



PROJECT FUNDING REQUEST

BOARD DATE: August 21, 2025

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the City of Denison (Grayson County) for \$16,950,000 in financial assistance consisting of \$5,085,000 in financing and \$11,865,000 in grant from the Water Loan Assistance Fund for planning, design, and construction of a water system improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Denison (City) is located 80 miles north of Dallas. The City provides water and wastewater services to a population of approximately 26,328 residents and approximately 12,486 water and wastewater connections.

PROJECT NEED AND DESCRIPTION

The City of Denison's (City) water distribution system is 100 years old, and its water lines are made of asbestos cement or cast-iron. The City estimates that it loses approximately 216 million gallons of water per year, which amounts to 20 percent of the water treated in the system. In 2021, the City received a notice of violation from the Texas Commission on Environmental Quality for loss of system pressure which resulted in boil water notices.

The City proposes to replace approximately 60,000 feet of water distribution lines, which is approximately 5 percent of the total system, and develop an asset management plan.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	January 9, 2026
Design Phase Completion	January 8, 2027
Start of Construction	June 18, 2027
Construction Completion	June 21, 2030

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE FEBRUARY 28, 2026

KEY ISSUES

The City qualifies for \$11,865,000 in grant funding as an applicant with a population between 10,001 and 150,000 for a water loss mitigation project.

The City is above its threshold for real water loss. The proposed project includes replacing 60,000 feet of distribution lines with extensive water loss. The proposed project will help the City mitigate its real water loss.

LEGAL/SPECIAL CONDITIONS

- Executed grant agreement

Attachments:

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

Financial Review

City of Denison

Risk Score: 2B

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 0.77%	State: 1.49%
Top 10 Customers % of Total Revenue	25%	10-15%
Median Household Income as % of State	78%	100%
Days of Cash on Hand (3-year Average)	898 days	30-149 days
Net Fixed Assets/ Annual Depreciation	27 years	12-24 years
Debt Service Coverage Ratio	0.53x	1.1x
Debt-to-Operating Revenues	7.36	4.00-5.99x
Unemployment Rate (May 2025)	County: 4.1%	State: 4.0%
Working Capital Ratio	1.02	> 1.0
Cash Balance Ratio	1.01%	0-9.99%

Key Risk Score Strengths

- The City's total assessed valuation per capita of \$133,001 indicates a solid base to provide tax revenues to service the existing and proposed obligations.
- The City's cash balance has remained relatively stable over the years, reflecting consistent financial health. In 2019, the balance was \$4,565,862 compared to \$4,966,910 in 2024.
- The City's days of cash on hand are above the benchmark, indicating sufficient reserves for operating expenses.

Key Risk Score Concerns

- Based on audited 2024 financials, the City's debt service coverage ratio is 0.53x. An increase in the monthly average residential bill of \$73.44 will be needed by 2026. The City adopted an ordinance in December 2022 for scheduled rate increases of \$42.75 in 2025 and \$41.85 in 2026 for a total \$84 increase to the average monthly residential bill. The total increases exceed the projected need by 2026.
- Although the current household cost factor of 3.90 percent is above 2 percent benchmark, this does not affect the City's ability to collect on its obligations. Over the past three years, the City has consistently collected 98 percent of its property taxes levied. In addition, operating revenues have grown by 73 percent over the past 5 years, and the City has seen an 11 percent increase in system connections during that period, adding 853 new accounts.
- The top ten customers for the City generate 25 percent of the system's revenues with the largest accounting for approximately 7.10 percent. A stress test was conducted removing these revenues indicating a maximum of \$85.33 would be needed to meet coverage requirements.

PLEDGE

Legal Pledge Name	Combination Tax and Surplus 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 (Year 2026)	Current Household Cost Factor	Projected Household Cost Factor
Water	5,750	\$49.16	\$122.60	2.24	3.90
Wastewater	5,750	\$49.16	\$49.16		

TAXES

	2024 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.6882	\$0.6882	\$2.50	98%	\$3,255,733,742
Interest & Sinking	\$0.0238	\$0.0238			
Total Tax Rate	\$0.7120	\$0.7120			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$1,371,510 over the life of financing. The City is also savings \$11,865,000 in grant funding.

