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 $8,260,000 in financial assistance consisting of $2,480,000 in financing and $5,780,000 in grant funding from the Water Loan Assistance Fund for construction of water system improvements.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Harlingen (City) is located 30 miles northwest of Brownsville. The City through its Waterworks System provides water and wastewater services to a population of approximately 88,761 residents and approximately 28,000 water and 22,000 wastewater connections.

PROJECT NEED AND DESCRIPTION

The City's central water treatment plant utilizes a 53-million-gallon raw water reservoir that receives water supply from a nearby irrigation canal. The canal intake is located south of the reservoir on 13th street and conveys water through 3,900 feet of a rectangular concrete pipe that further connects to two additional sections, the first being a 42-inch reinforced concrete pipe (RCP) and the second a 30-inch PVC pipe that discharges into the reservoir. This conveyance structure is undersized and requires frequent repairs due to leaks, both of which reduce potential flow into the reservoir below the designed capacity.

The City proposes to replace approximately 2,994 feet of 42-inch RCP water line with a 48-inch PVC water line, install three new access manholes, release valves, and replace of an existing outfall structure.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	February 28, 2026
Design Phase Completion	April 28, 2026
Start of Construction	June 30, 2026
Construction Completion	December 30, 2027

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

KEY ISSUES
The City qualifies for $5,780,000 in grant funding as an applicant with a population between 10,001 and 150,000 for a water loss mitigation project.

The City is near its threshold for real water loss. The proposed project includes replacing 2,994 feet of a raw water lines with water loss. The proposed project will help the City mitigate its real water loss.

The City has also submitted a second Water Loan Assistance Fund application and an Economically Distressed Areas Program application 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 funds

Attachments:

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

Attachment 1

Financial Review
Harlingen Waterworks System

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 30-year maturity schedule and current interest rates, the City could save approximately $705,370 over the life of the financing. The City is also saving $6,160,000 in grant funding.

Texas Water Development Board

Project Data Summary

Responsible Authority	Harlingen Waterworks System
Program	WLAF
Commitment Number	G1002171, L1002170
Project Number	21885
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$5,780,000 Grant Agreement, $2,480,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025B (WLAF)
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	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
William Alfaro	Arnoldo Rubio	Shubham Aggarwal	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Harlingen Waterworks System

$2,480,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2025B (WLAF)

Dated Date:	**11/1/2025**	**Source:**	**WLAF**
Delivery Date:	**11/1/2025**	**Rate:**	**3.01%**
First Interest:	**5/1/2026**	**IUP Year:**	**2025**
First Principal:	**11/1/2026**	**Case:**	**System Revenue**
Last Principal:	**11/1/2056**	**Admin.Fee:**	**$0**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**N/A**
Required Coverage:	**1.0**		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$2,480,000 ISSUE PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	OTHER PROPOSED TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2026	$4,471,864	$2,042,028	-	-	$34,708	$34,708	$407,351	$2,484,087	1.80
2027	4,471,864	2,041,962	$55,000	1.81%	68,918	123,918	1,555,391	3,721,270	1.20
2028	4,471,864	2,040,455	55,000	1.81%	67,923	122,923	1,556,764	3,720,141	1.20
2029	4,471,864	2,057,097	55,000	1.82%	66,925	121,925	1,558,036	3,737,058	1.20
2030	4,471,864	2,051,215	55,000	1.86%	65,913	120,913	1,559,008	3,731,135	1.20
2031	4,471,864	2,052,352	60,000	1.92%	64,825	124,825	1,559,431	3,736,608	1.20
2032	4,471,864	1,700,458	60,000	1.99%	63,652	123,652	1,559,130	3,383,239	1.32
2033	4,471,864	1,696,600	60,000	2.04%	62,443	122,443	1,553,188	3,372,231	1.33
2034	4,471,864	1,696,127	60,000	2.15%	61,186	121,186	1,551,543	3,368,856	1.33
2035	4,471,864	1,703,778	65,000	2.25%	59,810	124,810	1,558,795	3,387,383	1.32
2036	4,471,864	1,703,752	65,000	2.41%	58,295	123,295	1,554,292	3,381,339	1.32
2037	4,471,864	472,340	65,000	2.51%	56,696	121,696	1,552,477	2,146,513	2.08
2038	4,471,864	471,228	70,000	2.63%	54,960	124,960	1,558,166	2,154,354	2.08
2039	4,471,864	469,739	70,000	2.71%	53,091	123,091	1,551,479	2,144,309	2.09
2040	4,471,864	467,894	70,000	2.80%	51,163	121,163	1,547,561	2,136,618	2.09
2041	4,471,864	470,644	75,000	2.87%	49,106	124,106	1,551,219	2,145,969	2.08
2042	4,471,864	467,980	75,000	2.94%	46,928	121,928	1,547,690	2,137,597	2.09
2043	4,471,864	469,939	80,000	3.00%	44,625	124,625	1,552,175	2,146,739	2.08
2044	4,471,864	471,502	80,000	3.04%	42,209	122,209	1,549,645	2,143,356	2.09
2045	4,471,864	467,742	85,000	3.06%	39,693	124,693	1,550,177	2,142,611	2.09
2046	4,471,864	468,687	85,000	3.09%	37,079	122,079	1,543,730	2,134,496	2.10
2047	4,471,864	469,270	90,000	3.10%	34,371	124,371	1,540,367	2,134,007	2.10
2048	4,471,864	469,484	90,000	3.11%	31,576	121,576	688,141	1,279,201	3.50
2049	4,471,864	469,364	95,000	3.13%	28,690	123,690	687,726	1,280,780	3.49
2050	4,471,864	468,903	95,000	3.14%	25,712	120,712	686,793	1,276,407	3.50
2051	4,471,864	468,099	100,000	3.15%	22,645	122,645	685,386	1,276,130	3.50
2052	4,471,864	471,924	105,000	3.16%	19,411	124,411	688,402	1,284,736	3.48
2053	4,471,864	470,374	105,000	3.17%	16,088	121,088	685,843	1,277,305	3.50
2054	4,471,864	468,492	110,000	3.17%	12,680	122,680	687,763	1,278,935	3.50
2055	4,471,864	471,231	115,000	3.17%	9,114	124,114	689,059	1,284,404	3.48
2056	4,471,864	-	115,000	3.17%	5,468	120,468	684,811	805,280	5.55
2057	4,471,864	-	115,000	3.17%	1,823	116,823	685,039	801,862	5.58
		$29,710,655	$2,480,000		$1,357,722	$3,837,722		$73,434,950	

