



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 \$2,020,409 in financial assistance consisting of \$990,000 in financing and \$1,030,409 in principal forgiveness from the Drinking Water State Revolving Fund Lead Service Line Replacement Program for planning, design, and construction of a water system project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The Infrastructure Investment and Jobs Act, 2021, Pub. L. 117-58 (IIJA) appropriated capitalization grant funds for Federal Fiscal Years (FFY) 2022 to 2026 for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines. Projects being presented for consideration have been scored and ranked using prioritization criteria in the Drinking Water State Revolving Fund Lead Service Line Replacement State Fiscal Year 2023 Intended Use Plan. The prioritized list of projects was approved by the Texas Water Development Board in August 2023. All financial assistance will be made at the ratio of 51 percent principal forgiveness and 49 percent financing.

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's existing water system and the service lines were constructed in the 1950s. Approximately 1,325 water connections within its service area have the potential of being composed of lead or galvanized materials.

The City has inventoried its distribution system to identify connections that have lead or galvanized materials and has submitted its report to the Texas Commission on Environmental Quality. The City proposes replacing 1,325 lead or galvanized service connections.

Series	Use	Expiration date
Series 2025A and Principal Forgiveness	Inventory	March 31, 2025
Series 2025B and Principal Forgiveness	Line Replacement	March 31, 2026

PROJECT SCHEDULE

Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	May 30, 2025
Closing	June 15, 2025
Design Phase Completion	November 24, 2025
Start of Construction	June 9, 2026
Construction Completion	March 8, 2027

KEY ISSUES

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

The proposed project is eligible for \$104,082 in principal forgiveness and \$100,000 in financing at zero-percent interest with a term of up to 15 years to complete the required lead service line inventory. In addition, the project is eligible for \$926,327 in principal forgiveness and \$890,000 in financing with a subsidized interest rate and a term of up to 30 years for the planning, design, and construction of lead service line replacements

A separate request for funding from the Rural Water Assistance Fund has been included in the attached credit review.

LEGAL/SPECIAL CONDITIONS

- Adopt water conservation plan
- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

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 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 top 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 \$277,510 over the life of the financing. The City is also saving \$1,030,409 in principal forgiveness.

Project Data Summary

Responsible Authority	City of Jefferson
Program	DWSRF
Commitment Number	L1001865, L1001866, LF1001867, LF1001868
Project Number	63029
List Year	2023
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$100,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025A, \$890,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B, \$104,082 Principal Forgiveness Agreement, \$926,327 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
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	N/A
Water Conservation Plan	Approvable
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Arnoldo Rubio	Jason Asbury	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	
AVERAGE (MATURITY) LIFE	17.08 YEARS
NET INTEREST RATE	2.829%
COST SAVINGS	\$236,186
AVERAGE ANNUAL REQUIREMENT	\$44,002

\$100,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	10.42 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$41,324
AVERAGE ANNUAL REQUIREMENT	\$3,226

\$605,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.16 YEARS
NET INTEREST RATE	2.833%
COST SAVINGS	\$39,306
AVERAGE ANNUAL REQUIREMENT	\$29,973

TOTAL AVERAGE ANNUAL REQUIREMENTS	
	\$266,575

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.



Current Budget Summary

Jefferson

63029 - Jefferson LSLR Project

Budget Items	TWDB Funds	Total
Construction		
Construction	\$953,389.00	\$953,389.00
Subtotal for Construction	\$953,389.00	\$953,389.00
Basic Engineering Services		
Construction Engineering	\$143,266.94	\$143,266.94
Design	\$152,519.90	\$152,519.90
LSLR Inventory	\$150,000.00	\$150,000.00
Planning	\$138,069.90	\$138,069.90
Subtotal for Basic Engineering Services	\$583,856.74	\$583,856.74
Special Services		
Environmental	\$32,490.00	\$32,490.00
Subtotal for Special Services	\$32,490.00	\$32,490.00
Fiscal Services		
Bond Counsel	\$34,300.00	\$34,300.00
Financial Advisor	\$41,531.00	\$41,531.00
Fiscal/Legal	\$8,150.63	\$8,150.63
Issuance Costs	\$3,100.00	\$3,100.00
Loan Origination Fee	\$17,451.00	\$17,451.00
Subtotal for Fiscal Services	\$104,532.63	\$104,532.63
Contingency		
Contingency	\$346,140.63	\$346,140.63
Subtotal for Contingency	\$346,140.63	\$346,140.63
Total	\$2,020,409.00	\$2,020,409.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$2,020,409 TO THE CITY OF JEFFERSON
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE, IN ONE OR MORE SERIES, OF
\$100,000 CITY OF JEFFERSON, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2025A, INVENTORY
AND
\$890,000 CITY OF JEFFERSON, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2025B, NON-INVENTORY
AND
\$1,030,409 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The City of Jefferson (City), located in Marion County, has filed an application for financial assistance in the amount of \$2,020,409 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain lead service line inventory and replacement identified as Project No. 63029.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase, in one or more series, of \$100,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025A and \$890,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B (Obligations), (together with all authorizing documents), and the execution of one or more Principal Forgiveness Agreements in an amount of \$1,030,409, 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 system revenue 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 City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607.
2. The application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* and Pub. L. 117-58, 135 Stat. 1400-1401, as well as state law, in accordance with Texas Water Code § 15.607.

