PROJECT FUNDING REQUEST

BOARD DATE: August 21, 2025 **Team Manager:** David Firgens

ACTION REQUESTED
Consider approving by resolution a request from the City of Pflugerville (Travis and Williamson County) for $74,775,000 in financial assistance from the Drinking Water State Revolving Fund for construction of a water system improvement project.

STAFF RECOMMENDATION
☒ Approve ☐ No Action

BACKGROUND
The City of Pflugerville (City) is located in Travis and Williamson Counties approximately 20 miles northeast of Austin. The City provides water and wastewater services to a population of approximately 66,327 residents and 15,956 connections.

PROJECT NEED AND DESCRIPTION
The continued growth and increased water demand for the City has outpaced the current water supply capacity. The ability to fully obtain existing permitted water supplies is limited by their raw water intake transmission infrastructure.

The City will expand the capacity of their Colorado River Raw Water Pump Station capacity from 11 million gallons per day (MGD) to 22 MGD and install approximately 15 miles of raw water pipeline between the pump station and the outfall at Lake Pflugerville.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 30, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	April 3, 2024
Design Phase Completion	June 20, 2025
Start of Construction	October 31, 2024
Construction Completion	June 30, 2026

KEY ISSUES
The City is using the Water Infrastructure Finance and Innovation Act (WIFIA), Federal Emergency Management Agency (FEMA), and local city funding to supplement the financing for the completion of this project.

The City is also requesting Drinking Water State Revolving Funds for an additional project to upgrade their existing water treatment plant (Project 62919). Both proposed commitments will be considered at the August 2025 Board Meeting.

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE AUGUST 31, 2026

LEGAL/SPECIAL CONDITIONS

- Water rights reasonable expectation
- Water rights certification

Attachments:

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

Financial Review
City of Pflugerville

Risk Score: 2B

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 3.34%	State: 1.49%
Top 10 Customers % of Total Revenue	9%	10-15%
Median Household Income as % of State	152%	100%
Days of Cash on Hand (3-year Average)	183 days	30-149 days
Net Fixed Assets/ Annual Depreciation	45 years	12-24 years
Debt Service Coverage Ratio	0.77x	1.1x
Debt-to-Operating Revenues	12.28	4.00-5.99x
Unemployment Rate (May 2025)	City: 3.5%	State: 4.0%
Working Capital Ratio	0.3	> 1.0

Key Risk Score Strengths

- The City has a low percentage of revenue derived from its top 10 customers at 9 percent, indicating a well-diversified customer base that reduces reliance on any single entity. This distribution enhances the City's financial stability and minimizes the risk of revenue fluctuations due to changes in individual customer relationships.
- The City's net fixed assets to depreciation ratio reflect healthy asset management and reinvestment, indicating that a significant portion of its infrastructure remains in good condition. This suggests prudent capital planning and a commitment to maintaining essential public services, reducing the risk of unexpected capital expenditures.
- The City has grown considerably over the last decade with the population increasing by 18,255 over the last ten years with an average 3.34 percent growth rate each year. Additionally, Regional Water Plan projections indicate the population is expected to increase by an additional 38 percent by 2040.

Key Risk Score Concerns

- The City's debt service coverage falls below the required threshold, indicating the need to increase rates to meet its current and proposed obligations. Projections show that an initial rate increase of $63.11 will be needed by 2026 and a maximum rate increase of $114.58 will be needed by 2035 to achieve adequate coverage. The City is aware that rate increases will be needed to meet debt coverage and is planning to increase residential water rates by $24.80 and wastewater rates by $16.50 in 2026 with an additional 10 percent rate increase for each year following. The City will also be increasing commercial water rates by 29 percent and wastewater rates by 20 percent in 2026, with an additional ten percent increase for each year following until 2035. The City has also been communicating these predicted rate increases to its customers for several years now and is not anticipating any issues with its customers.

- The City has a low working capital ratio primarily due to having a significant amount of short-term liabilities in the form of accounts payable and a low amount of cash. Which is caused by the City's multiple ongoing capital improvement projects. However, the City's utility fund has experienced high amounts of revenue growth over the last three years, which is expected to counteract the high amount of current liabilities.

