



PROJECT FUNDING REQUEST

BOARD DATE: August 21, 2025

Team Manager: William Alfaro

ACTION REQUESTED

Consider approving by resolution a request from the Military Highway Water Supply Corporation (Cameron County) for \$11,905,000 in financial assistance consisting of \$5,955,000 in financing and \$5,950,000 in grant from the Economically Distressed Areas Program for planning, acquisition, design, and construction of a water improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Military Highway Water Supply Corporation (Corporation) provides potable water to customers for four separate water systems. The two systems in Cameron County are the Las Rusias and Del Mar Heights; the Corporation operates the Progreso and Weslaco systems located in Hidalgo County. The Corporation supplies water to approximately 12,258 service connections with a population of approximately 34,908. The proposed project is in the Las Rusias system. This system provides water through distribution lines along Military Highway to approximately 6,939 customer connections with an approximate population of 20,043.

In March 2023, the Corporation received a commitment for \$2,200,000 in financial assistance from the Economically Distressed Areas Program for planning, design, and construction of the water system improvements in Las Rusias service area. This project will replace approximately 11,000 linear feet of failing 8-inch water lines and is currently in the planning phase.

PROJECT NEED AND DESCRIPTION

Over the last four years, the Corporation responded to over 50 service calls regarding leaks within a segment along Military Highway in the Las Rusias service area. The existing lines are located within the Texas Department of Transportation rights-of-way and are failing due to wear and age. Whenever there are breaks in water lines, pressure is lost in the entire Las Rusias water system.

The proposed project includes the replacement of 20,000 linear feet of 16-inch transmission water line and 4,000 linear feet of 6-inch water line with a new 8-inch water line between the Las Rusias Water Treatment Plant, west of Rangerville Road and FM 2520. Additionally, 14,000 linear feet of 12-inch water lines will be replaced between FM 732 and FM 1577, along with the installation of essential appurtenances such as gate valves, fire hydrants, and water meters. The project also includes easement acquisition, as the current right-of-way falls under the Department of Transportation or Cameron County. To facilitate future maintenance and repair work, the new water lines will be installed farther from the highway.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE FEBRUARY 28, 2025
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PROJECT SCHEDULE

Task	Schedule Date
Closing	December 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	September 1, 2026
Design Phase Completion	March 1, 2027
Start of Construction	April 1, 2027
Construction Completion	March 1, 2028

KEY ISSUES

The Corporation 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 Corporation qualifies for 50 percent of eligible project costs to be in the form of a grant.

The Corporation currently exceeds its real water loss threshold. This project includes funding to address water loss through the replacement of aging water lines. Additionally, the Corporation will replace altitude valves on its elevated storage tanks, further contributing to water loss mitigation.

LEGAL/SPECIAL CONDITIONS

- Notice of change in legal status
- Notice of conveyance
- 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

Military Highway WSC

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 0.36%	State: 1.49%
Top 10 Customers % of Total Revenue	3%	10-15%
Median Household Income as % of State	71%	100%
Days of Cash on Hand (3-year Average)	40 Days	30-149 days
Net Fixed Assets/ Annual Depreciation	23 Years	12-24 years
Debt Service Coverage Ratio	2.58x	1.0x
Debt-to-Operating Revenues	2.15	4.00-5.99x
Unemployment Rate (May, 2025)	County: 7%	State: 4.00%
Working Capital Ratio	0.40	> 1.0

Key Risk Score Strengths

- The Corporations debt service coverage ratio of 2.58 is sufficient to cover the Corporation's existing debt as well as the proposed obligation.
- The Corporation's days of cash on hand meet the state benchmark and indicate sufficient reserves for operating expenses.
- The Corporation shows strong connection growth, increasing by 11.7 percent from 11,388 in 2019 to 12,716 in 2024.

Key Risk Score Concerns

- Despite a high household cost factor of 2.20 percent, the Corporation does not anticipate requiring additional rate increases to meet coverage requirements for the additional proposed financing.

