PROJECT FUNDING REQUEST

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

ACTION REQUESTED

Consider approving by resolution a request from the City of New Braunfels (Comal County) for $24,275,510 in financial assistance consisting of $11,895,000 in financing and $12,380,810 in principal forgiveness funding from the Drinking Water State Revolving Fund Lead Service Line Replacement Program for planning, acquisition, design, and construction of a water system improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Infrastructure Investment and Jobs Act, 2021, Pub. L. 117-58 (IIJA) appropriated capitalization grant funds for Federal Fiscal Years (FFY) 2022 to 2026 for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines. Projects being presented for consideration have been scored and ranked using prioritization criteria in the Drinking Water State Revolving Fund Lead Service Line Replacement State Fiscal Year 2023 Intended Use Plan. The prioritized list of projects was approved by the Texas Water Development Board in August 2023. All financial assistance will be made at the ratio of 51 percent principal forgiveness and 49 percent financing.

The City of New Braunfels (City) is located 30 miles northeast of San Antonio. The City provides water and wastewater services to a population of approximately 110,961 residents and approximately 55,941 water and 36,461 wastewater connections.

PROJECT NEED AND DESCRIPTION

Due to the associated long-term health risks of lead connections, the City is required to inventory all its residential water service line connections to determine which have lead material. The City has inventoried approximately 99 percent of its connections. It has identified 3,500 connections containing galvanized materials, which is also considered to be a potential health risk, and no connections containing lead. The City anticipates completing its inventory work in December 2025 and will begin replacement of the connections with galvanized materials and any lead connections identified with the completion of the inventory phase. The City estimates needing 350,000 feet of new water lines for the connections requiring replacement.

Series	Use	Expiration Date
Series 2025A and Principal Forgiveness	Inventory	August 31, 2026
Series 2025B and Principal Forgiveness	Line Replacement	August 31, 2027

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 30, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	April 30, 2026
Design Phase Completion	June 30, 2026
Start of Construction	August 31, 2026
Construction Completion	May 31, 2028

KEY ISSUES

The City qualifies for principal forgiveness from the Drinking Water State Revolving Fund Lead Service Line Replacement Program.

The City qualifies as disadvantaged for this funding program due to 51 percent or more of the benefiting households having an annual median household income that does not exceed 150 percent of that of the state.

To reimburse inventory work, the proposed project is eligible for $510,000 in principal forgiveness and $490,000 in financing at zero-percent interest with a term of up to 15 years. In addition, the project is eligible for $11,870,510 in principal forgiveness and $11,405,000 in financing with a subsidized interest rate and a term of up to 30 years for the planning, design, and construction of lead service line replacements.

LEGAL/SPECIAL CONDITIONS

- Executed principal forgiveness 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
City of New Braunfels

Risk Score: 2A

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 4.59%	State: 1.49%
Top 10 Customers % of Total Revenue	3%	10-15%
Median Household Income as % of State	114%	100%
Days of Cash on Hand (3-year Average)	180 days	30-149 days
Net Fixed Assets/ Annual Depreciation	22 years	12-24 years
Debt Service Coverage Ratio	2.55x	1.0x
Debt-to-Operating Revenues	1.95	4.00-5.99x
Unemployment Rate (May, 2025)	City: 3.2%	State: 4.00%
Working Capital Ratio	1.77	> 1.0

Key Risk Score Strengths

- The City has a high debt service coverage ratio of 2.55 times in the first year of principal repayment, compared to the benchmark of 1.0 times. The utility system is generating system revenues significantly above its debt service requirements, maintaining a margin of safety that provides flexibility to manage various operational risks.
- The City's days of cash on hand is above the benchmark, indicating sufficient reserves for operating 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.
- The City's working capital ratio exceeds the benchmark, indicating strong near-term liquidity and financial stability to cover operational needs and unexpected expenses.

