



PROJECT FUNDING REQUEST

BOARD DATE: August 21, 2025

Team Manager: William Alfaro

ACTION REQUESTED

Consider approving by resolution a request from the City of Harlingen (Cameron County) for \$25,116,404 in financial assistance consisting of \$12,560,000 in financing and \$12,556,404 in grant from the Economically Distressed Areas Program for construction of a wastewater system improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Harlingen (City) is located in Cameron County. The City is the second largest city in Cameron County and the fourth largest in the Rio Grande Valley. The City through its Waterworks System (HWWS) provides service to approximately 88,761 residents and approximately 28,000 water and 22,000 wastewater connections.

The HWWS also provides wholesale water or sewer services to the Town of Combes, East Rio Hondo Water Supply Corporation, Military Highway Water Supply Corporation, and to the cities of Palm Valley and Primera. In addition, there is a commercial water service connection to serve the City of San Benito and an emergency interconnect to the City of La Feria.

The City received \$10,000,000 in financial assistance in September 2023 through the Clean Water State Revolving Fund for the planning, acquisition, and design of a wastewater system improvements project. The City is nearing completion of the planning phase, has approximately 30 percent of the design phase complete, and is now requesting additional funding for the construction phase of the project. This request is specifically to fund eligible project components in residential areas under the Economically Distressed Areas Program (EDAP). A separate application has been submitted through the Clean Water State Revolving Fund to complement this request for the construction of the non-EDAP project components located in residential and non-residential areas.

PROJECT NEED AND DESCRIPTION

The HWWS is experiencing overflows and surcharge in its wastewater collection system, particularly during wet weather. This is a result of the influent lift station and other infrastructure at the wastewater treatment plant (WWTP) being undersized to handle wet weather flows as well as the inadequate capacity and depth of collection lines and lift stations within the City's sewer system, in particular those within the Little Creek Interceptor (LCI) sewershed.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE FEBRUARY 28, 2026
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The proposed project consists of replacing existing WWTP influent lift station (LS-1), construction of a new above ground 40.0 million gallons per day headworks downstream of LS-1; replacement of the existing Little Creek Interceptor and the abandonment of three existing lift stations; re-routing of LS-9's force main to a new discharge point at the upstream section of the Little Creek Interceptor. Planning, acquisition, and design for this project were previously funded in 2023.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	September 30, 2025
Design Phase Completion	December 31, 2025
Start of Construction	January 31, 2026
Construction Completion	January 31, 2028

KEY ISSUES

The City did not request a nuisance determination for the proposed project area. Under Texas Water Code § 17.933(b), and consistent with the Intended Use Plan for the current EDAP funding cycle, the Executive Administrator recommends setting the grant amount at 50 percent of eligible costs for projects that have not received a nuisance determination.

The City has also submitted two Water Loan Assistance Fund applications to be considered with this request. In addition, the City has requested funding from the Clean Water State Revolving Fund that will be presented at a subsequent meeting. All of these requests are included in the financial analysis presented in Attachment 1.

LEGAL/SPECIAL CONDITIONS

- Executed grant agreement
- Return of surplus grant funds

Attachments:

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

Financial Review

Harlingen Waterworks System

Attachment 1

Risk Score: 2A

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 1.03%	State: 1.49%
Top 10 Customers % of Total Revenue	13%	10-15%
Median Household Income as % of State	69%	100%
Days of Cash on Hand (3-year Average)	587 days	30-149 days
Net Fixed Assets/ Annual Depreciation	18 years	12-24 years
Debt Service Coverage Ratio	1.20x	1.0x
Debt-to-Operating Revenues	2.29x	4.00-5.99x
Unemployment Rate (May 2025)	City: 4.80%	State: 4.00%
Working Capital Ratio	7.5	> 1.0

Key Risk Score Strengths

- The City's days of cash on hand is above the benchmark, indicating sufficient reserves for operating expenses.
- The City maintains a debt service coverage ratio that meets the required coverage, demonstrating sufficient revenue generation to cover debt obligations. This reflects sound financial management and a stable repayment capacity.
- The City's working capital ratio exceeds the benchmark, indicating strong near-term liquidity and financial stability to cover operational needs and unexpected expenses.
- The City maintains a low debt to operating revenues ratio, indicating strong fiscal discipline and a sustainable debt burden. This prudent financial management enhances the city's creditworthiness, providing flexibility for future capital investments without over-reliance on borrowing.