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	6,253	\$58.91	\$58.91	2.20	2.20
Wastewater	5,716	\$36.30	\$36.30		

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the Corporation could save approximately \$855,630 over the life of the financing. The Corporation is also saving \$5,950,000 in grant funding

Project Data Summary

Responsible Authority	Military Highway WSC
Program	EDAP
Commitment Number	L1002225; G1002226
Project Number	10462
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$5,955,000 Military Highway WSC Loan Agreement; \$5,950,000 Grant Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning, Acquisition, Design, and 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
William Alfaro	Rand Zeolla	Rohan Jayasuriya	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Military Highway WSC

\$5,955,000 Military Highway Loan Agreement

Dated Date: 12/1/2025
Delivery Date: 12/1/2025
First Interest: 9/15/2026
First Principal: 3/15/2027
Last Principal: 3/15/2046
Fiscal Year End: 12/31
Required Coverage: 1.0

Source: EDAP
Rate: 4.96%
IUP Year: 2024
Case: Revenue
Admin.Fee: \$0
Admin. Fee Payment Date: N/A

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$5,955,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2026	\$5,633,332	\$1,738,518	\$0	-	\$228,919	\$228,919	\$1,967,437	2.86
2027	5,633,332	1,719,210	180,000	4.98%	285,698	465,698	2,184,908	2.58
2028	5,633,332	1,678,338	190,000	4.69%	276,760	466,760	2,145,098	2.63
2029	5,633,332	1,635,210	200,000	4.55%	267,755	467,755	2,102,965	2.68
2030	5,633,332	1,635,210	210,000	4.59%	258,385	468,385	2,103,595	2.68
2031	5,633,332	1,635,210	220,000	4.56%	248,550	468,550	2,103,760	2.68
2032	5,633,332	1,635,210	230,000	4.60%	238,244	468,244	2,103,454	2.68
2033	5,633,332	1,526,365	245,000	4.53%	227,404	472,404	1,998,769	2.82
2034	5,633,332	1,516,470	255,000	4.57%	216,028	471,028	1,987,498	2.83
2035	5,633,332	1,472,173	265,000	4.62%	204,080	469,080	1,941,253	2.90
2036	5,633,332	1,468,146	280,000	4.71%	191,365	471,365	1,939,511	2.90
2037	5,633,332	1,463,520	295,000	4.81%	177,676	472,676	1,936,196	2.91
2038	5,633,332	1,461,978	310,000	4.88%	163,017	473,017	1,934,995	2.91
2039	5,633,332	1,397,973	325,000	4.94%	147,426	472,426	1,870,399	3.01
2040	5,633,332	1,281,199	340,000	4.99%	130,915	470,915	1,752,114	3.22
2041	5,633,332	1,269,522	355,000	5.04%	113,486	468,486	1,738,008	3.24
2042	5,633,332	1,269,522	375,000	5.04%	95,090	470,090	1,739,612	3.24
2043	5,633,332	1,269,522	390,000	5.04%	75,812	465,812	1,735,334	3.25
2044	5,633,332	1,182,007	410,000	5.04%	55,652	465,652	1,647,659	3.42
2045	5,633,332	1,182,007	430,000	5.15%	34,248	464,248	1,646,255	3.42
2046	5,633,332	1,102,120	450,000	5.15%	11,588	461,588	1,563,708	3.60
		\$30,539,430	\$5,955,000		\$3,648,095	\$9,603,095	\$40,142,525	

AVERAGE (MATURITY) LIFE	12.36 YEARS
NET INTEREST RATE	4.957%
COST SAVINGS	\$855,630
AVERAGE ANNUAL REQUIREMENT	\$457,290

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
Military Highway WSC
10462 - Southern Cameron County Water Line
Rehabilitation Project