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	2,325	$54.00	$54.00	3.20	3.20
Wastewater	3,133	$51.50	$51.50		

TAXES

	2025 Tax Year Rate	Max Projected Tax Rate (Year 2025)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	$0.21	$0.21	$1.50	97%	$15,501,469,273
Interest & Sinking	$0.20	$0.20			
Total Tax Rate	$0.41	$0.41			

Cost Savings

Based on 15- and 30-year maturity schedules and current interest rates, the City could save approximately $4,673,896 over the life of the financing. The City is also saving $12,380,510 in /principal forgiveness.

Texas Water Development Board

Project Data Summary

Responsible Authority	City of New Braunfels
Program	DWSRF-LSLR
Commitment Number	L1002187, L1002188, LF1002185, LF1002186
Project Number	63077
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$490,000 City of New Braunfels, Texas, Utility System Revenue Bonds, Taxable Series 2025A, $11,405,000 City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2025B, $510,000 Principal Forgiveness Agreement, $11,870,510 Principal Forgiveness Agreement
Tax-exempt or Taxable	Taxable, Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	2A

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of New Braunfels

$11,405,000 City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2025B

Dated Date:	**11/30/2025**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**11/30/2025**	**IUP Year:**	**2023**
First Interest:	**3/15/2026**	**Case:**	**Revenue**
First Principal:	**9/15/2026**	**Admin.Fee:**	**$223,627**
Last Principal:	**9/15/2055**	**Admin. Fee Payment Date:**	**11/30/2025**
Fiscal Year End:	**07/31**	**Required Coverage:**	**1.0**

$490,000 City of New Braunfels, Texas, Utility System Revenue Bonds, Taxable Series 2025A

Dated Date:	**11/30/2025**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**11/30/2025**	**IUP Year**	**2023**
First Interest:	**3/15/2026**	**Case:**	**Revenue**
First Principal:	**9/15/2026**	**Admin.Fee:**	**$9,608**
Last Principal:	**9/15/2055**	**Admin. Fee Payment Date:**	**11/30/2025**
Fiscal Year End:	**07/31**	**Required Coverage:**	**1.0**

