



## PROJECT FUNDING REQUEST

**BOARD DATE:** March 13, 2025

**Team Manager:** Joe Koen

### ACTION REQUESTED

Consider approving by resolution a request from the City of Jefferson (Marion County) for \$6,040,000 in financial assistance consisting of \$605,000 in financing and \$5,435,000 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 Jefferson (City) is located 40 miles northeast of Longview, near the Texas and Louisiana border. The City provides water and wastewater services to a population of approximately 1,883 residents and approximately 1,325 water and 1,019 wastewater connections.

### PROJECT NEED AND DESCRIPTION

The City has waterlines that are aged and undersized, which results in main breaks and significant water loss in the distribution system. In addition, the City's meters are unreliable and frequently fail to record flows. The City proposes to replace approximately 10,750 linear feet of 4 to 12-inch waterlines and 1,325 service meters with automated meters.

### PROJECT SCHEDULE

Task	Schedule Date
Closing	June 15, 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

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

## **KEY ISSUES**

The City qualifies for \$5,435,000 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 apparent and real water loss. The City's upgrades to automated meters will help mitigate their apparent loss, and the replacement of water lines with significant water loss will help mitigate their real water loss.

A separate request for funding from the Drinking Water State Revolving fund has been evaluated in the attached credit review.

## **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 Jefferson

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2023

## Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -1.16%	State: 1.49%
Top 10 Customers % of Total Revenue	22%	10-15%
Median Household Income as % of State	64%	100%
Days of Cash on Hand (3-year Average)	673 days	30-149 days
Net Fixed Assets/ Annual Depreciation	15 years	12-24 years
Debt Service Coverage Ratio	0.98x	1.10x
Debt-to-Operating Revenues	4.02	4.00-5.99x
Unemployment Rate (November 2024)	County: 5.30%	State: 4.20%
Working Capital Ratio	3.17	> 1.0

### Key Risk Score Strengths

- The City's working capital ratio is above the benchmark, indicating it has high liquidity and ample resources to cover its short-term liabilities.
- The City maintains a low debt to operating revenues ratio, indicating that the City has the capacity to take on new system debt.
- The City maintains high days of cash on hand which provides the system with adequate revenue to be able to pay its debts if there is a decrease in its cashflow.

### Key Risk Score Concerns

- The City does not currently meet debt service coverage requirements. The City is projected to need an approximately \$4.27 utility system rate increase by fiscal year 2026 to meet the required debt service coverage.
- The population growth of the City has slightly declined over the past eight years. According to the 2026 Regional Water Plan projections the population is projected to decrease by less than one percent from 2030 to 2050.
- The 10 ten customers as a percentage of total revenue totals up to 22 percent; however, its largest customer provides approximately 4.5 percent of that total. A stress test was done removing the highest customer, and the City would be projected to require a \$6.48 utility system rate increase.

### 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 (Year 2026)	Current Household Cost Factor	Projected Household Cost Factor
Water	7,272	\$57.94	\$62.21	2.83	2.95
Wastewater	6,050	\$44.14	\$44.14		

**TAXES**

	2023 Tax Year Rate	Max Projected Tax Rate (Year 2024)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.4186	\$0.4186	\$1.50	91%	\$268,376,730
Interest & Sinking	\$0.00	\$0.00			
Total Tax Rate	\$0.4186	\$0.4186			

**Cost Savings**

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$316,816 over the life of the financing. The City is also saving \$5,435,000 in grant funding.

## Project Data Summary

<b>Responsible Authority</b>	City of Jefferson
<b>Program</b>	RWAF
<b>Commitment Number</b>	G1001994, L1001993
<b>Project Number</b>	21851
<b>List Year</b>	2024
<b>Type of Pledge</b>	Combo Tax and Revenue
<b>Pledge Level (if applicable)</b>	Third Lien
<b>Legal Description</b>	\$5,435,000 Grant Agreement, \$605,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025
<b>Tax-exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Qualifies as Disadvantaged</b>	Yes
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Phases Funded</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Overall Risk Score</b>	2B

### PROJECT TEAM

<b>Team Manager</b>	<b>Financial Analyst</b>	<b>Engineering Reviewer</b>	<b>Environmental Reviewer</b>	<b>Attorney</b>
Shubham Aggarwal	Arnoldo Rubio	Kyleigh Dixon	Kylie Beard	Marshall Walters

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Jefferson

**\$890,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B**

Dated Date: 6/15/2025 Source: DWSRF-EQUIVALENCY  
 Delivery Date: 6/15/2025 IUP Year: 2023  
 First Interest: 2/15/2026 Case: Tax and Revenue  
 First Principal: 2/15/2026 Admin.Fee: \$17,451  
 Last Principal: 2/15/2055 Admin. Fee Payment Date: 6/15/2025  
 Fiscal Year End: 09/30 Required Coverage: 1.1