Budget Items	Previous Commitments	This Commitment	Total
Construction			
Construction	\$1,800,000.00	\$7,888,000.00	\$9,688,000.00
Subtotal for Construction	\$1,800,000.00	\$7,888,000.00	\$9,688,000.00
Basic Engineering Services			
Construction Engineering	\$25,000.00	\$150,000.00	\$175,000.00
Design	\$140,000.00	\$385,000.00	\$525,000.00
Planning	\$65,000.00	\$250,000.00	\$315,000.00
Subtotal for Basic Engineering Services	\$230,000.00	\$785,000.00	\$1,015,000.00
Special Services			
Environmental	\$25,000.00	\$180,000.00	\$205,000.00
Geotechnical		\$70,000.00	\$70,000.00
Inspection	\$20,000.00	\$110,000.00	\$130,000.00
Permits	\$15,000.00	\$44,000.00	\$59,000.00
Surveying	\$12,000.00	\$120,000.00	\$132,000.00
Testing	\$0.00	\$90,000.00	\$90,000.00
Subtotal for Special Services	\$72,000.00	\$614,000.00	\$686,000.00
Fiscal Services			
Financial Advisor		\$30,000.00	\$30,000.00
Fiscal/Legal		\$30,000.00	\$30,000.00
Issuance Costs		\$3,000.00	\$3,000.00
Subtotal for Fiscal Services		\$63,000.00	\$63,000.00
Other			
Land/Easements Acquisition		\$920,000.00	\$920,000.00
Subtotal for Other		\$920,000.00	\$920,000.00
Contingency			
Contingency	\$98,000.00	\$1,635,000.00	\$1,733,000.00
Subtotal for Contingency	\$98,000.00	\$1,635,000.00	\$1,733,000.00
Total	\$2,200,000.00	\$11,905,000.00	\$14,105,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$11,905,000 TO
MILITARY HIGHWAY WATER SUPPLY CORPORATION
FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH A PROMISSORY NOTE IN THE AMOUNT OF \$5,955,000
AND EXECUTION OF A LOAN AGREEMENT
AND
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$5,950,000

(25 - __)

Recitals:

Military Highway Water Supply Corporation (Corporation), located in Cameron County, has filed an application seeking financial assistance in the amount of \$11,905,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II to finance certain water system improvements, identified as Project No.10462.

The Corporation seeks financial assistance from the Texas Water Development Board (the TWDB) through the TWDB's proposed purchase of a Promissory Note in the amount of \$5,955,000 and execution of a Loan Agreement (together with all authorizing documents (Obligations)) and a grant of \$5,950,000 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 Corporation has offered a pledge of system revenues and a mortgaged deed of trust on the Corporation's 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 and § 363.43.

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 Corporation, and any local funds of the Corporation, in accordance with Texas Water Code § 17.933(d)(1);
7. sources of funding available to the Corporation 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 Corporation to be served by the project if the economically distressed area to be served is within the boundary of the Corporation, 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 Corporation 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 has 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. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and that 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, in accordance with 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 considerations and findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the Military Highway Water Supply Corporation for financial assistance in the amount of \$11,905,000 from the Economically Distressed Areas Account of the Texas Water Development Funds through the TWDB's proposed purchase of a Promissory Note in the amount of \$5,955,000 and execution of a Loan Agreement and a grant of \$5,950,000. This commitment will expire on February 28, 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 Corporation'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 Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must provide that the Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, 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 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, if not previously provided with the application, the Corporation 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 Corporation 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 Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
9. Before closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligation that is acceptable to the Executive Administrator.
10. The Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation under this Agreement.
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, 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 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 Rule 15c2-12.
12. The Obligations must require 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 required by the Obligations.
13. The Obligations must require 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 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.
15. The Obligations must require the Corporation to comply with all applicable TWDB laws and rules related to the use of the financial assistance.

16. The Obligations must require the Corporation 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.
17. The Obligations must require the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
18. The Obligations must require the Corporation to submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
19. The Obligations must require the Corporation 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.
20. Before closing, the Corporation shall submit to the escrow agent a closing memo signed by the Executive Administrator.

