	3.64
WASTEWATER	4,559	\$52.30	\$52.30		

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Corporation could save approximately \$3,422,526 over the life of the financing. The Corporation is also saving \$10,000,000 in principal forgiveness.

Project Data Summary

Responsible Authority	East Rio Hondo WSC
Program	DWSRF
Commitment Number	L1001895, LF1001898
Project Number	63009
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$8,985,000 East Rio Hondo Water Supply Corporation Promissory Note and Loan Agreement, \$10,000,000 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, Design and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
William Alfaro	Arnoldo Rubio	Sam Kiger	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
East Rio Hondo WSC

\$8,985,000 East Rio Hondo Water Supply Corporation Loan Agreement

Dated Date: 1/15/2025 Source: DWSRF-EQUIVALENCY
Delivery Date: 1/15/2025 IUP Year: 2024
First Interest: 3/1/2025 Case: System Revenue
First Principal: 3/1/2026 Admin.Fee: \$176,176
Last Principal: 3/1/2054 Admin. Fee Payment Date: 1/15/2025
Fiscal Year End: 09/30 Required Coverage: 1.0

\$4,265,000 East Rio Hondo Water Supply Corporation Loan Agreement

Dated Date: 1/15/2025 Source: DWSRF-EQUIVALENCY
Delivery Date: 1/15/2025 IUP Year: 2024
First Interest: 3/1/2025 Case: System Revenue
First Principal: 3/1/2026 Admin.Fee: \$83,627
Last Principal: 3/1/2054 Admin. Fee Payment Date: 1/15/2025
Fiscal Year End: 09/30 Required Coverage: 1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$8,985,000 ISSUE				\$4,265,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2025	\$4,297,374	\$1,537,502	-	-	\$230,383	\$230,383	-	-	\$109,357	\$109,357	\$1,877,241	2.29
2026	4,297,374	1,537,180	\$170,000	3.77%	363,777	533,777	\$80,000	3.77%	172,689	252,689	2,323,645	1.85
2027	4,297,374	1,537,109	180,000	3.70%	357,242	537,242	85,000	3.70%	169,608	254,608	2,328,959	1.85
2028	4,297,374	1,536,960	185,000	3.69%	350,499	535,499	90,000	3.69%	166,375	256,375	2,328,834	1.85
2029	4,297,374	1,536,846	190,000	3.60%	343,666	533,666	90,000	3.60%	163,095	253,095	2,323,606	1.85
2030	4,297,374	1,536,577	200,000	3.65%	336,596	536,596	95,000	3.65%	159,741	254,741	2,327,913	1.85
2031	4,297,374	1,536,437	205,000	3.66%	329,194	534,194	100,000	3.66%	156,177	256,177	2,326,808	1.85
2032	4,297,374	1,499,601	215,000	3.69%	321,476	536,476	100,000	3.69%	152,502	252,502	2,288,579	1.88
2033	4,297,374	1,389,765	220,000	3.75%	313,384	533,384	105,000	3.75%	148,688	253,688	2,176,837	1.97
2034	4,297,374	1,365,060	230,000	3.81%	304,878	534,878	110,000	3.81%	144,624	254,624	2,154,562	1.99
2035	4,297,374	1,289,606	240,000	3.89%	295,828	535,828	115,000	3.89%	140,292	255,292	2,080,726	2.07
2036	4,297,374	1,258,325	250,000	3.93%	286,248	536,248	120,000	3.93%	135,697	255,697	2,050,270	2.10
2037	4,297,374	1,247,750	260,000	3.95%	276,200	536,200	120,000	3.95%	130,969	250,969	2,034,919	2.11
2038	4,297,374	1,247,514	270,000	3.98%	265,692	535,692	125,000	3.98%	126,112	251,112	2,034,318	2.11
2039	4,297,374	1,247,239	280,000	4.02%	254,691	534,691	130,000	4.02%	121,011	251,011	2,032,941	2.11
2040	4,297,374	1,246,958	290,000	4.17%	243,017	533,017	140,000	4.17%	115,479	255,479	2,035,454	2.11
2041	4,297,374	1,229,070	300,000	4.18%	230,700	530,700	145,000	4.18%	109,530	254,530	2,014,300	2.13
2042	4,297,374	1,216,172	315,000	4.19%	217,831	532,831	150,000	4.19%	103,357	253,357	2,002,359	2.15
2043	4,297,374	921,506	330,000	4.19%	204,318	534,318	155,000	4.19%	96,967	251,967	1,707,791	2.52
2044	4,297,374	546,402	340,000	4.21%	190,248	530,248	160,000	4.21%	90,352	250,352	1,327,001	3.24
2045	4,297,374	537,881	355,000	4.21%	175,618	530,618	170,000	4.21%	83,405	253,405	1,321,904	3.25
2046	4,297,374	444,096	370,000	4.22%	160,338	530,338	175,000	4.22%	76,134	251,134	1,225,568	3.51
2047	4,297,374	444,109	385,000	4.23%	144,388	529,388	185,000	4.23%	68,529	253,529	1,227,026	3.50
2048	4,297,374	444,117	405,000	4.23%	127,680	532,680	190,000	4.23%	60,598	250,598	1,227,394	3.50
2049	4,297,374	444,136	420,000	4.24%	110,210	530,210	200,000	4.24%	52,339	252,339	1,226,685	3.50
2050	4,297,374	334,628	440,000	4.24%	91,978	531,978	210,000	4.24%	43,647	253,647	1,120,253	3.84
2051	4,297,374	256,404	455,000	4.25%	72,981	527,981	215,000	4.25%	34,626	249,626	1,034,012	4.16
2052	4,297,374	256,404	475,000	4.26%	53,195	528,195	225,000	4.26%	25,265	250,265	1,034,864	4.15
2053	4,297,374	256,404	495,000	4.26%	32,534	527,534	235,000	4.26%	15,467	250,467	1,034,405	4.15
2054	4,297,374	256,404	515,000	4.27%	10,995	525,995	245,000	4.27%	5,231	250,231	1,032,630	4.16
	\$	30,138,162	\$8,985,000		\$6,695,781	\$15,680,781	\$4,265,000		\$3,177,858	\$7,442,858	\$53,261,801	

