



PROJECT FUNDING REQUEST

BOARD DATE: May 8, 2025

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the Red River County Water Supply Corporation (Red River County) for \$12,795,000 in financial assistance consisting of \$1,280,000 in financing and \$11,515,000 in grant funding from the Rural Water Assistance Fund for planning, acquisition, design, and construction of water system improvements.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Red River County Water Supply Corporation (Corporation) serves multiple communities in and around the City of Clarksville, which is located 140 miles northeast of Dallas. The City provides water and wastewater services to a population of approximately 7,851 residents and approximately 2,617 water connections

PROJECT NEED AND DESCRIPTION

The Corporation's water distribution system has frequent water leaks and water loss due to deteriorating infrastructure. The Corporation also needs additional storage capacity. Its existing wells do not meet the required water flow rate and projected demands.

The Corporation proposes to upgrade approximately 58,000 feet of 1-inch water lines to 3-inch, replace 19,000 feet of transmission lines, and add 3 water wells and a 150,000-gallon elevated storage tank.

PROJECT SCHEDULE

Task	Schedule Date
Closing	September 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	April 2, 2026
Design Phase Completion	August 1, 2027
Start of Construction	October 31, 2027, 2028
Construction Completion	January 31, 2030

KEY ISSUES

The Corporation qualifies for \$11,515,000 in grant funding as an applicant with a population between 1,001 and 10,000 for a water loss mitigation project.

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

LEGAL/SPECIAL CONDITIONS

- Executed grant agreement
- Adopt water conservation plan
- Water rights
- Notice of conveyance

Attachments:

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

Financial Review

Red River County WSC

Attachment 1

Risk Score: 2A

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: -1.04%	State: 1.49%
Top 10 Customers % of Total Revenue	1%	10-15%
Median Household Income as % of State	61%	100%
Days of Cash on Hand (3-year Average)	294 Days	30-149 days
Net Fixed Assets/ Annual Depreciation	21 Years	12-24 years
Debt Service Coverage Ratio	2.10x	1.0x
Debt-to-Operating Revenues	1.61	4.00-5.99x
Unemployment Rate (January, 2025)	County: 4.10%	State: 4.70%
Working Capital Ratio	18.3	> 1.0

Key Risk Score Strengths

- The Corporation's debt service coverage ratio of 2.10x exceeds the required 1.0x coverage, indicating it is fully capable of meeting proposed obligations.
- The Corporation's top customers account for only one percent of the Corporation's revenue, indicating it is well diversified and is not reliant on a small group of customers to generate revenue.
- The Corporation's days of cash on hand exceed the benchmark, indicating a strong liquidity position and is well positioned to handle fiscal emergencies without relying on additional revenue.
- The Corporation's working capital ratio of 18.3 percent indicates it has ample resources to cover short-term liabilities and shows a strong liquidity position.

Key Risk Score Concerns

- The population of the County is declining and based on the 2026 Regional Water Plan projections, the County is projected to have a population decrease of 10 percent over the next 30 years. However, system connections have increased by 8.5 percent over the last five years, and cash flow has had a slight upward trend over the last 3 years.

PLEDGE

Legal Pledge Name	System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
Water	4,538	\$50.88	\$50.88	1.37	1.37

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Corporation could save approximately \$581,645 over the life of the financing. The Corporation is also saving \$11,515,000 in grant funding.

Project Data Summary

Responsible Authority	Red River Co WSC
Program	RWAF
Commitment Number	G1002114, L1002115
Project Number	21877
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$11,515,000 Grant Agreement, \$1,280,000 Red River County Water Supply Corporation Revenue Bonds Series 2025
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Approvable
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Rand Zeolla	Sophia Fousie	Kylie Beard	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Red River Co. WSC