- The City's high debt to operating revenues ratio indicates significant reliance on borrowing relative to its revenue base, which may constrain financial flexibility, ongoing revenue performance, and debt management. However, this is mitigated by the City's high growth rate and the accompanying revenue increases.

PLEDGE

Legal Pledge Name	Combination Tax and Utility System Revenues
Type of Pledge	☐ Tax ☐ Revenue ☒ Tax & Revenue ☐ Contract ☐ Other
Revenue Pledge Level	☐ First ☐ Second ☒ Third ☐ N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2031)	Current Household Cost Factor	Projected Household Cost Factor
Water	8,000	$95.10	$209.90	2.49	3.12
Wastewater	5,000	$79.50	$79.50		

TAXES

	2024 Tax Year Rate	Max Projected Tax Rate (Year 2025)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	$0.25	$0.25	$1.50	100%	$12,046,411,798
Interest & Sinking	$0.29	$0.41			
Total Tax Rate	$0.54	$0.66			

<u>Cost Savings</u>
Based on a 30-year maturity schedule and current interest rates, the City could save approximately $20,119,719 over the life of the financing.

Texas Water Development Board

Project Data Summary

Responsible Authority	City of Pflugerville
Program	DWSRF
Commitment Number	L1002174
Project Number	63075
List Year	2023
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	$74,775,000 City of Pflugerville, Texas Combination Tax and Utility System Revenue Certificates of Obligation, Proposed Series 2025A
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	No
State Revolving Fund Type	Non-Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
David Firgens	Jacob Berdoll	Barry Ekstrand	Stephannie Resendez	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Pflugerville

$74,775,000 City of Pflugerville Combination Tax and Utility System Revenues Certificates of Obligation Proposed Series, 2025A

Dated Date:	**11/30/2025**	**Source:**	**DWSRF-NON-EQUIVALENCY**
Delivery Date:	**11/30/2025**	**Rate:**	**3.12%**
First Interest:	**3/15/2026**	**IUP Year:**	**2023**
First Principal:	**9/15/2027**	**Case:**	**Tax and Revenue**
Last Principal:	**9/15/2055**	**Admin.Fee:**	**$1,466,176**
Fiscal Year End:	**9/30**	**Admin. Fee Payment Date:**	**11/30/2025**
Required Coverage:	**1.1**	**Total Assessed Valuation:**	**$12,046,411,798**

$27,180,000 City of Pflugerville Combination Tax and Utility System Revenues Certificates of Obligation Proposed Series, 2025B

Dated Date:	**11/30/2025**	**Source:**	**DWSRF-NON-EQUIVALENCY**
Delivery Date:	**11/30/2025**	**Rate:**	**3.12%**
First Interest:	**3/15/2026**	**IUP Year:**	**2023**
First Principal:	**9/15/2027**	**Case:**	**Tax and Revenue**
Last Principal:	**9/15/2055**	**Admin.Fee:**	**$532,941**
Fiscal Year End:	**9/30**	**Admin. Fee Payment Date:**	**11/30/2025**
Required Coverage:	**1.1**		