	PROJECTED	CURRENT	$11,405,000 ISSUE				$490,000 ISSUE				TOTAL	
FISCAL YEAR	**NET SYSTEM REVENUES**	**DEBT SERVICE**	**PRINCIPAL PAYMENT**	**INTEREST RATE**	**INTEREST PAYMENT**	**TOTAL PAYMENT**	**PRINCIPAL PAYMENT**	**INTEREST RATE**	**INTEREST PAYMENT**	**TOTAL PAYMENT**	**DEBT SERVICE**	**ACTUAL COVERAGE**
2026	$83,959,389	$32,175,676	$0	-	$117,891	$117,891	$0	-	$0	$0	$32,293,567	2.60
2027	83,959,389	32,231,466	225,000	2.85%	400,990	625,990	15,000	-	-	15,000	32,872,456	2.55
2028	83,959,389	32,181,766	230,000	2.72%	394,656	624,656	15,000	-	-	15,000	32,821,422	2.56
2029	83,959,389	32,176,391	240,000	2.72%	388,264	628,264	15,000	-	-	15,000	32,819,655	2.56
2030	83,959,389	32,234,251	245,000	2.74%	381,643	626,643	15,000	-	-	15,000	32,875,894	2.55
2031	83,959,389	32,201,276	250,000	2.83%	374,749	624,749	15,000	-	-	15,000	32,841,025	2.56
2032	83,959,389	32,183,666	260,000	2.86%	367,494	627,494	15,000	-	-	15,000	32,826,160	2.56
2033	83,959,389	32,197,924	265,000	3.03%	359,761	624,761	15,000	-	-	15,000	32,837,685	2.56
2034	83,959,389	32,236,385	275,000	3.06%	351,539	626,539	15,000	-	-	15,000	32,877,924	2.55
2035	83,959,389	32,330,276	285,000	3.22%	342,743	627,743	15,000	-	-	15,000	32,973,019	2.55
2036	83,959,389	32,313,991	295,000	3.24%	333,375	628,375	15,000	-	-	15,000	32,957,366	2.55
2037	83,959,389	32,407,891	305,000	3.26%	323,625	628,625	15,000	-	-	15,000	33,051,516	2.54
2038	83,959,389	31,926,579	315,000	3.32%	313,424	628,424	15,000	-	-	15,000	32,570,003	2.58
2039	83,959,389	31,910,219	325,000	3.34%	302,768	627,768	15,000	-	-	15,000	32,552,986	2.58
2040	83,959,389	33,775,519	335,000	3.37%	291,695	626,695	15,000	-	-	15,000	34,417,214	2.44
2041	83,959,389	33,649,724	350,000	3.39%	280,118	630,118	15,000	-	-	15,000	34,294,842	2.45
2042	83,959,389	32,020,416	360,000	3.74%	267,454	627,454	15,000	-	-	15,000	32,662,870	2.57
2043	83,959,389	32,046,295	375,000	3.75%	253,690	628,690	15,000	-	-	15,000	32,689,985	2.57
2044	83,959,389	32,002,395	390,000	3.76%	239,327	629,327	15,000	-	-	15,000	32,646,722	2.57
2045	83,959,389	31,909,825	405,000	3.77%	224,361	629,361	15,000	-	-	15,000	32,554,186	2.58
2046	83,959,389	31,796,029	420,000	3.78%	208,789	628,789	15,000	-	-	15,000	32,439,817	2.59
2047	83,959,389	31,613,524	440,000	3.79%	192,513	632,513	15,000	-	-	15,000	32,261,036	2.60
2048	83,959,389	31,306,461	455,000	3.80%	175,530	630,530	15,000	-	-	15,000	31,951,991	2.63
2049	83,959,389	30,523,708	475,000	3.80%	157,860	632,860	20,000	-	-	20,000	31,176,567	2.69
2050	83,959,389	30,551,023	490,000	3.81%	139,500	629,500	20,000	-	-	20,000	31,200,523	2.69
2051	83,959,389	29,917,763	510,000	3.82%	120,425	630,425	20,000	-	-	20,000	30,568,187	2.75
2052	83,959,389	28,974,388	535,000	3.82%	100,465	635,465	20,000	-	-	20,000	29,629,853	2.83
2053	83,959,389	27,773,813	555,000	3.83%	79,618	634,618	20,000	-	-	20,000	28,428,431	2.95
2054	83,959,389	27,483,100	575,000	3.84%	57,950	632,950	20,000	-	-	20,000	28,136,050	2.98
2055	83,959,389	32,096,338	600,000	3.84%	35,390	635,390	20,000	-	-	20,000	32,751,728	2.56
2056	83,959,389	12,219,088	620,000	3.85%	11,935	631,935	20,000	-	-	20,000	12,871,023	6.52
		$ 960,367,164	$11,405,000		$7,589,535	$18,994,535	$490,000		$0	$490,000	$979,851,699	

$11,405,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	**17.94 YEARS**
NET INTEREST RATE	**3.709%**
COST SAVINGS	**$4,217,934**
AVERAGE ANNUAL REQUIREMENT	**$633,151**

$490,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	**16.19 YEARS**
NET INTEREST RATE	**0.000%**
COST SAVINGS	**$455,962**
AVERAGE ANNUAL REQUIREMENT	**$16,333**

TOTAL AVERAGE ANNUAL REQUIREMENTS
$31,608,119

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 New Braunfels
63077 - NBU Lead Service Line Inventory & Replacement