\$8,985,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.85 YEARS
NET INTEREST RATE	4.176%
COST SAVINGS	\$3,422,526
AVERAGE ANNUAL REQUIREMENT	\$522,693

\$4,265,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.84 YEARS
NET INTEREST RATE	4.176%
COST SAVINGS	\$1,610,941
AVERAGE ANNUAL REQUIREMENT	\$248,095

TOTAL AVERAGE ANNUAL REQUIREMENTS	
	\$1,775,393

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
East Rio Hondo WSC

63009 - ERHWSC North Cameron Reverse Osmosis Plant Expansion

Budget Items	TWDB Funds	Local Funds	Total
Construction			
Construction	\$14,280,910	\$0	\$14,280,910
Subtotal for Construction	\$14,280,910	\$0	\$14,280,910
Basic Engineering Services			
Construction Engineering	\$142,809	\$0	\$142,809
Design	\$2,604,753	\$0	\$2,604,753
Planning	\$0	\$70,000	\$70,000
Subtotal for Basic Engineering Services	\$2,747,562	\$70,000	\$2,817,562
Special Services			
Application	\$0	\$30,000	\$30,000
Environmental	\$55,402	\$0	\$55,402
Geotechnical	\$15,829	\$0	\$15,829
Inspection	\$158,290	\$0	\$158,290
O&M Manual	\$47,487	\$0	\$47,487
Permits	\$31,658	\$0	\$31,658
Surveying	\$31,658	\$0	\$31,658
Testing	\$7,915	\$0	\$7,915
Water Conservation Plan	\$0	\$5,000	\$5,000
Subtotal for Special Services	\$348,239	\$35,000	\$383,239
Fiscal Services			
Financial Advisor	\$0	\$6,000	\$6,000
Loan Origination Fee	\$176,176	\$0	\$176,176
Subtotal for Fiscal Services	\$176,176	\$6,000	\$182,176
Other			
Administration	\$0	\$12,500	\$12,500
Project Legal Expenses	\$0	\$5,000	\$5,000
Subtotal for Other	\$0	\$17,500	\$17,500
Contingency			
Contingency	\$1,432,113	\$0	\$1,432,113
Subtotal for Contingency	\$1,432,113	\$0	\$1,432,113
Total	\$18,985,000	\$128,500	\$19,113,500

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$18,985,000 TO THE EAST RIO HONDO WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF A PROMISSORY NOTE IN
THE AMOUNT OF \$8,985,000 AND EXECUTION OF A LOAN AGREEMENT
AND
\$10,000,000 IN PRINCIPAL FORGIVENESS

(24 -)

Recitals:

The East Rio Hondo Water Supply Corporation (Corporation), located in Cameron County, has filed an application for financial assistance in the amount of \$18,985,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 63009.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of a Promissory Note in the amount of \$8,985,000 and execution of a Loan Agreement (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$10,000,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The Corporation has offered a pledge of system revenues and a mortgaged deed of trust on the Corporation's system as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13.

Findings:

1. The revenue or taxes pledged by the Corporation will be sufficient to meet all the Obligations assumed by the Corporation, in accordance with Texas Water Code § 15.607.
2. The application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607.
3. The term of the Obligations does not exceed the expected useful life of the project proposed by the Corporation.
4. The Corporation has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques, or technology prescribed by the Texas Water Code and TWDB's rules.

5. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
6. The Corporation has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
7. The Corporation meets the definition of “Disadvantaged Community” in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of \$10,000,000.

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

A commitment is made by the TWDB to the East Rio Hondo Water Supply Corporation for financial assistance in the amount of \$18,985,000 from the Drinking Water State Revolving Fund through the TWDB’s proposed purchase of a Promissory Note in the amount of \$8,985,000 and the execution of a Loan Agreement and the execution of a Principal Forgiveness Agreement in the amount of \$10,000,000. This commitment will expire on March 31, 2025.

The commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.
2. Before closing, the Corporation must submit to the Executive Administrator an attorney’s opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator.
3. This commitment is contingent upon the Corporation’s compliance with all applicable requirements contained in 31 TAC Chapter 371.
4. The Obligations must provide that the Corporation agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement.

6. The Corporation, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Corporation's Obligations, or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of the rule, this continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Corporation's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to those bonds under SEC Rule 15c2-12.
7. The Obligations must contain a provision requiring the Corporation to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
8. The Obligations must include a provision requiring the Corporation to use any financial assistance proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project explicitly approved by the Executive Administrator, or, if no enhancements are authorized by the Executive Administrator, requiring the Corporation to submit a final accounting and disposition of any unused funds.
9. The Obligations must include a provision requiring the Corporation to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
10. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
11. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
12. Proceeds of this commitment must not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the project site, 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 Corporation 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 Corporation or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.

13. Before closing, the Corporation shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.
14. Before closing, and if not previously provided with the application, the Corporation shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
15. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
16. The Executive Administrator may require the Corporation to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
17. The TWDB retains the option to purchase the Obligations in separate lots or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.
18. The Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
19. The Obligations must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
20. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
21. The Obligations must provide that the Corporation will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

State Revolving Fund Conditions:

22. The Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
23. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The Corporation, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with the financial assistance made available shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB.
24. The Obligations must include a provision stating that the Corporation shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The Corporation shall obtain a Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.
25. The Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the Corporation will adhere to the approved project schedule.
26. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.
27. The Obligations or Principal Forgiveness Agreement must contain a covenant that the Corporation shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
28. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58 and 2 CFR part 184.

Drinking Water State Revolving Fund Conditions;

29. The Corporation shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
30. Before closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the Corporation has demonstrated the necessary financial,

managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations.

31. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

Water Supply Corporation Conditions:

32. The Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System.
33. 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.
34. 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.
35. 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.
36. 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.

37. Before the release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions.
38. Before closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.
39. 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.
40. The Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval.

Pledge Conditions:

41. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements of the Obligations and the annual debt service requirement of all additional debt, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.
42. If the Corporation has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any financial assistance made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB must be at least on a parity with lien or liens securing the outstanding obligations.
43. The Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the

average annual debt service requirements of the Obligations and the annual debt service requirement of all additional debt after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the Corporation certifies that the Corporation is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

Special Conditions:

44. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the Corporation has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that a finding will be made before the release of funds for construction.
45. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Corporation has the right to use the water that the project financed by the TWDB will provide.
46. The Corporation must notify the Executive Administrator in writing, thirty (30) days before taking any actions to alter its legal status in any manner.
47. The Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing before any action by it to convey its Obligations held by the TWDB to another entity. The conveyance and the assumption of the Obligations must be approved by the TWDB.
48. Before closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
49. The Principal Forgiveness Agreement must include a provision stating that the Corporation shall return any principal forgiveness funds that are determined to be surplus funds.

APPROVED and ordered of record this 12th day of September, 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED:

ATTEST:

Bryan McMath, Interim Executive Administrator

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Review Date:

Project ID:

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:

Approvable

Adopted

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold

Does the applicant meet Water Loss Threshold Requirements?

Yes

No

NA

ADDITIONAL INFORMATION

STAFF NOTES AND RECOMMENDATIONS

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

GMD means gallons per mile per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population divided by 365.

Total water loss is the sum of the apparent and real water losses.

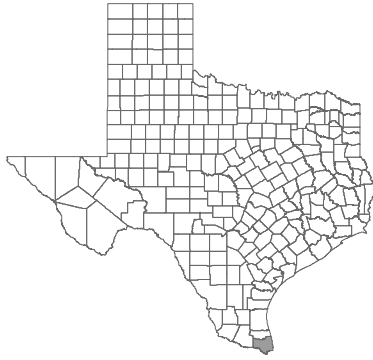
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

Water Loss Thresholds are levels of real and apparent water loss determined by the connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



East Rio Hondo WSC Cameron County