Key Risk Score Concerns

- Despite a low median household income and household cost factor, the City maintains strong cash flows reflecting effective financial management and stable revenue streams.
- The cash balance ratio has decreased by 2 percent over the past 5 years. This decrease is due to the water system moving cash into the restricted cash and also to fund construction in progress.

PLEDGE

Legal Pledge Name	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	Current Household Cost Factor	Projected Household Cost Factor
Water	6,660	\$21.01	\$21.01	1.17	1.17
Wastewater	4,500	\$28.04	\$28.04		

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the City could save approximately \$1,111,113 over the life of the financing. The City is also saving \$12,556,404 in grant funding.

Project Data Summary

Responsible Authority	Harlingen Waterworks System
Program	EDAP
Commitment Number	G1002191, L1002192
Project Number	73944
List Year	2022
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$12,556,404 Grant Agreement, \$12,560,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2025D (EDAP)
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
Pre-Design	No
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM				
Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
William Alfaro	Arnoldo Rubio	Rohan Jayasuriya	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Harlingen Waterworks System

\$12,560,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2025D (EDAP)

Dated Date:	11/1/2025	Source:	EDAP
Delivery Date:	11/1/2025	Rate:	3.76%
First Interest:	5/1/2026	IUP Year:	2025
First Principal:	11/1/2026	Case:	System Revenue
Last Principal:	11/1/2046	Admin.Fee:	\$0
Fiscal Year End:	09/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

PROJECTED		CURRENT	\$12,560,000 ISSUE				OTHER PROPOSED		
FISCAL YEAR	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2026	\$4,471,864	\$2,042,028	-	-	\$220,518	\$220,518	\$221,541	\$2,484,087	1.80
2027	4,471,864	2,041,962	\$430,000	3.07%	434,436	864,436	814,873	3,721,270	1.20
2028	4,471,864	2,040,455	445,000	2.95%	421,272	866,272	813,415	3,720,141	1.20
2029	4,471,864	2,057,097	460,000	2.87%	408,107	868,107	811,854	3,737,058	1.20
2030	4,471,864	2,051,215	470,000	2.83%	394,856	864,856	815,065	3,731,135	1.20
2031	4,471,864	2,052,352	485,000	2.83%	381,342	866,342	817,913	3,736,608	1.20
2032	4,471,864	1,700,458	500,000	2.83%	367,405	867,405	815,377	3,383,239	1.32
2033	4,471,864	1,696,600	510,000	2.83%	353,113	863,113	812,518	3,372,231	1.33
2034	4,471,864	1,696,127	525,000	2.83%	338,468	863,468	809,261	3,368,856	1.33
2035	4,471,864	1,703,778	540,000	2.87%	323,290	863,290	820,315	3,387,383	1.32
2036	4,471,864	1,703,752	555,000	3.07%	307,022	862,022	815,565	3,381,339	1.32
2037	4,471,864	472,340	575,000	3.30%	289,015	864,015	810,159	2,146,513	2.08
2038	4,471,864	471,228	595,000	3.49%	269,145	864,145	818,981	2,154,354	2.08
2039	4,471,864	469,739	615,000	3.66%	247,508	862,508	812,063	2,144,309	2.09
2040	4,471,864	467,894	635,000	3.81%	224,156	859,156	809,568	2,136,618	2.09
2041	4,471,864	470,644	660,000	3.95%	199,025	859,025	816,301	2,145,969	2.08
2042	4,471,864	467,980	685,000	3.99%	172,324	857,324	812,294	2,137,597	2.09
2043	4,471,864	469,939	715,000	4.03%	144,251	859,251	817,549	2,146,739	2.08
2044	4,471,864	471,502	745,000	4.06%	114,720	859,720	812,134	2,143,356	2.09
2045	4,471,864	467,742	775,000	4.09%	83,748	858,748	816,121	2,142,611	2.09
2046	4,471,864	468,687	805,000	4.13%	51,276	856,276	809,533	2,134,496	2.10
2047	4,471,864	469,270	835,000	4.15%	17,326	852,326	812,411	2,134,007	2.10
		\$25,952,785	\$12,560,000		\$5,762,320	\$18,322,320	\$17,314,807	\$61,589,913	