<u>\$1,280,000 Red River County WSC Revenue Bonds Series 2025</u>			
Dated Date:	9/1/2025	Source:	RWAF
Delivery Date:	9/1/2025	Rate:	4.24%
First Interest:	3/15/2026	IUP Year:	2024
First Principal:	9/15/2026	Case:	Revenue
Last Principal:	9/15/2055	Admin.Fee:	\$0
Fiscal Year End:	12/31	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	<u>\$1,280,000 ISSUE</u>		TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
				INTEREST RATE	INTEREST PAYMENT			
2026	\$407,579	\$114,520	\$25,000	3.38%	\$54,664	\$79,664	\$194,183	2.10
2027	407,579	114,080	25,000	3.42%	51,773	76,773	190,852	2.14
2028	407,579	114,635	25,000	3.46%	50,918	75,918	190,552	2.14
2029	407,579	114,185	25,000	3.46%	50,053	75,053	189,237	2.15
2030	407,579	114,730	25,000	3.52%	49,188	74,188	188,917	2.16
2031	407,579	114,270	30,000	3.56%	48,308	78,308	192,577	2.12
2032	407,579	114,805	30,000	3.65%	47,240	77,240	192,044	2.12
2033	407,579	114,335	30,000	3.69%	46,145	76,145	190,479	2.14
2034	407,579	113,865	30,000	3.80%	45,038	75,038	188,902	2.16
2035	407,579	114,390	30,000	3.87%	43,898	73,898	188,287	2.16
2036	407,579	113,910	35,000	3.95%	42,737	77,737	191,647	2.13
2037	407,579	91,449	35,000	4.00%	41,354	76,354	167,803	2.43
2038	407,579	50,755	35,000	4.02%	39,954	74,954	125,709	3.24
2039	407,579	51,260	35,000	4.06%	38,547	73,547	124,807	3.27
2040	407,579	50,760	40,000	4.10%	37,126	77,126	127,886	3.19
2041	407,579	51,255	40,000	4.24%	35,486	75,486	126,741	3.22
2042	407,579	-	40,000	4.25%	33,790	73,790	73,790	5.52
2043	407,579	-	45,000	4.26%	32,090	77,090	77,090	5.29
2044	407,579	-	45,000	4.26%	30,173	75,173	75,173	5.42
2045	407,579	-	50,000	4.28%	28,256	78,256	78,256	5.21
2046	407,579	-	50,000	4.28%	26,116	76,116	76,116	5.35
2047	407,579	-	50,000	4.29%	23,976	73,976	73,976	5.51
2048	407,579	-	55,000	4.30%	21,831	76,831	76,831	5.30
2049	407,579	-	55,000	4.30%	19,466	74,466	74,466	5.47
2050	407,579	-	60,000	4.31%	17,101	77,101	77,101	5.29
2051	407,579	-	60,000	4.32%	14,515	74,515	74,515	5.47
2052	407,579	-	65,000	4.32%	11,923	76,923	76,923	5.30
2053	407,579	-	65,000	4.33%	9,115	74,115	74,115	5.50
2054	407,579	-	70,000	4.34%	6,301	76,301	76,301	5.34
2055	407,579	-	75,000	4.35%	3,263	78,263	78,263	5.21
		\$1,553,202	\$1,280,000		\$1,000,339	\$2,280,339	\$3,833,541	

AVERAGE (MATURITY) LIFE	18.45 YEARS
NET INTEREST RATE	4.237%
COST SAVINGS	\$581,645
AVERAGE ANNUAL REQUIREMENT	\$76,011

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
Red River Co WSC
21877 - Water System Facility Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$9,330,908.00	\$9,330,908.00
Subtotal for Construction	\$9,330,908.00	\$9,330,908.00
Basic Engineering Services		
Construction Engineering	\$499,100.00	\$499,100.00
Design	\$1,020,400.00	\$1,020,400.00
Planning	\$97,600.00	\$97,600.00
Subtotal for Basic Engineering Services	\$1,617,100.00	\$1,617,100.00
Special Services		
Application	\$22,500.00	\$22,500.00
Environmental	\$89,000.00	\$89,000.00
Inspection	\$50,000.00	\$50,000.00
Project Management (by engineer)	\$35,000.00	\$35,000.00
Surveying	\$82,000.00	\$82,000.00
Subtotal for Special Services	\$278,500.00	\$278,500.00
Fiscal Services		
Bond Counsel	\$40,000.00	\$40,000.00
Financial Advisor	\$55,000.00	\$55,000.00
Fiscal/Legal	\$15,500.00	\$15,500.00
Subtotal for Fiscal Services	\$110,500.00	\$110,500.00
Other		
Land/Easements Acquisition	\$106,520.00	\$106,520.00
Subtotal for Other	\$106,520.00	\$106,520.00
Contingency		
Contingency	\$1,351,472.00	\$1,351,472.00
Subtotal for Contingency	\$1,351,472.00	\$1,351,472.00
Total	\$12,795,000.00	\$12,795,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
RED RIVER COUNTY WATER SUPPLY CORPORATION
FROM THE RURAL WATER ASSISTANCE FUND IN THE AMOUNT OF
\$12,795,000 THROUGH THE PROPOSED PURCHASE OF
\$1,280,000 RED RIVER COUNTY WATER SUPPLY CORPORATION
WATER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2025
AND
EXECUTION OF A GRANT AGREEMENT
IN THE AMOUNT OF \$11,515,000