						$74,775,000 ISSUE				**$27,180,000 ISSUE**					
FISCAL YEAR	**REQUIRED TAX RATE**	**REQUIRED TAX REVENUES WITH COLL. @ 99.85%**	**PROJECTED NET SYSTEM REVENUES**	**PROJECTED TOTAL REVENUES**	**CURRENT DEBT SERVICE**	**PRINCIPAL PAYMENT**	**INTEREST RATE**	**INTEREST PAYMENT**	**TOTAL PAYMENT**	**PRINCIPAL PAYMENT**	**INTEREST RATE**	**INTEREST PAYMENT**	**TOTAL PAYMENT**	**DEBT SERVICE**	**ACTUAL COVERAGE**
2026	$0.3611	$43,432,279	$38,245,976	$81,678,255	$71,915,648	$0	-	$1,714,174	$1,714,174	-	-	$623,137	$623,137	$74,252,959	1.10
2027	0.3740	44,983,883	46,181,287	91,165,170	77,485,035	1,790,000	1.93%	2,165,273	3,955,273	650,000	1.93%	787,120	1,437,120	82,877,427	1.10
2028	0.3783	45,505,950	46,902,649	92,408,599	78,622,517	1,820,000	1.93%	2,130,726	3,950,726	660,000	1.93%	774,575	1,434,575	84,007,818	1.10
2029	0.3895	46,854,275	47,816,329	94,670,604	80,676,749	1,855,000	1.93%	2,095,600	3,950,600	675,000	1.93%	761,837	1,436,837	86,064,186	1.10
2030	0.3919	47,135,278	48,856,648	95,991,926	81,876,780	1,890,000	1.97%	2,059,798	3,949,798	690,000	1.97%	748,810	1,438,810	87,265,387	1.10
2031	0.3919	47,135,992	48,856,648	95,992,639	81,340,851	1,930,000	2.03%	2,022,565	3,952,565	700,000	2.03%	735,217	1,435,217	86,728,632	1.11
2032	0.3919	47,141,936	48,856,648	95,998,583	81,318,538	1,970,000	2.09%	1,983,386	3,953,386	715,000	2.09%	721,007	1,436,007	86,707,930	1.11
2033	0.3980	47,869,674	48,856,648	96,726,321	82,180,969	2,010,000	2.14%	1,942,213	3,952,213	730,000	2.14%	706,063	1,436,063	87,569,245	1.10
2034	0.3980	47,869,674	48,856,648	96,726,321	79,902,943	2,055,000	2.24%	1,899,199	3,954,199	745,000	2.24%	690,441	1,435,441	85,292,583	1.13
2035	0.4087	49,162,895	48,856,648	98,019,542	80,868,473	2,100,000	2.35%	1,853,167	3,953,167	765,000	2.35%	673,753	1,438,753	86,260,393	1.14
2036	0.4087	49,162,895	48,856,648	98,019,542	72,793,191	2,150,000	2.51%	1,803,817	3,953,817	780,000	2.51%	655,776	1,435,776	78,182,783	1.25
2037	0.4087	49,162,895	48,856,648	98,019,542	72,767,882	2,205,000	2.62%	1,749,852	3,954,852	800,000	2.62%	636,198	1,436,198	78,158,931	1.25
2038	0.4087	49,162,895	48,856,648	98,019,542	72,730,156	2,260,000	2.74%	1,692,081	3,952,081	820,000	2.74%	615,238	1,435,238	78,117,475	1.25
2039	0.4087	49,162,895	48,856,648	98,019,542	72,697,654	2,320,000	2.82%	1,630,157	3,950,157	845,000	2.82%	592,770	1,437,770	78,085,581	1.26
2040	0.4087	49,162,895	48,856,648	98,019,542	72,659,383	2,385,000	2.91%	1,564,733	3,949,733	865,000	2.91%	568,941	1,433,941	78,043,056	1.26
2041	0.4087	49,162,895	48,856,648	98,019,542	70,939,026	2,450,000	2.99%	1,495,330	3,945,330	890,000	2.99%	543,769	1,433,769	76,318,125	1.28
2042	0.4087	49,162,895	48,856,648	98,019,542	68,124,162	2,525,000	3.07%	1,422,075	3,947,075	915,000	3.07%	517,158	1,432,158	73,503,395	1.33
2043	0.4087	49,162,895	48,856,648	98,019,542	58,789,591	2,600,000	3.14%	1,344,557	3,944,557	945,000	3.14%	489,068	1,434,068	64,168,216	1.53
2044	0.4087	49,162,895	48,856,648	98,019,542	58,753,584	2,680,000	3.17%	1,262,917	3,942,917	975,000	3.17%	459,395	1,434,395	64,130,895	1.53
2045	0.4087	49,162,895	48,856,648	98,019,542	58,724,780	2,765,000	3.21%	1,177,961	3,942,961	1,005,000	3.21%	428,487	1,433,487	64,101,228	1.53
2046	0.4087	49,162,895	48,856,648	98,019,542	53,824,692	2,850,000	3.23%	1,089,205	3,939,205	1,035,000	3.23%	396,227	1,431,227	59,195,123	1.66
2047	0.4087	49,162,895	48,856,648	98,019,542	51,668,438	2,940,000	3.25%	997,150	3,937,150	1,070,000	3.25%	362,796	1,432,796	57,038,383	1.72
2048	0.4087	49,162,895	48,856,648	98,019,542	49,870,449	3,035,000	3.27%	901,600	3,936,600	1,105,000	3.27%	328,021	1,433,021	55,240,069	1.77
2049	0.4087	49,162,895	48,856,648	98,019,542	49,862,639	3,135,000	3.28%	802,355	3,937,355	1,140,000	3.28%	291,888	1,431,888	55,231,881	1.77
2050	0.4087	49,162,895	48,856,648	98,019,542	48,427,893	3,235,000	3.30%	699,527	3,934,527	1,175,000	3.30%	254,496	1,429,496	53,791,916	1.82
2051	0.4087	49,162,895	48,856,648	98,019,542	45,161,989	3,340,000	3.31%	592,772	3,932,772	1,215,000	3.31%	215,721	1,430,721	50,525,482	1.94
2052	0.4087	49,162,895	48,856,648	98,019,542	44,629,657	3,450,000	3.32%	482,218	3,932,218	1,255,000	3.32%	175,504	1,430,504	49,992,379	1.96
2053	0.4087	49,162,895	48,856,648	98,019,542	41,860,553	3,560,000	3.33%	367,678	3,927,678	1,295,000	3.33%	133,838	1,428,838	47,217,069	2.08
2054	0.4087	49,162,895	48,856,648	98,019,542	13,165,685	3,680,000	3.33%	249,130	3,929,130	1,335,000	3.33%	90,715	1,425,715	18,520,529	5.29
2055	0.4087	49,162,895	48,856,648	98,019,542	13,159,366	3,790,000	3.34%	126,586	3,916,586	1,385,000	3.34%	46,259	1,431,259	18,507,211	5.30
				$3,388,335,289	$1,886,799,273	$74,775,000		$41,317,798	$116,092,798	$27,180,000		$15,024,217	$42,204,217	$2,045,096,288	