AVERAGE (MATURITY) LIFE	12.21 YEARS
NET INTEREST RATE	3.758%
COST SAVINGS	\$1,111,113
AVERAGE ANNUAL REQUIREMENT	\$832,833

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
Harlingen Waterworks System
73944 - WWTP and Southeast Interceptor System Capacity
Improvements

Budget Items	Previous CWSRF Commitment	Current EDAP Request	TWDB Funds	Total
Construction				
Construction	\$0.00	\$24,356,443.00	\$24,356,443.00	\$24,356,443.00
Subtotal for Construction	\$0.00	\$24,356,443.00	\$24,356,443.00	\$24,356,443.00
Basic Engineering Services				
Construction Engineering	\$0.00	\$380,731.00	\$380,731.00	\$380,731.00
Design	\$6,800,000.00	\$0.00	\$6,800,000.00	\$6,800,000.00
Planning	\$1,700,000.00	\$0.00	\$1,700,000.00	\$1,700,000.00
Subtotal for Basic Engineering Services	\$8,500,000.00	\$380,731.00	\$8,880,731.00	\$8,880,731.00
Special Services				
Environmental	\$281,341.00	\$0.00	\$281,341.00	\$281,341.00
Geotechnical	\$95,000.00	\$0.00	\$95,000.00	\$95,000.00
Permits	\$20,000.00	\$0.00	\$20,000.00	\$20,000.00
Surveying	\$170,550.00	\$0.00	\$170,550.00	\$170,550.00
Testing	\$0.00	\$34,612.00	\$34,612.00	\$34,612.00
Subtotal for Special Services	\$566,891.00	\$34,612.00	\$601,503.00	\$601,503.00
Fiscal Services				
Bond Counsel	\$56,750.00	\$33,610.00	\$90,360.00	\$90,360.00
Financial Advisor	\$50,000.00	\$34,100.00	\$84,100.00	\$84,100.00
Fiscal/Legal	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00
Issuance Costs	\$0.00	\$25,744.00	\$25,744.00	\$25,744.00
Loan Origination Fee	\$171,990.00	\$0.00	\$171,990.00	\$171,990.00
Subtotal for Fiscal Services	\$288,740.00	\$93,454.00	\$382,194.00	\$382,194.00
Other				
Land/Easements Acquisition	\$200,000.00	\$0.00	\$200,000.00	\$200,000.00
Subtotal for Other	\$200,000.00	\$0.00	\$200,000.00	\$200,000.00
Contingency				
Contingency	\$444,369.00	\$251,164.00	\$695,533.00	\$695,533.00
Subtotal for Contingency	\$444,369.00	\$251,164.00	\$695,533.00	\$695,533.00
Total	\$10,000,000.00	\$25,116,404.00	\$35,116,404.00	\$35,116,404.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$25,116,404 TO THE CITY OF HARLINGEN
FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE PROPOSED PURCHASE OF \$12,560,000
CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE
BONDS, PROPOSED SERIES 2025D (EDAP)
AND
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$12,556,404

(25 - __)

Recitals:

The City of Harlingen (City), located in Cameron County, has filed an application seeking financial assistance in the amount of \$25,116,404 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II to finance certain wastewater system improvements, identified as Project No. 73944.

The City seeks financial assistance from the Texas Water Development Board (the TWDB) through the TWDB's proposed purchase of \$12,560,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2025D (EDAP) (together with all authorizing documents (Obligations)) and a grant of \$12,556,404 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, all as is more specifically set forth in the application and in recommendations of TWDB's staff.