Project Data Summary

Responsible Authority	City of Denison
Program	WLAF
Commitment Number	G1002160, L1002159
Project Number	21880
List Year	2024
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$11,865,000 City of Denison, Texas, Grant Agreement, \$5,085,000, City of Denison, Texas, Combination Tax and Surplus System Revenues Certificate of Obligations, Proposed Series 2025
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	Planning, 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
Joe Koen	Raul Flores	Grace Davila	Kylie Beard	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Denison

\$5,085,000, City of Denison, Texas, Combination Tax and Surplus System Revenues Certificate of Obligations, Proposed Series 2025

Dated Date: 11/1/2025	Source: RWAf
Delivery Date: 11/1/2025	Rate: 3.22%
First Interest: 3/1/2026	IUP Year: 2025
First Principal: 3/1/2026	Case: Tax and Revenue
Last Principal: 3/1/2055	Admin.Fee: \$0
Fiscal Year End: 09/30	Admin. Fee Payment Date: N/A
Required Coverage: 1.1	Total Assessed Valuation: \$3,255,733,742

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 98%	PROJECTED NET SYSTEM REVENUES	TOTAL REVENUES	CURRENT DEBT SERVICE	\$5,085,000 ISSUE				TOTAL DEBT	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	SERVICE	COVERAGE
2026	0.0238	\$759,367	\$21,599,742	\$22,359,109	\$20,096,435	\$105,000	1.96%	\$125,028	\$230,028	\$20,326,463	1.10
2027	0.0238	759,367	21,599,742	22,359,109	19,750,726	105,000	1.95%	148,186	253,186	20,003,913	1.12
2028	0.0238	759,367	21,599,742	22,359,109	19,840,477	110,000	1.95%	146,090	256,090	20,096,567	1.11
2029	0.0238	759,367	21,599,742	22,359,109	18,919,564	110,000	1.96%	143,940	253,940	19,173,503	1.17
2030	0.0238	759,367	21,599,742	22,359,109	18,439,860	115,000	2.00%	141,712	256,712	18,696,572	1.20
2031	0.0238	759,367	21,599,742	22,359,109	18,168,120	125,000	2.07%	139,268	264,268	18,432,388	1.21
2032	0.0238	759,367	21,599,742	22,359,109	17,547,572	125,000	2.14%	136,637	261,637	17,809,209	1.26
2033	0.0238	759,367	21,599,742	22,359,109	17,407,486	125,000	2.20%	133,924	258,924	17,666,410	1.27
2034	0.0238	759,367	21,599,742	22,359,109	17,242,684	135,000	2.31%	130,990	265,990	17,508,674	1.28
2035	0.0238	759,367	21,599,742	22,359,109	17,259,913	135,000	2.42%	127,797	262,797	17,522,710	1.28
2036	0.0238	759,367	21,599,742	22,359,109	16,464,396	135,000	2.59%	124,415	259,415	16,723,811	1.34
2037	0.0238	759,367	21,599,742	22,359,109	16,288,044	145,000	2.70%	120,710	265,710	16,553,753	1.35
2038	0.0238	759,367	21,599,742	22,359,109	15,837,929	145,000	2.83%	116,700	261,700	16,099,629	1.39
2039	0.0238	759,367	21,599,742	22,359,109	15,335,133	145,000	2.92%	112,532	257,532	15,592,664	1.43
2040	0.0238	759,367	21,599,742	22,359,109	14,966,915	150,000	3.01%	108,157	258,157	15,225,072	1.47
2041	0.0238	759,367	21,599,742	22,359,109	14,237,699	165,000	3.09%	103,350	268,350	14,506,049	1.54
2042	0.0238	759,367	21,599,742	22,359,109	12,374,149	165,000	3.16%	98,194	263,194	12,637,343	1.77
2043	0.0238	759,367	21,599,742	22,359,109	10,373,061	185,000	3.23%	92,599	277,599	10,650,660	2.10
2044	0.0238	759,367	10,096,194	10,855,561	7,303,422	185,000	3.27%	86,587	271,587	7,575,008	1.43
2045	0.0238	759,367	10,096,194	10,855,561	7,306,799	185,000	3.30%	80,510	265,510	7,572,308	1.43
2046	0.0238	759,367	10,096,194	10,855,561	3,366,100	195,000	3.33%	74,210	269,210	3,635,310	2.99
2047	0.0238	759,367	10,096,194	10,855,561	3,368,850	205,000	3.34%	67,540	272,540	3,641,390	2.98
2048	0.0238	759,367	10,096,194	10,855,561	3,365,600	205,000	3.35%	60,683	265,683	3,631,283	2.99
2049	0.0238	759,367	10,096,194	10,855,561	3,366,100	225,000	3.37%	53,458	278,458	3,644,558	2.98
2050	0.0238	759,367	10,096,194	10,855,561	3,365,650	235,000	3.38%	45,695	280,695	3,646,345	2.98
2051	0.0238	759,367	10,096,194	10,855,561	3,369,844	245,000	3.39%	37,571	282,571	3,652,415	2.97
2052	0.0238	759,367	10,096,194	10,855,561	3,368,725	245,000	3.40%	29,253	274,253	3,642,978	2.98
2053	0.0238	759,367	10,096,194	10,855,561	3,367,188	245,000	3.41%	20,911	265,911	3,633,098	2.99
2054	0.0238	759,367	10,096,194	10,855,561	3,365,019	245,000	3.41%	12,556	257,556	3,622,575	3.00
2055	0.0238	759,367	10,096,194	10,855,561	-	245,000	3.42%	4,190	249,190	249,190	43.56
					\$345,463,455	\$5,085,000		\$2,823,389	\$7,908,389	\$353,371,844	