AVERAGE (MATURITY) LIFE	**18.17 YEARS**
NET INTEREST RATE	**3.013%**
COST SAVINGS	**$705,370**
AVERAGE ANNUAL REQUIREMENT	**$119,929**

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
21885 - Jefferson St. Raw Water Pipeline Upgrade

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	$6,783,500.00	$0.00	$6,783,500.00
Subtotal for Construction	**$6,783,500.00**	**$0.00**	**$6,783,500.00**
Basic Engineering Services			
Construction Engineering	$120,000.00	$112,350.00	$232,350.00
Design	$0.00	$472,219.00	$472,219.00
Planning	$0.00	$71,960.00	$71,960.00
Subtotal for Basic Engineering Services	**$120,000.00**	**$656,529.00**	**$776,529.00**
Special Services			
Environmental	$0.00	$74,690.00	$74,690.00
Inspection	$160,000.00	$35,000.00	$195,000.00
Permits	$0.00	$5,000.00	$5,000.00
Project Management (by engineer)	$0.00	$4,870.00	$4,870.00
Surveying	$80,000.00	$0.00	$80,000.00
Testing	$90,000.00	$0.00	$90,000.00
Subtotal for Special Services	**$330,000.00**	**$119,560.00**	**$449,560.00**
Fiscal Services			
Bond Counsel	$25,000.00	$0.00	$25,000.00
Financial Advisor	$15,000.00	$0.00	$15,000.00
Issuance Costs	$5,000.00	$0.00	$5,000.00
Subtotal for Fiscal Services	**$45,000.00**	**$0.00**	**$45,000.00**
Contingency			
Contingency	$981,500.00	$0.00	$981,500.00
Subtotal for Contingency	**$981,500.00**	**$0.00**	**$981,500.00**
Total	$8,260,000.00	$776,089.00	$9,036,089.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $8,260,000 TO THE CITY OF HARLINGEN FROM THE WATER LOAN ASSISTANCE FUND THROUGH THE PROPOSED PURCHASE OF $2,480,000 CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS PROPOSED SERIES 2025B (WLAF) AND EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF $5,780,000

(25-)

Recitals:

The City of Harlingen (City), located in Cameron County, Texas, has filed an application for financial assistance in the amount of $8,260,000, to finance certain water system improvements, identified as Project No. 21855.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of $8,260,000 through the TWDB's purchase of $2,480,000 City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2025B (WLAF) (Obligations), together with all authorizing documents, and execution of a Grant Agreement in the amount $5,780,000, 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 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 Board hereby authorizes the transfer of $8,260,000 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 $8,260,000 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).

4. The City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules.

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

6. 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 Harlingen Waterworks System for financial assistance in the amount of $8,260,000 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 $2,480,000 Harlingen Waterworks System City of Harlingen, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2025B (WLAF) and the execution of a Grant Agreement in the amount of $5,780,000. 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 a 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 shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.