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	$17,722,073.50	$0.00	$17,722,073.50
Subtotal for Construction	**$17,722,073.50**	**$0.00**	**$17,722,073.50**
Basic Engineering Services			
Construction Engineering	$210,000.00	$0.00	$210,000.00
Design	$80,000.00	$0.00	$80,000.00
LSLR Inventory	$965,000.00	$0.00	$965,000.00
Planning	$830,000.00	$0.00	$830,000.00
Subtotal for Basic Engineering Services	**$2,085,000.00**	**$0.00**	**$2,085,000.00**
Special Services			
Inspection	$400,000.00	$0.00	$400,000.00
Subtotal for Special Services	**$400,000.00**	**$0.00**	**$400,000.00**
Fiscal Services			
Bond Counsel	$0.00	$36,000.00	$36,000.00
Bond Reserve Fund	$627,148.80	$0.00	$627,148.80
Financial Advisor	$0.00	$67,000.00	$67,000.00
Fiscal/Legal	$0.00	$9,500.00	$9,500.00
Issuance Costs	$0.00	$1,500.00	$1,500.00
Loan Origination Fee	$233,235.00	$0.00	$233,235.00
Subtotal for Fiscal Services	**$860,383.80**	**$114,000.00**	**$974,383.80**
Other			
Land/Easements Acquisition	$350,000.00	$0.00	$350,000.00
Subtotal for Other	**$350,000.00**	**$0.00**	**$350,000.00**
Contingency			
Contingency	$2,858,052.70	$0.00	$2,858,052.70
Subtotal for Contingency	**$2,858,052.70**	**$0.00**	**$2,858,052.70**
Total	$24,275,510.00	$114,000.00	$24,389,510.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $24,275,510 TO THE CITY OF NEW BRAUNFELS FROM THE DRINKING WATER STATE REVOLVING FUND THROUGH THE PROPOSED PURCHASE, IN ONE OR MORE SERIES, OF $490,000 CITY OF NEW BRAUNFELS, TEXAS UTILITY SYSTEM REVENUE BONDS, PROPOSED TAXABLE SERIES 2025A AND $11,405,000 CITY OF NEW BRAUNFELS, TEXAS UTILITY SYSTEM REVENUE BONDS PROPOSED SERIES 2025B AND $12,380,510 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The City of New Braunfels (City), located in Comal County, has applied for financial assistance in the amount of $24,275,510 from the Drinking Water State Revolving Fund-Lead Service Line Replacement Program (DWSRF-LSLR) to finance the planning, acquisition, design, construction, and inventory of a certain lead service line replacement project identified as Project No. 63077.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase, in one or more series, of $490,000 City of New Braunfels, Texas Utility System Revenue Bonds, Proposed Taxable Series 2025A and $11,405,000 City of New Braunfels, Texas Utility System Revenue Bonds, Proposed Series 2025B (Obligations), (together with all authorizing documents), and the execution of one or more Principal Forgiveness Agreements in an amount totaling $12,380,510, 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 utility 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 § 371.13.

Findings:

1. The revenue or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607.

2. The application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq*. and Pub. L. 117-58, 135 Stat. 1400-1401, as well as state law, in accordance with Texas Water Code § 15.607.

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

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

5. The City has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).

6. The City is therefore eligible for principal forgiveness through the DWSRF-LSLR in a total amount not to exceed $12,380,000 and financial assistance in the amount of $490,000 with a reduced interest rate of zero percent.

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

A commitment is made by the TWDB to the City of New Braunfels for financial assistance in the amount of $24,275,510 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase, in one or more series, of $11,895,000 City of New Braunfels, Texas Utility System Revenue Bonds as follows:

a) $490,000 Proposed Taxable Series 2025A, to expire on August 31, 2026; and
b) $11,405,000 Proposed Series 2025B, to expire on August 31, 2027.

and the execution of one or more Principal Forgiveness Agreements in the amount of $12,380,510 as follows:

a) $510,000, to expire August 31, 2026; and
b) $11,870,510, to expire August 31, 2027.

The commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.

2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which the Obligations were issued have been complied with; that the Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.

3. This commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371.

4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.

5. The low interest Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations at a redemption price of par together with accrued interest to the date fixed for redemption.

6. The zero interest Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations at a redemption price of par.

7. The City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations, or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of the rule, this continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to those bonds under SEC Rule 15c2-12.

8. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.

9. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project explicitly approved by the Executive Administrator, or, if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds.

10. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.