3. The term of the Obligations does not exceed the expected useful life of the project proposed by the City.
4. The City has submitted a proposed program of water conservation 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 City has identified the lead service lines within its service area that can be replaced using the financing and demonstrated in a manner acceptable to the executive administrator that the project is viable, feasible, and sustainable.
6. The City has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
7. The City is eligible for principal forgiveness through the DWSRF lead service line replacement in a total amount not to exceed \$1,030,409 and financial assistance in the amount of \$100,000 with a reduced interest rate of zero percent.

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

A commitment is made by the TWDB to the City of Jefferson for financial assistance in the amount of \$2,020,409 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase, in one or more series, of:

- a) \$100,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025A, to expire on March 31, 2025; and
- b) \$890,000 City of Jefferson, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025B, to expire on March 31, 2026.

And the execution of one or more Principal Forgiveness Agreements in the amount of:

- a) \$104,082 to expire on March 31, 2025; and
- b) \$926,327 to expire on March 31, 2026.

The commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.

2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which the Obligations were issued have been complied with; that the Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.
3. This commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371.
4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The low interest Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that 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.
6. The zero interest Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations at a redemption price of par.
7. The City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations, or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of the rule, this continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to those bonds under SEC Rule 15c2-12.
8. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
9. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project explicitly approved by the Executive Administrator, or, if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds.
10. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations determined to be surplus funds in a

manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.

11. 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.
12. 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.
13. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site, except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines OR for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must include an environmental indemnification provision wherein the City agrees, and agrees to cause its construction contractors, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action, or damages arising from activities performed by the City or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.
14. Before closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.
15. Before closing, and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
16. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
17. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
18. 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.

19. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
20. 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.
21. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
22. 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).
23. 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.

Tax-Exempt Conditions:

24. 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.
25. 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.
26. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated under section 141 (Regulations).
27. The Obligations must provide that no portion of the proceeds of this commitment will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 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 this commitment (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 the proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the 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.
28. 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 to satisfy the requirements of section 148 of the Code. The Obligations must provide that the City must:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments) on its books of account separately and apart from all other funds (and receipts, expenditures and investments) and retain all records of the 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 financing with other money of the City, provided that the City separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with them;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financing, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings under these sections. The City shall maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of this commitment, and to induce the making of the commitment by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners 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 an error is made, to discover and promptly to correct the error within a reasonable amount of time including payment to the United States of any interest and any penalty required by the Regulations;

29. 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.
30. 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 section 149(b) of the Code.
31. 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.
32. The Obligations must contain a provision that the City will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings).
33. The transcript must include evidence that the information reporting requirements of section 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 section 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.
34. The Obligations must provide that neither the City nor a related party 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.
35. The City’s federal tax certificate shall provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

State Revolving Fund Conditions:

36. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
37. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor’s implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part

with the financial assistance made available shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB.

38. The Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.
39. The Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the City will adhere to the approved project schedule.
40. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.
41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
42. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58 and 2 CFR part 184.

Drinking Water State Revolving Fund Conditions:

43. The City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
44. Before closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations.
45. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

Pledge Conditions:

46. The Obligations must contain a provision that provides as follows:
- a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
 - b. if surplus revenues are based upon budgeted amounts:
 - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
 - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and before the time taxes are to be levied for that year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues or both, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination of these, into the Interest and Sinking Fund for the repayment of the Obligations; and
 - iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of the Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

Special Conditions:

- 47. Before closing, the City shall adopt and implement the water conservation program approved by the TWDB.
- 48. Before closing, the City 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 City shall return any principal forgiveness funds that are determined to be surplus funds.

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

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:**Approvable****Adopted**

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Apparent Loss GCD

Real Loss GCD

Threshold Type:

Reported

Threshold

Reported

Threshold

Does the applicant meet Water Loss Threshold Requirements?

Yes**No****NA****ADDITIONAL INFORMATION****STAFF NOTES AND RECOMMENDATIONS**

DEFINITIONS

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

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

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

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

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

GMD means gallons per mile per day.

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