The City has offered a pledge of a first lien on the net revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations.

The TWDB has carefully considered all matters required by law and in particular the following:

1. the feasibility of creating a conservation and reclamation district to provide and finance the water supply or sewer services, in accordance with Texas Water Code § 16.346;
2. the need of the economically distressed area to be served by the water supply and sewer services in relation to the need of other political subdivisions requiring economically distressed areas financing, and the relative costs and benefits of all applications, in accordance with Texas Water Code § 17.929(a)(1);
3. the availability to the political subdivision of revenue from alternative sources for the payment of the cost of the proposed project, in accordance with Texas Water Code § 17.929 (a)(2);

4. financing of the proposed water supply or sewer project, in accordance with Texas Water Code § 17.929(a)(3);
5. the feasibility of achieving cost savings by providing a regional facility for water supply and wastewater service and the feasibility of financing the facilities by using funds from the economically distressed areas account or any other financial assistance, in accordance with Texas Water Code § 17.929(a)(5);
6. the rates, fees, and charges that the average customer to be served by the project will be able to pay, sources of funding available to the City, and any local funds of the City, in accordance with Texas Water Code § 17.933(d)(1);
7. sources of funding available to the City from federal and private funds and from other state funds, in accordance with Texas Water Code § 17.933(d)(2);
8. any local funds of the City to be served by the project if the economically distressed area to be served is within the boundary of the City, in accordance with Texas Water Code § 17.933(d)(3); and
9. the just, fair, and reasonable charges for water and wastewater service as provided in the Texas Water Code, in accordance with Texas Water Code § 17.933(d)(4).

Findings:

1. 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.
2. The area to be served by the proposed project has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available, in accordance with Texas Water Code § 17.929(b).
3. The County and City have adopted model subdivision rules as promulgated by the TWDB pursuant to Texas Water Code § 16.343 and the manner of enforcement, in accordance with Texas Water Code § 17.929(a) (4).
4. A current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j).).
5. The City has considered cost-effective innovative, nonconventional methods of treatment and will evaluate alternatives in greater detail through the planning phase of the project, in accordance with Texas Water Code § 17.189(b).
6. The public interest will benefit from state assistance in the financing of the treatment works, in accordance with Texas Water Code § 17.277.

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

A commitment is made by the TWDB to the City of Harlingen for financial assistance in the amount of \$25,116,404 from the Economically Distressed Areas Account of the Texas Water Development Fund II through the TWDB's proposed purchase of \$12,560,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2025D (EDAP) and a grant of \$12,556,404. This commitment will expire on February 27, 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.
2. This commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 363.
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 will be of no force and effect.
4. Financial assistance funds are public funds and, as such, the Grant Agreement and Obligations must include a provision requiring that these proceeds will 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. Financial assistance funds must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must provide that the City is solely responsible for liability resulting from acts or omissions of the City, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
6. Before closing, if not previously provided with the application, the City must submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel 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, under the contract, and acceptable to the Executive Administrator.

7. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.
8. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
9. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which 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.
10. Before closing, the City must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the City to incur the Obligation that is acceptable to the Executive Administrator.
11. 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.
12. 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, must, 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 Rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under Rule 15c2-12.
13. The Obligations must require the City to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds required by the Obligations.
14. The Obligations must require the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project and after completion of a final accounting in a manner approved by the Executive Administrator.

15. Before closing, the City must 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.
16. 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).
17. The Obligations must require the City to comply with all applicable TWDB laws and rules related to the use of the financial assistance.
18. The Obligations must require the City to 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.
19. The Obligations must require the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
20. The Obligations must require the City to submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
21. The Obligations must require the City to 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.
22. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

Conditions Related To Tax-Exempt Status:

23. The City's bond counsel must prepare a written opinion that states 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 prohibit the City from using the financial assistance funds in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code), and the Treasury Regulations promulgated under § 141 (Regulations).
26. The Obligations must provide that no portion of the financial assistance funds will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations,

including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds issued to provide the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with:

- a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount—or, in the case of a discount, the issue price—of the Obligations.
27. The Obligations must require the City to take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must require the City to:
- 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 loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the relevant rulings. The City must maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners of the Source Series Bonds 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 ensure 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 after

discovery, including payment to the United States of any interest and any penalty required by the Regulations.