(25 - __)

Recitals:

The Red River County Water Supply Corporation (Corporation), located in Red River County, filed an application for financial assistance in the amount of \$12,795,000, to finance certain water system improvements, identified as Project No. 21877.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$12,795,000 through the TWDB's purchase of \$1,280,000 Red River County Water Supply Corporation Water System Revenue Bonds, Proposed Series 2025 (Obligations) and the execution of a Grant Agreement in the amount of \$11,515,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The Corporation has offered a pledge of a first lien on system revenue and a mortgage on all real and personal property constituting the 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 \$12,795,000 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 Corporation 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 Corporation will be sufficient to meet all the Obligations assumed by the Corporation during the succeeding period of not more than 50 years in accordance with Texas Water Code § 15.995(d).
3. The Corporation 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.
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 Corporation 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 Red River County Water Supply Corporation for financial assistance in the amount of \$12,795,000 from the Rural Water Assistance Fund through a transfer from the Texas Water Fund to be evidenced by the TWDB's purchase of \$1,280,000 Red River County Water Supply Corporation Water System Revenue Bonds, Proposed Series 2025 the execution of a Grant Agreement in the amount of \$11,515,000. This commitment will expire November 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 Corporation'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 Chapters 363 and 365.
3. The Obligations and Grant Agreement 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 Corporation 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 Corporation 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 Corporation, 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 Corporation shall submit executed contracts for engineering, and, if applicable, financial advisor, and bond counsel contracts for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed 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 Corporation 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 Corporation 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 Corporation.
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 Corporation, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Corporation's Obligations or obligated

persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by 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 Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12.

12. The Obligations must contain a provision requiring the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
17. The Obligations must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
18. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
19. The Obligations must provide that the Corporation will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
20. The Obligations must contain a covenant that the Corporation 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.

21. Before closing, the Corporation 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.

Water Supply Corporation Conditions:

22. The Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System.
23. Upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB.
24. Upon closing or within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office.
25. Before closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution.
26. Before closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary.
27. Before release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions.

28. Before closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended, or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit entity; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.
29. Before closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator. and
30. The Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval.

The Following Conditions Must Be Included in the Grant Agreement:

31. The Grant Agreement must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
32. The Grant Agreement must provide that the Corporation will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project.
33. The Grant Agreement must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
34. 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.
35. The Grant Agreement must include a provision stating that the Corporation 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.

36. The Grant Agreement must contain a provision stating that the Corporation 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.
37. 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 Corporation 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.
38. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Corporation 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.
39. Before release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements and rights-of-way have been completed or, with prior approval by the executive administrator if all acquisitions have not been completed, evidence that the applicant has the legal Corporation necessary to complete the acquisitions.

Pledge Conditions for the Loan:

40. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.
41. If the Corporation has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations.
42. The Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the Corporation certifies that the Corporation is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

Special Conditions:

43. Before closing, the Corporation shall adopt and implement the water conservation program approved by the TWDB.
44. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Corporation has the right to use the water that the project financed by the TWDB will provide.
45. The Corporation must notify the Executive Administrator before taking any actions to alter its legal status in any manner, for example by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.
46. The Obligations must include a provision requiring that, before any action by the Corporation to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.
47. Before closing, the Corporation shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator.

APPROVED and ordered of record this, the 8th day of May 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

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:

Validation Performed:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold

Does the applicant meet Water Loss Threshold Requirements?

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

DEFINITIONS

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

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

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

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

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

GMD means gallons per mile per day.

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

NA means not applicable.

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

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

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

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

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

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

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

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

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



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