$74,775,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	**17.72 YEARS**
NET INTEREST RATE	**3.119%**
COST SAVINGS	**$20,119,719**
AVERAGE ANNUAL REQUIREMENT	**$3,869,760**

$27,180,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	**17.72 YEARS**
NET INTEREST RATE	**3.119%**
COST SAVINGS	**$7,315,948**
AVERAGE ANNUAL REQUIREMENT	**$1,406,807**

TOTAL AVERAGE ANNUAL REQUIREMENTS
$68,169,876

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.

Project Budget Summary
City of Pflugerville
63075 - Secondary Colorado River Raw Water Line

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	$74,775,000.00	$59,783,845.00	$134,558,845.00
Subtotal for Construction	**$74,775,000.00**	**$59,783,845.00**	**$134,558,845.00**
Basic Engineering Services			
Construction Engineering	$0.00	$1,575,000.00	$1,575,000.00
Design	$0.00	$2,290,000.00	$2,290,000.00
Planning	$0.00	$628,000.00	$628,000.00
Subtotal for Basic Engineering Services	**$0.00**	**$4,493,000.00**	**$4,493,000.00**
Special Services			
Application	$0.00	$127,720.00	$127,720.00
Environmental	$0.00	$681,100.00	$681,100.00
Geotechnical	$0.00	$495,000.00	$495,000.00
Inspection	$0.00	$2,414,917.00	$2,414,917.00
O&M Manual	$0.00	$20,000.00	$20,000.00
Permits	$0.00	$763,700.00	$763,700.00
Project Management (by engineer)	$0.00	$3,135,115.00	$3,135,115.00
Surveying	$0.00	$819,000.00	$819,000.00
Testing	$0.00	$350,000.00	$350,000.00
Subtotal for Special Services	**$0.00**	**$8,806,552.00**	**$8,806,552.00**
Fiscal Services			
Bond Counsel	$0.00	$240,000.00	$240,000.00
Financial Advisor	$0.00	$260,000.00	$260,000.00
Issuance Costs	$0.00	$150,000.00	$150,000.00
Loan Origination Fee	$0.00	$1,495,500.00	$1,495,500.00
Subtotal for Fiscal Services	**$0.00**	**$2,145,500.00**	**$2,145,500.00**
Other			
Land/Easements Acquisition	$0.00	$6,362,700.00	$6,362,700.00
Subtotal for Other	**$0.00**	**$6,362,700.00**	**$6,362,700.00**
Contingency			
Contingency	$0.00	$10,800,000.00	$10,800,000.00
Subtotal for Contingency	**$0.00**	**$10,800,000.00**	**$10,800,000.00**
Total	**$74,775,000.00**	**$92,391,597.00**	**$167,166,597.00**