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

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

13. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site, except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines or for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must include an environmental indemnification provision wherein the City agrees, and agrees to cause its construction contractors, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action, or damages arising from activities performed by the City or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.

14. Before closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.

15. Before closing, and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.

16. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.

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

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

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

20. 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.

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

22. 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).

23. The Obligations must provide that the City will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

24. The City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion.

25. The City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.

26. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated under section 141 (Regulations).

27. The Obligations must provide that no portion of the proceeds of this commitment will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for this commitment (Source Series Bonds), other than Nonpurpose Investments acquired with:

    a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until the proceeds are needed for the facilities to be financed;

    b. amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and

c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.

28. The Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government to satisfy the requirements of section 148 of the Code. The Obligations must provide that the City must:

a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments) on its books of account separately and apart from all other funds (and receipts, expenditures and investments) and retain all records of the accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its financing with other money of the City, provided that the City separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with them;

b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financing, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings under these sections. The City shall maintain a copy of the calculations for at least six years after the final Computation Date;

c. as additional consideration for the making of this commitment, and to induce the making of the commitment by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and

d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly to correct the error within a reasonable amount of time including payment to the United States of any interest and any penalty required by the Regulations;

29. 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.

30. The Obligations must provide that the City will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of section 149(b) of the Code.

31. 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.

32. The Obligations must contain a provision that the City will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings).

33. The transcript must include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

34. 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.

35. The City’s federal tax certificate shall provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

State Revolving Fund Conditions:

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

37. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor’s implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with the financial assistance made available shall insert in full in any contract in excess of $2,000 the contracts clauses as provided by the TWDB.

38. The Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended

by Pub. L. 110-252. The City shall obtain a Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.

39. The Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the City will adhere to the approved project schedule.

40. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.

41. The Obligations or Principal Forgiveness Agreement must contain a covenant that the City shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

42. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58 and 2 CFR part 184.

Drinking Water State Revolving Fund Conditions:

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

44. Before closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations.

45. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

Pledge Conditions:

46. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations. and

47. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding City of New Braunfels, Texas Utility System Revenue Bonds, Series 2022A.

Special Conditions:

48. Before closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.

49. The Principal Forgiveness Agreement must include a provision stating that the City shall return any principal forgiveness funds that are determined to be surplus funds.

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

TEXAS WATER DEVELOPMENT BOARD

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

DATE SIGNED: _____

ATTEST:

_____
Bryan McMath, Executive Administrator

Attachment 4

Review Date: 04/14/2025

Project ID: 63077

☑ Water
☐ Wastewater
☐ Other _____

WATER CONSERVATION REVIEW

Entity: New Braunfels Utilities

Other entity:

WATER CONSERVATION PLAN DATE: 2024 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	137	82	18
5-year Goal	135	81	18
10-year Goal	130	77	18

WATER LOSS AUDIT YEAR: 2023

Service connections: 39,894
Retail population: 120,555

Length of main lines (miles): 681
Connections per mile: 59

Water Loss GCD: 54
Water Loss GPCD: 18
ILI: 3
Real Loss GMD: 2500

WATER LOSS THRESHOLDS

Water Loss Project: ☐ Waiver Requested: ☐

Wholesale Adjusted: ☐

Threshold Type:
Not Applicable

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
N/A	N/A	N/A	N/A

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

ADDITIONAL INFORMATION

The city's water conservation plan exceeds minimum requirements, utilizes best management practices and proposes to achieve the following goals:

• Increase the annual volume of water saved through 16 conservation strategies such as satellite leak detection, continuous consumption alerts, rebates, and education campaigns.
• Develop a robust database management system (information collection and analysis procedures) to better understand water consumption and track conservation activities impact on water resources. This includes better leverage data from the city's advanced metering infrastructure (AMI) will be incorporated.
• Promote innovation in water conservation while pursuing cost-effective strategies through data tracking.

STAFF NOTES AND RECOMMENDATIONS

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

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

GMD means gallons per mile per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population divided by 365.

