



PROJECT FUNDING REQUEST

BOARD DATE: March 13, 2025

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the City of Daingerfield (Morris County) for \$3,810,000 in financial assistance consisting of \$385,000 in financing and \$3,425,000 in grant funding from the Rural Water Assistance Fund for planning, design, and construction of water system improvements.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Daingerfield (City) is located 130 miles east of Dallas. The City provides water and wastewater services to a population of approximately 2,522 residents and approximately 1,071 water and 987 wastewater connections.

PROJECT NEED AND DESCRIPTION

The City's water distribution system has frequent water leaks, water loss, loss of system pressure, and an inability to maintain required chlorine residuals due to aging infrastructure. The system also lacks system isolation valves. The City proposes to replace approximately 8,000 linear feet of 6 to 10-inch water lines, and add 52 gate valves.

PROJECT SCHEDULE

Task	Schedule Date
Closing	June 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	October 31, 2025
Design Phase	November 30, 2026
Start of Construction	August 31, 2027
Construction Completion	August 31, 2028

KEY ISSUES

The City qualifies for \$3,425,000 in grant funding as an applicant with a population between 1,001 and 10,000 for a water loss mitigation project. The City is above its threshold for real water loss. This project includes replacing approximately 8,000 linear feet of water lines that experience frequent water leaks and water loss due to aging and deteriorating infrastructure. The proposed project is expected to help mitigate the system's real water loss.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE SEPTEMBER 30, 2025

LEGAL/SPECIAL CONDITIONS

- Executed grant agreement

Attachments:

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

Financial Review City of Daingerfield

Risk Score: 2B

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City -0.15%	State: 1.49%
Top 10 Customers % of Total Revenue	23%	10-15%
Cash Balance Ratio	-9.27%	0-9.99%
Median Household Income as % of State	56%	100%
Days of Cash on Hand (3-year Average)	669 days	30-149 days
Net Fixed Assets/ Annual Depreciation	19 years	12-24 years
Debt Service Coverage Ratio	1.68x	1.10x
Debt-to-Operating Revenues	4.10	4.00-5.99x
Unemployment Rate (November 2024)	County: 6.10%	State: 3.70%
Working Capital Ratio	6.68	> 1.0

Key Risk Score Strengths

- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City's self-supported debt-to-operating revenues ratio indicates a strong ability to service debt with its water and sewer operating revenues, demonstrating the financial stability of the water and sewer system.
- The City implemented two water and sewer rate increases since October 2023 totaling \$14.00. The City also implemented an Interest and Sinking fund tax rate of \$0.1941.

Key Risk Score Concerns

- The City's top 10 customers make up 20 percent of total system revenues, and the largest customer makes up 10.36 percent. A stress test was conducted to remove the revenues from the largest customer. The results showed that the City would not need to implement any additional rate increases in order to meet debt service coverage and the City would still meet the 1.10 coverage ratio requirement.
- The City's cash balance decreased from \$1,218,476 in 2018 to \$1,025,915 in 2023 due to a reduction in the total tax rate in 2019, an increase in expenditures related to infrastructure improvements, and the City earmarking more funds as restricted cash. The City's days of cash on hand exceeds the benchmark, indicating the City has sufficient reserves for emergency expense increases and its revenues have remained stable with a slight increase over the last 5 years.
- The City's population has decreased over the past 10 years, and the City's water connections have fluctuated over the past five years. However, the Board-approved projections for the 2026 Region D Regional Water Plan estimate that the population will increase by 5 percent over the next 25 years.
- The City has a high household cost factor at 3.63 percent; however, the household cost factor is primarily driven by a low median household income that is 56 percent of the State average. The City has collected 96 percent of its levied property taxes over the last three years, indicating that the high household cost factor hasn't impacted the City's ability to collect its obligations. In addition, the City's water utility system accounts receivable has an average of 10.9 percent of revenues in 2018 to 2023.

PLEDGE

Legal Pledge Name	Ad Valorem Tax and Surplus 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	6,100	\$52.08	\$52.08	3.63	3.63
Wastewater	6,100	\$36.77	\$36.77		

TAXES

	2024 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.2979	\$0.2979	\$2.50	96%	\$164,150,140
Interest & Sinking	\$0.1941	\$0.1941			
Total Tax Rate	\$0.4920	\$0.4920			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$116,876 over the life of the financing. The City is also saving \$3,425,000 in grant funding.