AVERAGE (MATURITY) LIFE	17.25 YEARS
NET INTEREST RATE	3.218%
COST SAVINGS	\$ 1,371,510
AVERAGE ANNUAL REQUIREMENT	\$263,613

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 Denison
21880 - Water Distribution Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$12,608,000.00	\$12,608,000.00
Subtotal for Construction	\$12,608,000.00	\$12,608,000.00
Basic Engineering Services		
Construction Engineering	\$200,000.00	\$200,000.00
Design	\$1,500,000.00	\$1,500,000.00
Planning	\$100,000.00	\$100,000.00
Subtotal for Basic Engineering Services	\$1,800,000.00	\$1,800,000.00
Special Services		
Application	\$50,000.00	\$50,000.00
Environmental	\$30,000.00	\$30,000.00
Geotechnical	\$50,000.00	\$50,000.00
Permits	\$25,000.00	\$25,000.00
Project Management (by engineer)	\$450,000.00	\$450,000.00
Surveying	\$250,000.00	\$250,000.00
Testing	\$20,000.00	\$20,000.00
Subtotal for Special Services	\$875,000.00	\$875,000.00
Fiscal Services		
Bond Counsel	\$42,000.00	\$42,000.00
Financial Advisor	\$50,000.00	\$50,000.00
Fiscal/Legal	\$25,000.00	\$25,000.00
Subtotal for Fiscal Services	\$117,000.00	\$117,000.00
Other		
Administration	\$100,000.00	\$100,000.00
Asset Management Plan	\$150,000.00	\$150,000.00
Subtotal for Other	\$250,000.00	\$250,000.00
Contingency		
Contingency	\$1,300,000.00	\$1,300,000.00
Subtotal for Contingency	\$1,300,000.00	\$1,300,000.00
Total	\$16,950,000.00	\$16,950,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$16,950,000 TO CITY OF DENISON
FROM THE WATER LOAN ASSISTANCE FUND
THROUGH THE PROPOSED PURCHASE OF
\$5,085,000 CITY OF DENISON, TEXAS COMBINATION TAX AND SURPLUS
REVENUE CERTIFICATES OF OBLIGATION
PROPOSED SERIES 2025
AND
EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$11,865,000

(25-)

Recitals:

The City of Denison (City), located in Grayson County, Texas, has filed an application for financial assistance in the amount of \$16,950,000, to finance certain water system improvements, identified as Project No. 21880.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$16,950,000 through the TWDB's purchase of \$5,085,000 City of Denison, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025 (Obligations), together with all authorizing documents, and execution of a Grant Agreement in the amount \$11,865,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of ad valorem taxes and surplus system revenue as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.16.

The Board hereby authorizes the transfer of \$16,950,000 from the Texas Water Fund to the Water Assistance Fund, as authorized by Texas Water Code § 15.504(a).

The Board hereby authorizes the transfer of \$16,950,000 from the Water Assistance Fund to the Water Loan Assistance fund, as authorized by Texas Water Code § 15.011(b).

In accordance with Texas Water Code § 15.105, the TWDB has considered all matters required by law and in particular the following:

1. The needs of the area to be served by the project and the benefit of the project to the area in relation to the needs of other areas requiring state assistance in any manner and the benefits of those projects to the other areas.
2. The availability of revenue to the City, from all sources, for the ultimate repayment of the cost of the project, including interest.

3. The relationship of the project to overall statewide needs.
4. The ability of the City to finance the project without state assistance.
5. The ability of the applicant to construct the project without the grant and benefits of the project to water and wastewater needs of the state.

Findings:

1. The public interest requires state assistance in the financing of this project, in accordance with Texas Water Code § 15.106(a)(1).
2. In its opinion the tax or revenue pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.106(a)(2).
3. 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.
4. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
5. The City has completed its current water audit required by Texas Water Code § 16.0121 and has filed it with the TWDB, in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the City of Denison for financial assistance in the amount of \$16,950,000 from the Water Loan Assistance Fund through a transfer from the Texas Water Fund to the Water Loan Assistance Fund through the Water Assistance Fund, to be evidenced by the TWDB's proposed purchase of \$5,085,000 City of Denison City of Denison, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2025 and the execution of a Grant Agreement in the amount of \$11,865,000. This commitment will expire on February 28, 2026.