28. The Obligations must prohibit 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 prohibit the City from causing or permitting the Obligations to be treated as “federally guaranteed” obligations within the meaning of § 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 transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038, or other evidence that the information reporting requirements of § 149(e) have been satisfied, must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
32. 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.
33. Before closing, the City must 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.

EDAP Conditions:

34. The Grant Agreement and Obligations must require compliance with Texas Water Code § 16.356 that no revenues received from rates or fees collected from the water supply or wastewater system constructed in whole or in part from this commitment be used for any purposes other than utility purposes and that the annual financial statement prepared by the City under Texas Local Government Code § 103.001 include a specific report on compliance with this condition.
35. Before the release of funds provided for construction, the City must provide the TWDB with evidence satisfactory to the Executive Administrator that the City has received and will maintain a designation as an authorized agent of the Texas Commission on Environmental Quality, in compliance with Texas Health and Safety Code § 366.035.
36. The Grant Agreement and Obligations must require the City to adequately enforce the authority granted to the City by Texas Water Code § 17.934(a)(2) to require and ensure that all property owners capable of receiving service from the system

constructed with the financial assistance funds actually are connected to the sewer system constructed by these funds within a reasonable period of time not to exceed 90 days from the date the City notifies the property owner that service is available. The Executive Administrator may extend this time upon written request for good cause shown.

Pledge Conditions for the Loan:

37. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
38. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Series 2024A (CWSRF).

Special Conditions:

39. Before closing, the City and the Executive Administrator must execute a Grant Agreement that sets forth the terms and uses of the financial assistance funds.
40. The Grant Agreement must include a provision stating that the City must return any grant funds that are determined to be Surplus Funds in a manner determined by the Executive Administrator.

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

☐	Water
☒	Wastewater
☐	Other _____

WATER CONSERVATION REVIEW

Entity: Harlingen Waterworks System

Other entity: _____

WATER CONSERVATION PLAN DATE:

2024

☐

Approvable

☒

Adopted

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	163	85	28
5-year Goal	160	83	26
10-year Goal	155	26	22

WATER LOSS AUDIT YEAR: 2023

Validation Required: Yes

Validation Performed: Yes

Service connections: 39,231

Length of main lines (miles): 543

Water Loss GCD: 38

Retail population: 88,887

Connections per mile: 72

Water Loss GPCD: 17

ILI: 2

Real Loss GMD: 1595

WATER LOSS THRESHOLDSWater Loss Project: ☐Waiver Requested: ☐Wholesale Adjusted: ☐

Threshold Type:

Not Applicable

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
NA	NA	NA	NA

Does the applicant meet Water Loss Threshold Requirements?

Yes ☐No ☐NA ☒**ADDITIONAL INFORMATION**

The Harlingen Waterworks System has established goals to (1) reduce the loss and waste of water and (2) increase the level of reuse of its water supply. They plan to implement accurate metering devices for new connections, universal metering for all customer connections, meter testing repairs, control of water losses, and continued enforcement of low-flow fixture requirements. Field staff monitor for leaks visually, while water plant staff monitor pressure and flow of the system for sudden changes. The utility will also consider implementing program technologies for the detection of leaks not apparent at the ground surface. Additionally, the utility will continue to provide public education by distributing conservation educational information in English and Spanish to adults and children, participating in community events, and providing water plant tours that include discussion of the importance of recommended practices for water conservation. The utility also provides reclaimed water to off-site users such as a soccer complex, golf course, and nature park.

STAFF NOTES AND RECOMMENDATIONS

Water Loss Audit Validation Requirement Satisfied.

In accordance with 31 TAC §358.6(f), review of a retail public utility's water loss in conjunction with an application for financial assistance is limited to water supply projects. This application for financial assistance is for a wastewater project; therefore, water loss thresholds are not applicable.

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 Harlingen Cameron County