Responsible Authority	City of Daingerfield
Program	RWAF
Commitment Number	L1002041, G1002040
Project Number	21850
List Year	2024
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$385,000 City of Daingerfield, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B, \$3,425,000 City of Daingerfield, Texas, Grant Agreement
Tax-exempt or Taxable	Tax-Exempt
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	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Shubham Aggarwal	Chelsea Duran	Kyleigh Dixon	Kylie Beard	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
The City of Daingerfield

\$385,000 City of Daingerfield, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B

Dated Date: 6/1/2025	Source: RWAF
Delivery Date: 6/1/2025	Rate: 2.92%
First Interest: 2/15/2026	IUP Year: 2024
First Principal: 2/15/2026	Case: Tax and Revenue
Last Principal: 2/15/2055	Admin.Fee: \$0
Fiscal Year End: 09/30	Admin. Fee Payment Date: N/A
Required Coverage: 1.1	Total Assessed Valuation: \$164,150,140

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 96%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$385,000 ISSUE					TOTAL DEBT SERVICE	COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE		
2026	0.1941	\$305,871	\$184,611	\$490,482	\$274,152	\$5,000	1.97%	\$12,712	\$17,712	\$291,864	1.68	
2027	0.1941	305,871	184,611	490,482	272,590	10,000	1.96%	10,389	20,389	292,979	1.67	
2028	0.1941	305,871	184,611	490,482	275,970	10,000	2.00%	10,191	20,191	296,161	1.66	
2029	0.1941	305,871	184,611	490,482	274,277	10,000	2.06%	9,988	19,988	294,265	1.67	
2030	0.1941	305,871	184,611	490,482	277,475	10,000	2.11%	9,780	19,780	297,254	1.65	
2031	0.1941	305,871	184,611	490,482	275,570	10,000	2.19%	9,565	19,565	295,134	1.66	
2032	0.1941	305,871	184,611	490,482	273,629	10,000	2.23%	9,344	19,344	292,973	1.67	
2033	0.1941	305,871	184,611	490,482	271,649	10,000	2.28%	9,118	19,118	290,767	1.69	
2034	0.1941	305,871	184,611	490,482	274,562	10,000	2.33%	8,888	18,888	293,450	1.67	
2035	0.1941	305,871	184,611	490,482	272,350	10,000	2.44%	8,649	18,649	290,999	1.69	
2036	0.1941	305,871	184,611	490,482	275,004	10,000	2.52%	8,401	18,401	293,405	1.67	
2037	0.1941	305,871	184,611	490,482	272,528	10,000	2.58%	8,146	18,146	290,674	1.69	
2038	0.1941	305,871	184,611	490,482	274,923	10,000	2.63%	7,886	17,886	292,808	1.68	
2039	0.1941	305,871	184,611	490,482	272,199	10,000	2.68%	7,620	17,620	289,819	1.69	
2040	0.1941	305,871	184,611	490,482	279,364	10,000	2.74%	7,349	17,349	296,713	1.65	
2041	0.1941	305,871	184,611	490,482	281,346	10,000	2.80%	7,072	17,072	298,418	1.64	
2042	0.1941	305,871	184,611	490,482	278,223	15,000	2.85%	6,718	21,718	299,941	1.64	
2043	0.1941	305,871	184,611	490,482	279,979	15,000	2.88%	6,289	21,289	301,267	1.63	
2044	0.1941	305,871	184,611	490,482	276,613	15,000	2.93%	5,853	20,853	297,466	1.65	
2045	0.1941	305,871	184,611	490,482	283,058	15,000	2.96%	5,411	20,411	303,469	1.62	
2046	0.1941	305,871	184,611	490,482	284,317	15,000	2.99%	4,965	19,965	304,281	1.61	
2047	0.1941	305,871	184,611	490,482	285,468	15,000	3.01%	4,515	19,515	304,983	1.61	
2048	0.1941	305,871	184,611	490,482	281,504	15,000	3.03%	4,062	19,062	300,566	1.63	
2049	0.1941	305,871	184,611	490,482	287,356	15,000	3.04%	3,607	18,607	305,963	1.60	
2050	0.1941	305,871	184,611	490,482	283,040	15,000	3.05%	3,150	18,150	301,190	1.63	
2051	0.1941	305,871	184,611	490,482	283,639	15,000	3.06%	2,692	17,692	301,330	1.63	
2052	0.1941	305,871	184,611	490,482	284,068	20,000	3.07%	2,155	22,155	306,223	1.60	
2053	0.1941	305,871	184,611	490,482	159,323	20,000	3.08%	1,540	21,540	180,863	2.71	
2054	0.1941	305,871	184,611	490,482	159,408	20,000	3.08%	924	20,924	180,332	2.72	
2055	0.1941	305,871	184,611	490,482	60,954	20,000	3.08%	308	20,308	81,262	6.04	
\$7,884,532						\$385,000		\$197,282	\$582,282	\$8,466,814		

AVERAGE (MATURITY) LIFE	17.52 YEAR
NET INTEREST RATE	2.924%
COST SAVINGS	\$ 116,876
AVERAGE ANNUAL REQUIREMENT	\$19,404

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 Daingerfield
 21850 - Water System Upgrades