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $74,775,000 TO THE CITY OF PFLUGERVILLE FROM THE DRINKING WATER STATE REVOLVING FUND THROUGH THE PROPOSED PURCHASE OF $74,775,000 CITY OF PFLUGERVILLE, TEXAS COMBINATION TAX AND UTILITY SYSTEM REVENUE CERTIFICATES OF OBLIGATION, PROPOSED SERIES 2025A

(25 -)

Recitals:

The City of Pflugerville (City), located in Travis and Williamson Counties, has applied for financial assistance in the amount of $74,775,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 63075.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of $74,775,000 City of Pflugerville, Texas Combination Tax and Utility System Revenue Certificates of Obligation, Proposed Series 2025A (Obligations), together with all authorizing documents, 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 revenue of the City's utility system as sufficient security for the repayment of the Obligations.

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*.

3. The term of the Obligations does not exceed the expected useful life of the project proposed by the City.

4. 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.

5. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).

6. The 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).

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

A commitment is made by the TWDB to the City of Pflugerville for financial assistance in the amount of $74,775,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of $74,775,000 City of Pflugerville, Texas Combination Tax and Utility System Revenue Certificates of Obligation, Proposed Series 2025A. This commitment will expire on August 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 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 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.

7. 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.

8. 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.

9. 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.

10. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.

11. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

12. Proceeds of this commitment must not be used by the 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.

13. 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.

14. 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.

15. 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.

16. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

17. The TWDB retains the option to purchase the Obligations in separate lots or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.

18. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

19. 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.

20. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

21. 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).

22. 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:

23. 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.

24. 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.

25. 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).

26. 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.

27. 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;

28. 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.

29. 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.

30. 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.

31. 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).

32. 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.

33. 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.

34. 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:

35. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.

36. 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.

37. 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.

38. 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.

39. 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 produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.

40. The Obligations 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.

Drinking Water State Revolving Fund Conditions:

41. The City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

42. 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.

Pledge Conditions:

43. 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:

1. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the City has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction.

2. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must issue a written finding that the City has the right to use the water that the project financed by the TWDB will provide.

APPROVED and ordered of record this 21st day of August 2025.

TEXAS WATER DEVELOPMENT BOARD

_____
L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

_____
Bryan McMath, Executive Administrator

Attachment 4

Review Date: 04/15/2025

Project ID: 63075

☑ Water
☐ Wastewater
☐ Other _____

WATER CONSERVATION REVIEW

Entity: City of Pflugerville

Other entity:

WATER CONSERVATION PLAN DATE: 2021 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	147	107	9
5-year Goal	140	102	8
10-year Goal	133	97	8

WATER LOSS AUDIT YEAR: 2024

Service connections: 16,267
Retail population: 56,963
Length of main lines (miles): 200
Connections per mile: 81
Water Loss GCD: 11
Water Loss GPCD: 3
ILI: 0.42
Real Loss GMD: NA

WATER LOSS THRESHOLDS Water Loss Project: ☐ Waiver Requested: ☐

Wholesale Adjusted: ☑

Threshold Type:
Connection Density >= 32 per mile

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
5	19	6	30

Does the applicant meet Water Loss Threshold Requirements? **Yes** ☑ **No** ☐ **NA** ☐

ADDITIONAL INFORMATION

According to its water conservation plan, the city plans to reduce water use and consumption 5 percent by 2026. Additionally, the city will measure its progress by looking at current and historic daily use per resident as well as total daily use. The city uses INCODE billing software with meter reading reports, and is incorporating an advanced metering infrastructure (AMI). As part of its public education and information campaign the city provides water conservation brochures and handouts to water customers. Conservation programs include “Drop by Drop”, a landscape rebate program that offers rebates between $50 and $500 to residential customers that install approved plants in their landscape. The city also continues to offer rain barrels at a reduced cost to encourage rainwater harvesting. The city plans to consider ordinances promoting the use of water conserving technologies, water efficiency, and avoid water waste. In addition, the city provides recycled water to irrigate sports fields in the Travis County Northeast Metropolitan Park, saving approximately 58,019 gallons of potable water per day.