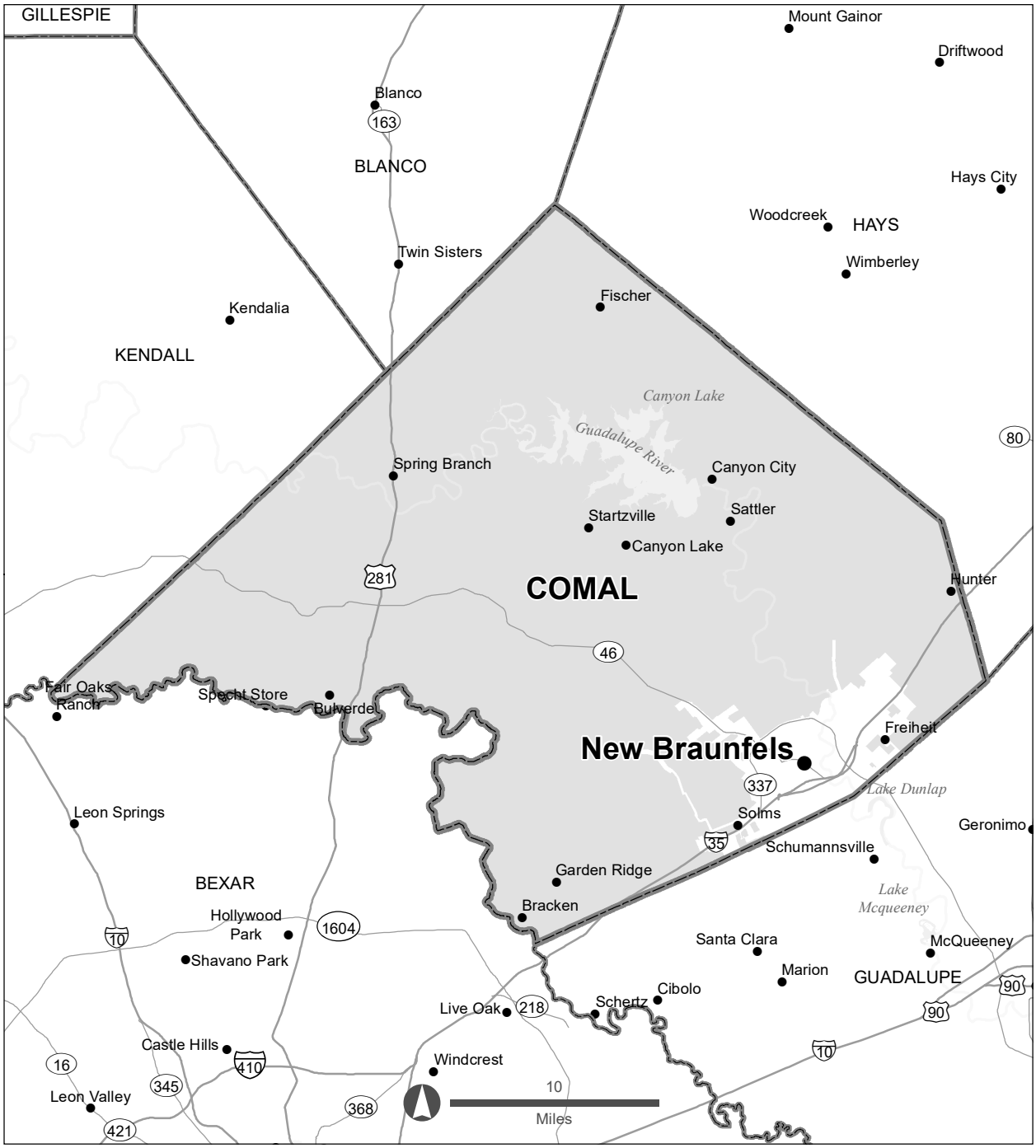
Total water loss is the sum of the apparent and real water losses.

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

Water Loss Thresholds are levels of real and apparent water loss determined by the connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.

City of New Braunfels
Comal County