This 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.

2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City has complied with all of the requirements of the laws under which the Obligations were issued; that the Obligations were issued in conformance 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 continued compliance with all applicable laws, rules, policies, and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement.
4. 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 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.
5. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
6. 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.
7. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
8. The Obligations must provide that 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 SEC 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 the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to the bonds under SEC Rule 15c2-12.
9. 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 established and required by the Obligations.

10. The Obligations must require the City to use any surplus financial assistance proceeds from the Obligations remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
11. The Obligations and Grant Agreement must provide that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
12. Financial assistance proceeds are public funds. Therefore, the Grant Agreement and Obligations must require that these proceeds be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256 and the Public Funds Collateral Act, Government Code, Chapter 2257.
13. Financial assistance proceeds shall not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations and Grant Agreement 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.
14. 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.
15. Before closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the City must submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator.
16. Before closing, when any portion of financial assistance proceeds are 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.

17. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator
18. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
19. The City must abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter F and Texas Water Code § 17.183.
20. 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).
21. 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.

Conditions Related To Tax-Exempt Status:

22. Before closing, 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.
23. Before closing, the City's bond counsel must prepare a written opinion that states the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.
24. 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 § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations).
25. The Obligations must provide that no portion of the proceeds of the financial assistance 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 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.
26. 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 provide that the City will:
- 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 such 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 financial assistance 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 with those proceeds;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, 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 rulings under the Code. 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 financial assistance, and in order to induce the making of the financial assistance 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 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.

27. 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.
28. 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 § 149(b) of the Code.
29. The Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to “advance refundings”).
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 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 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 to be acquired from the City by the TWDB.
33. Before closing, the City must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120 percent of the average reasonably expected economic life of the Project.

The Following Conditions Must Be Included in the Grant Agreement:

34. The Grant Agreement 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.
35. The Grant Agreement must provide that the City will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project.
36. The Grant Agreement must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB’s interest in the project.

37. The Grant Agreement must include a provision requiring a final accounting to be made of the total sources and authorized use of Project funds within 60 days of the completion of the Project.
38. The Grant Agreement must include a provision stating that the City shall return any grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the grant funds in a manner approved by the executive administrator.
39. The Grant Agreement must contain a provision stating that the City shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G.
40. Before release of funds for the relevant services, and if required under the TWDB's financial assistance program and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and legal services, for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
41. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
42. Before release of funds for construction, the City must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements and rights-of-way have been completed or, if all acquisitions have not been completed, evidence that the applicant has the legal City necessary to complete the acquisitions.

Pledge Conditions:

43. The Obligations must provide 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 require 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 will not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as 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 require that for each year the Obligations are outstanding, and before the time taxes are to be levied for that year, the City must adopt and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues, 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 the two, into the Interest and Sinking Fund for the repayment of the Obligations.
- iii. The Obligations must include a requirement that the City will 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 must provide documentation which evidences the 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:

- 44. Before closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator.

APPROVED and ordered of record this, the 21 day of August 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

☐	Water
☐	Wastewater
☒	Other <u>WAF</u>

WATER CONSERVATION REVIEWEntity: City of Denison

Other entity: _____

WATER CONSERVATION PLAN DATE:2023☐**Approvable**☒**Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	179	82	31
5-year Goal	179	115	31
10-year Goal	174	110	31

WATER LOSS AUDIT YEAR: 2024

Validation Required: Yes

Validation Performed: Yes

Service connections: 12,055Length of main lines (miles): 277Water Loss GCD: 47Retail population: 27,500Connections per mile: 44Water Loss GPCD: 21ILI: 2Real 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
2	18	45	30

Does the applicant meet Water Loss Threshold Requirements?

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

The city's water conservation plan meets minimum requirements and plans to continue many of the ongoing conservation strategies it has already employed and introduce new strategies focusing on reducing discretionary water use due to population trends.

Currently employed best management practices include having a designated conservation coordinator, conservation water rates, metering of all new connections, retrofitting of existing connections, public education and information programs, and a system-wide leak detection and repair program. Additionally, an outdoor watering schedule is being considered.

STAFF NOTES AND RECOMMENDATIONS

Water Loss Audit Validation Requirement Satisfied.

The city is above its threshold for real water loss. To address the real loss, this project includes replacing approximately 60,000 linear feet of its water lines that are inadequate and undersized. These lines are located in an area of the city that is disadvantaged and cause significant reduction in service, as well as interruptions to customers and serious water loss. In addition, the project will also develop an asset management plan.

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 Denison Grayson County