Budget Items	TWDB Funds	Total
Construction		
Construction	\$2,750,000.00	\$2,750,000.00
Subtotal for Construction	\$2,750,000.00	\$2,750,000.00
Basic Engineering Services		
Construction Engineering	\$192,000.00	\$192,000.00
Design	\$318,000.00	\$318,000.00
Planning	\$90,000.00	\$90,000.00
Subtotal for Basic Engineering Services	\$600,000.00	\$600,000.00
Fiscal Services		
Bond Counsel	\$30,000.00	\$30,000.00
Financial Advisor	\$51,812.50	\$51,812.50
Fiscal/Legal	\$3,810.00	\$3,810.00
Issuance Costs	\$9,377.50	\$9,377.50
Subtotal for Fiscal Services	\$95,000.00	\$95,000.00
Contingency		
Contingency	\$365,000.00	\$365,000.00
Subtotal for Contingency	\$365,000.00	\$365,000.00
Total	\$3,810,000.00	\$3,810,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
THE CITY OF DAINGERFIELD
FROM THE RURAL WATER ASSISTANCE FUND IN AN AMOUNT OF
\$3,810,000 THROUGH THE PROPOSED PURCHASE OF
\$385,000 CITY OF DAINGERFIELD, TEXAS COMBINATION TAX AND SURPLUS
REVENUE CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2025B AND
EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$3,425,000

(25 - __)

Recitals:

The City of Daingerfield (City), located in Morris County, filed an application for financial assistance in the amount of \$3,810,000, to finance certain water system improvements, identified as Project No. 21850.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$3,810,000 through the TWDB's purchase of \$385,000 City of Daingerfield, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B, and execution of a Grant Agreement in the amount of \$3,425,000, 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 revenue of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.16, 363.43 and 365.23.

The Board hereby authorizes the transfer of \$3,810,000 from the Texas Water Fund to the Rural Water Assistance Fund, as authorized by Texas Water Code § 15.504(a), to finance the Project.

In accordance with Texas Water Code § 15.995, 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, the benefit of the project to the area, the relationship of the project to the overall statewide water needs, and the relationship of the project to the approved regional and state water plans.
2. The availability of revenue to the City from all sources for the ultimate repayment of the cost of the project, including all interest.

Findings:

1. The public interest is served by state assistance for the project, in accordance with Texas Water Code § 15.995(d).

2. The revenue or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City during the succeeding period of not more than 50 years in accordance with Texas Water Code § 15.995(d).
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 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).
5. A current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the City of Daingerfield for financial assistance in the amount of \$3,810,000 from the Rural Water Assistance Fund through a transfer from the Texas Water Fund to be evidenced by the TWDB's purchase of \$385,000 City of Daingerfield, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B and the execution of a Grant Agreement in the amount of \$3,425,000. This commitment will expire September 30, 2025.

The commitment is conditioned as follows:

Standard Conditions:

1. The commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.
2. The commitment is contingent upon the City's continued compliance with all applicable laws, rules, policies, and guidance (as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement), including but not limited to 31 TAC Chapter 363 and 365.
3. 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 and Grant Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
4. Loan proceeds and Grant funds are public funds and, as such, the Grant Agreement and 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.

5. Loan proceeds and Grant funds shall not be used by the City when sampling, testing, removing, or disposing of contaminated soils and/or media at the project site. The Obligations and Grant Agreement shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law.
6. 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 under the contract and acceptable to the Executive Administrator.
7. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
8. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
9. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City.
10. The Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption.
11. 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 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 such rule, such 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 such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12.

12. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
13. The Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project and after completion of a final accounting in a manner approved by the Executive Administrator.
14. Before closing, the City shall 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. The City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).
16. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
17. 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.
18. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
19. 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.
20. The Obligations must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products and manufactured goods produced in the United States, as required by Texas Water Code § 17.183.

Conditions Related to Tax-Exempt Status:

21. The City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion.
22. The City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.

23. The Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become “private activity bonds” within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code), and the Treasury Regulations promulgated thereunder (Regulations).
24. The Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB’s bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.
25. The Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
 - a. account for all Gross Proceeds as defined in the Code and Regulations, (including all receipts, expenditures, and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the

interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time, thereafter, including payment to the United States of any interest and any penalty required by the Regulations.
26. The Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
 27. The Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code.
 28. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations.
 29. The transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
 30. The Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB.
 31. Before closing, the City shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.

The Following Conditions Must Be Included in the Grant Agreement:

43. The Grant Agreement 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.

44. The Grant Agreement must provide that the City will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project.
45. The Grant Agreement must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
46. The Grant Agreement must 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.
47. The Grant Agreement must include a provision stating that the City 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.
48. The Grant Agreement must contain a provision stating that the City 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.
49. 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 City 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.
50. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
51. Before release of funds for construction, the City must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements and rights-of-way have been completed or, with prior approval by the executive administrator if all acquisitions have not been completed, evidence that the applicant has the legal City necessary to complete the acquisitions.

Pledge Conditions for the Loan:

52. 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 such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund.
 - ii. The Obligations must include a requirement that for each year the Obligations are outstanding, and Before the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, 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 such 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:

- 66. Before closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator.

APPROVED and ordered of record this, the 13th day of March 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Interim 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.