**\$605,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025**

Dated Date: 6/15/2025 Source: RWAF  
 Delivery Date: 6/15/2025 IUP Year: 2024  
 First Interest: 2/15/2026 Case: Tax and Revenue  
 First Principal: 2/15/2026 Admin.Fee: \$0  
 Last Principal: 2/15/2055 Admin. Fee Payment Date: N/A  
 Fiscal Year End: 09/30 Required Coverage: 1.1

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$890,000 ISSUE				\$100,000 ISSUE				\$605,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT		
2026	\$645,519	\$501,470	\$20,000	1.96%	\$26,998	\$46,998	\$5,000	\$15,000	1.96%	\$18,367	\$33,367	\$586,835	1.10			
2027	645,519	503,815	20,000	1.79%	22,738	42,738	5,000	15,000	1.79%	15,441	30,441	581,994	1.11			
2028	645,519	500,702	20,000	1.77%	22,382	42,382	5,000	15,000	1.77%	15,174	30,174	578,257	1.12			
2029	645,519	500,176	20,000	1.81%	22,024	42,024	5,000	15,000	1.81%	14,905	29,905	577,105	1.12			
2030	645,519	450,550	25,000	1.86%	21,611	46,611	5,000	15,000	1.86%	14,630	29,630	531,791	1.21			
2031	645,519	391,197	25,000	1.94%	21,136	46,136	5,000	15,000	1.94%	14,345	29,345	471,678	1.37			
2032	645,519	360,095	25,000	2.05%	20,637	45,637	5,000	15,000	2.05%	14,046	29,046	439,777	1.47			
2033	645,519	355,167	25,000	2.09%	20,119	45,119	5,000	15,000	2.09%	13,735	28,735	434,021	1.49			
2034	645,519	358,903	25,000	2.15%	19,589	44,589	5,000	15,000	2.15%	13,417	28,417	436,909	1.48			
2035	645,519	358,320	25,000	2.19%	19,047	44,047	5,000	15,000	2.19%	13,092	28,092	435,459	1.48			
2036	645,519	352,522	25,000	2.31%	18,484	43,484	5,000	15,000	2.31%	12,754	27,754	428,760	1.51			
2037	645,519	355,447	25,000	2.41%	17,894	42,894	5,000	20,000	2.41%	12,340	32,340	435,682	1.48			
2038	645,519	349,128	25,000	2.48%	17,283	42,283	5,000	20,000	2.48%	11,851	31,851	428,262	1.51			
2039	645,519	45,690	25,000	2.53%	16,657	41,657	5,000	20,000	2.53%	11,350	31,350	123,697	5.22			
2040	645,519	44,205	30,000	2.61%	15,949	45,949	5,000	20,000	2.61%	10,836	30,836	125,990	5.12			
2041	645,519	43,720	30,000	2.67%	15,157	45,157	5,000	20,000	2.67%	10,308	30,308	124,185	5.20			
2042	645,519	43,190	30,000	2.74%	14,346	44,346	5,000	20,000	2.74%	9,767	29,767	122,303	5.28			
2043	645,519	42,615	30,000	2.78%	13,518	43,518	5,000	20,000	2.78%	9,215	29,215	120,348	5.36			
2044	645,519	40,995	30,000	2.82%	12,678	42,678	5,000	20,000	2.82%	8,655	28,655	117,328	5.50			
2045	645,519	40,375	30,000	2.87%	11,824	41,824	5,000	20,000	2.87%	8,086	28,086	115,285	5.60			
2046	645,519	39,710	35,000	2.91%	10,884	45,884	-	20,000	2.91%	7,508	27,508	113,102	5.71			
2047	645,519	-	35,000	2.93%	9,862	44,862	-	25,000	2.93%	6,851	31,851	76,713	8.41			
2048	645,519	-	35,000	2.96%	8,832	43,832	-	25,000	2.96%	6,115	31,115	74,946	8.61			
2049	645,519	-	35,000	2.98%	7,792	42,792	-	25,000	2.98%	5,372	30,372	73,164	8.82			
2050	645,519	-	35,000	3.00%	6,746	41,746	-	25,000	3.00%	4,625	29,625	71,370	9.04			
2051	645,519	-	40,000	3.02%	5,617	45,617	-	25,000	3.02%	3,872	28,872	74,489	8.67			
2052	645,519	-	40,000	3.02%	4,409	44,409	-	25,000	3.02%	3,117	28,117	72,526	8.90			
2053	645,519	-	40,000	3.04%	3,197	43,197	-	25,000	3.04%	2,360	27,360	70,556	9.15			
2054	645,519	-	40,000	3.04%	1,981	41,981	-	30,000	3.04%	1,524	31,524	73,504	8.78			
2055	645,519	-	45,000	3.05%	686	45,686	-	35,000	3.05%	534	35,534	81,220	7.95			
		\$5,677,990	\$890,000		\$430,072	\$1,320,072	\$100,000	\$605,000	\$	294,189	\$899,189	\$7,997,252				