Water Supply Corporation Conditions:

21. The Corporation's indebtedness to the TWDB must be evidenced by loans specifically secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water or sewer system; and
 - b. a first or parity lien mortgage on the water or sewer system.
22. 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 water or sewer system. Within thirty (30) days of the date of each filing, the Corporation must submit a copy of the recorded instrument to the TWDB.
23. 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 or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument must be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office.
24. 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 must be submitted to the TWDB within thirty (30) days of its execution.

25. Before closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance commitment that the Executive Administrator deems necessary.
26. 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.
27. 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 financial assistance made through the TWDB, the bylaws must not be altered, amended, or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation, being a nonprofit entity, no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.
28. 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 financial assistance, then the Corporation must execute a Parity Agreement with each entity that holds the debt acceptable in form and substance to the Executive Administrator.
29. The Obligations must prohibit 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 must in no way encumber, pledge, or otherwise impair its title to the land used for the System or any interests in it, including improvements and facilities of the System, without prior TWDB approval.

EDAP Conditions:

30. The Grant Agreement and Loan Agreement 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 Corporation under Business

Organizations Code § 22.352 include a specific report on compliance with this condition.

Pledge Conditions for the Loan:

31. 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.
32. 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 through this commitment, the lien or liens securing the Obligations issued to the TWDB must be at least on a parity with lien or liens securing the outstanding obligations.
33. The Obligations must provide 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 90 days before 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:

34. The Corporation must notify the Executive Administrator before taking any actions to alter its legal status in any manner, such as by conversion or a sale-transfer-merger with another retail public utility.
35. The Obligations must require 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.
36. Before closing, the Corporation and the Executive Administrator must execute an Loan Agreement and Grant Agreement that sets forth the terms and uses of the financial assistance funds.
37. The Grant Agreement must include a provision stating that the Corporation 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 EDAP

WATER CONSERVATION REVIEWEntity: Military Highway Water Supply CorporationOther entity: Las Rusias**WATER CONSERVATION PLAN DATE:**

2022

☐**Approvable**☒**Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	118	99	21
5-year Goal	112	94	20
10-year Goal	109	92	19

WATER LOSS AUDIT YEAR:

2023

Validation Required: Yes

Validation Performed: Yes

Service connections: 7,084Length of main lines (miles): 120Water Loss GCD: 121Retail population: 20,472Connections per mile: 59Water Loss GPCD: 42ILI: 9Real Loss GMD: 6,788**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
6	14	115	30

Does the applicant meet Water Loss Threshold Requirements?

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

The programs in the corporation's draft water conservation plan establish procedures to regulate water supplied, reduce water waste, educate the public on the benefits of water conservation, and to modify existing codes to require water saving fixtures on new and remodeled construction. To mitigate water loss, the corporation surveyed the system for leaks and found potential "hot spots" which they continue to monitor. The corporation plans to continue constant surveillance in the system for existing leaks and maintaining pressure levels. Additionally, all master meters are inspected monthly. Service meters are replaced as needed, with 2,419 residential meters replaced over the past five years. The corporation disseminates conservation information to customers via mail outs each May, providing conservation pamphlets, posting tips in the local newspaper, notifying customers when usage shows higher than normal use, and distributing dye tablets to detect toilet tank leaks.

STAFF NOTES AND RECOMMENDATIONS

The corporation is above it's real water loss threshold. This project includes replacing approximately 11,000 linear feet of 8-inch water lines (1%) of failing water lines. In addition, during validation it was noted, as part of an in house strategy, the corporation is replacing altitude valves on their elevated storage tanks for better communication with SCADA and to prevent overflow during power outages. TWDB staff feels that this project will assist the corporation in mitigating its real water loss.

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.



**Military Highway WSC
Cameron & Hidalgo County**