STAFF NOTES AND RECOMMENDATIONS

None

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.

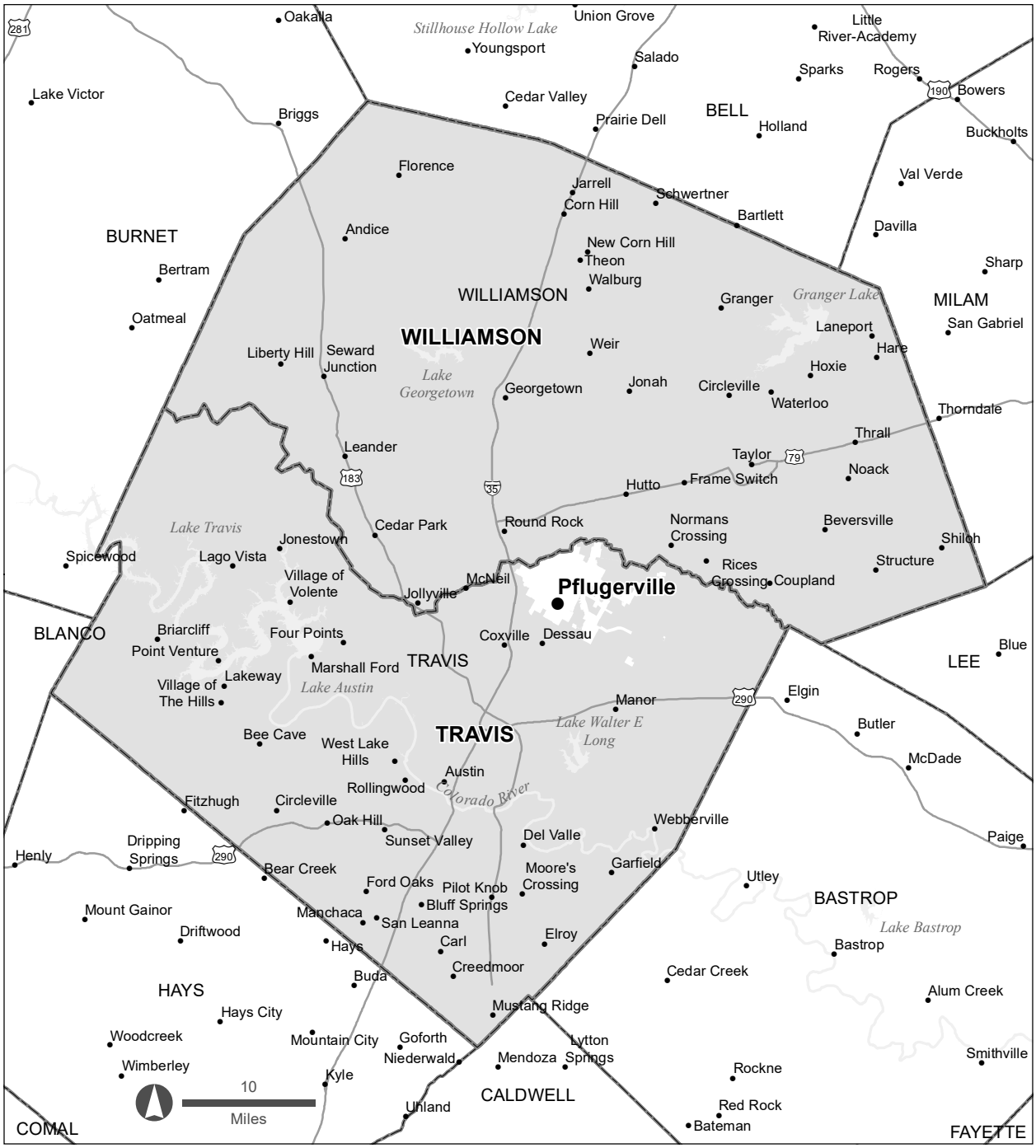
Total water loss is the sum of the apparent and real water losses.

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 Pflugerville
Travis and Williamson County