\$890,000 ISSUANCE		\$100,000 ISSUANCE		\$605,000 ISSUANCE		TOTAL AVERAGE ANNUAL REQUIREMENTS	
AVERAGE (MATURITY) LIFE	17.08 YEARS	AVERAGE (MATURITY) LIFE	10.42 YEARS	AVERAGE (MATURITY) LIFE	17.16 YEARS		\$266,575
NET INTEREST RATE	2.829%	NET INTEREST RATE	0.000%	NET INTEREST RATE	2.833%		
COST SAVINGS	\$236,186	COST SAVINGS	\$41,324	COST SAVINGS	\$39,306		
AVERAGE ANNUAL REQUIREMENT	\$44,002	AVERAGE ANNUAL REQUIREMENT	\$3,226	AVERAGE ANNUAL REQUIREMENT	\$29,973		

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**  
 Jefferson  
 21851 - Drinking Water System Improvements

Budget Items	TWBD Funds	Total
<b>Construction</b>		
Construction	\$4,200,000.00	\$4,200,000.00
<b>Subtotal for Construction</b>	<b>\$4,200,000.00</b>	<b>\$4,200,000.00</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$500,000.00	\$500,000.00
Design	\$625,000.00	\$625,000.00
Planning	\$100,000.00	\$100,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$1,225,000.00</b>	<b>\$1,225,000.00</b>
<b>Special Services</b>		
Environmental	\$25,000.00	\$25,000.00
<b>Subtotal for Special Services</b>	<b>\$25,000.00</b>	<b>\$25,000.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$38,000.00	\$38,000.00
Financial Advisor	\$64,450.00	\$64,450.00
Fiscal/Legal	\$6,040.00	\$6,040.00
Issuance Costs	\$6,510.00	\$6,510.00
<b>Subtotal for Fiscal Services</b>	<b>\$115,000.00</b>	<b>\$115,000.00</b>
<b>Contingency</b>		
Contingency	\$475,000.00	\$475,000.00
<b>Subtotal for Contingency</b>	<b>\$475,000.00</b>	<b>\$475,000.00</b>
<b>Total</b>	<b>\$6,040,000.00</b>	<b>\$6,040,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO  
CITY OF JEFFERSON  
FROM THE RURAL WATER ASSISTANCE FUND  
IN AN AMOUNT OF  
\$6,040,000 THROUGH THE PROPOSED PURCHASE OF  
\$605,000 CITY OF JEFFERSON, TEXAS  
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,  
PROPOSED SERIES 2025  
AND  
EXECUTION OF A GRANT AGREEMENT  
IN THE AMOUNT OF \$5,435,000

(25 - \_\_)

Recitals:

The City of Jefferson (City), located in Marion County, filed an application for financial assistance in the amount of \$6,040,000, to finance certain water system improvements, identified as Project No. 21851.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$6,040,000 through the TWDB's purchase of \$605,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025 (Obligations) and execution of a Grant Agreement in the amount of \$5,435,000, 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 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 \$6,040,000 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. [No resolution condition required]
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 Jefferson for financial assistance in the amount of \$6,040,000 from the Rural Water Assistance Fund through a transfer from the Texas Water Fund to be evidenced by the TWDB's purchase of \$605,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025 and the execution of a Grant Agreement in the amount of \$5,435,000. 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 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:

32. 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.
33. 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.
34. The Grant Agreement must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
35. 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.
36. 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.
37. 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.
38. 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.
39. 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.
40. 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:

41. 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:

42. 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**

	<b>Total GPCD</b>	<b>Residential GPCD</b>	<b>Water Loss GPCD</b>
<b>Baseline</b>			
<b>5-year Goal</b>			
<b>10-year Goal</b>			

**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 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.

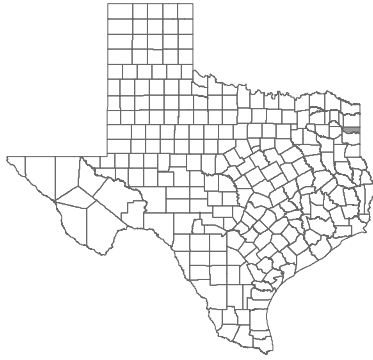
**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**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.



# City of Jefferson Marion County