44. 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:

45. 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 21st day of August 2025.

TEXAS WATER DEVELOPMENT BOARD

_____

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

_____

Bryan McMath, Executive Administrator

Attachment 4

Review Date: 05/01/2025

Project ID: 21885

☑ Water
☐ Wastewater
☐ Other _____

WATER CONSERVATION REVIEW

Entity: Harlingen Water Works 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: 39231
Retail population: 88887
Length of main lines (miles): 543
Connections per mile: 72
Water Loss GCD: 38
Water Loss GPCD: 17
ILI: 2
Real Loss GMD: 1595

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
15.87	15.97	22	30

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

ADDITIONAL INFORMATION

The Harlingen Water Works 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.

The utility is close to exceeding is apparent loss threshold. Staff recommends that the city implement a proactive meter testing and replacement program to mitigate its apparent 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.

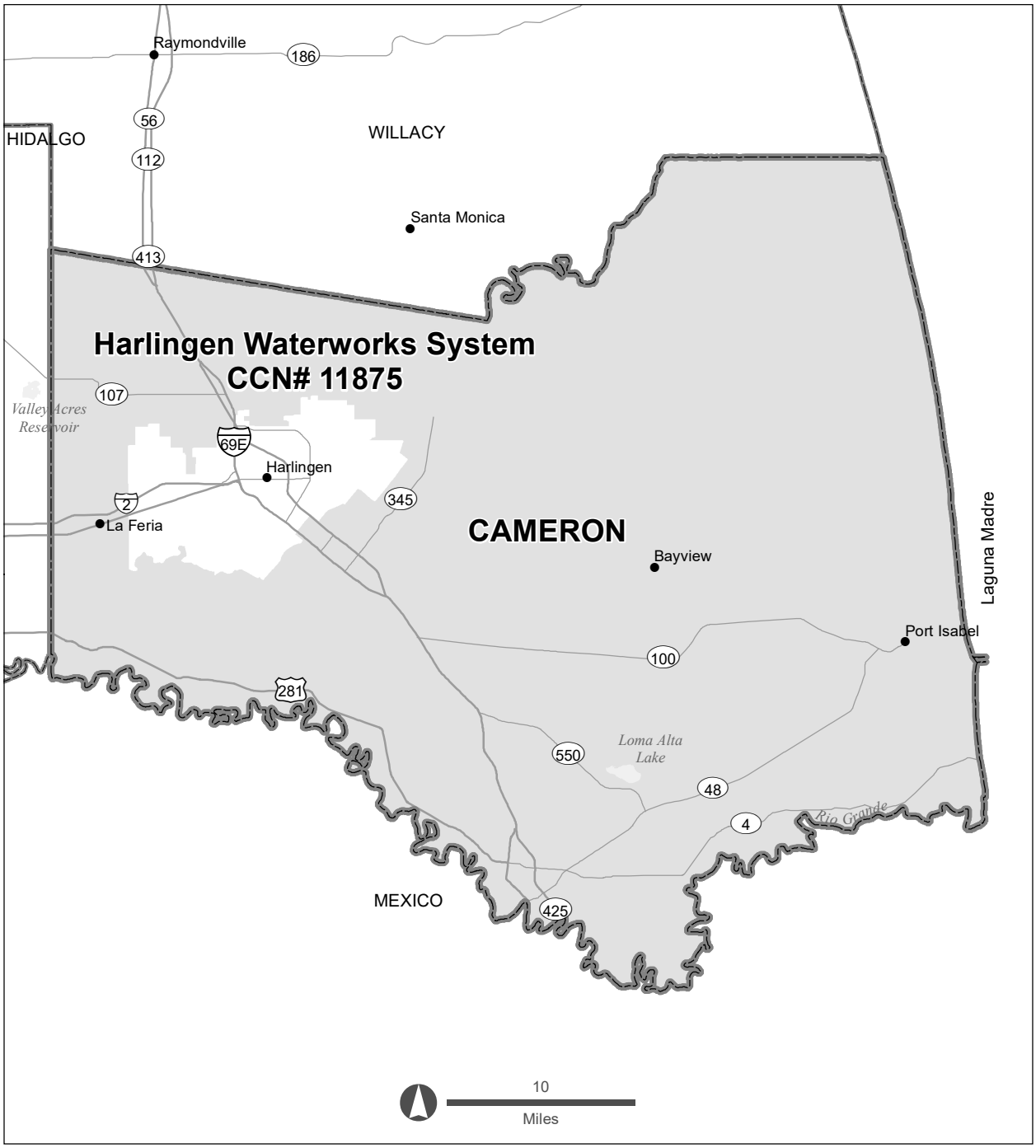
Total water loss is the sum of the apparent and real water losses.

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.

Harlingen Waterworks System
Cameron County