



PROJECT FUNDING REQUEST

BOARD DATE: November 19, 2025

Team Manager: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the East Aldine Management District (Harris County) for \$21,000,000 in financial assistance consisting of \$11,000,000 in financing and \$10,000,000 in principal forgiveness funding from the Clean Water State Revolving Fund for planning, acquisition, design, and construction of a wastewater system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The East Aldine Management District (District) was created by the Texas Legislature in June 2001. The District manages a 20-square-mile service area in unincorporated Harris County located 10 miles north of downtown Houston. In August 2002, the District adopted an infrastructure plan that includes water and sewer services.

The District serves a population of 63,584 in 33 subdivisions. The District received funding in 2009 and 2012 through the Economically Distressed Areas Program to construct a project to provide first-time water and wastewater services to approximately 1,585 residents in 2 subdivisions.

PROJECT NEED AND DESCRIPTION

The District's Castlewood subdivision has 1,815 residents who rely on 50-year-old septic tanks for their sewer service. To avoid potential environmental hazards of surface or ground water contamination the District plans to connect the area to a centralized collection system with wastewater processing at the High Meadows Wastewater Treatment Plant. There have been no reports of contamination or any other issues discovered from the current septic tanks.

The District proposes to construct a new lift station, 29,420 feet of 8-inch sewer lines, 9,685 feet of 6-inch force main line, 16,000 feet of 4-inch service connections for an estimated 510 households, and 76 sanitary sewer manholes. The septic tanks will be decommissioned when the residents are added to the collection system. The District also plans to develop an asset management plan.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE MAY 31, 2026

PROJECT SCHEDULE

Task	Schedule Date
Closing	May 31, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	July 31, 2026
Design Phase Completion	March 31, 2027
Start of Construction	September 30, 2027
Construction Completion	September 30, 2029

KEY ISSUES

Projects and services of the District are funded through a one percent sales tax.

The District qualifies for \$3,055,000 in financing at zero-percent interest and \$10,000,000 in principal forgiveness as a disadvantaged, small/rural community and for providing first time sewer service through the Clean Water State Revolving Fund.

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

Financial Review

East Aldine Improvement District

Risk Score: 2BAudit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 0.94%	State: 1.49%
Cash Balance Ratio	-1%	10-24.99%
Median Household Income as % of State	72%	100%
Days of Cash on Hand (3-year Average)	36 days	30-149 days
Debt Service Coverage Ratio	4.73x	1.0x
Net Direct Debt-to-Operating Revenues	1.72	4.00-5.99x
Unemployment Rate (August, 2025)	City: 4.90%	State: 4.70%
Working Capital Ratio	45.0	> 1.0

Key Risk Score Strengths

- The District maintains 4.73x annual debt service coverage, which is significantly above the benchmark of 1.0x and it is expected to maintain very strong debt service coverage.
- The sales tax revenue exceeds the debt service coverage requirement. In a no growth scenario, the sales tax revenue is sufficient over the life of the existing and proposed obligations.
- The District has an additional bonds test of not less than 1.5x average annual debt service for all parity bonds which provides additional security to this pledge.

Key Risk Score Concerns

- The population growth of the District is slightly below the state's benchmark. The area is built out.
- The unemployment rate, taken from the City of Houston, is slightly higher than the state's average for the month of August; however, sales tax revenues continue to perform strongly.
- Although the District has a negative one percent cash balance ratio, it has historically utilized its cash to fund one-time capital expenditures and management expects to continue to utilize its cash on hand to fund those expenditures.

PLEDGE

Legal Pledge Name	Sales Tax Revenues
Type of Pledge	<input checked="" type="checkbox"/> Tax <input type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

TAXES

	2025 Sales Tax Year Rate	Max Projected Sales Tax Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Sales Tax	1.00%	1.00%	N/A	N/A

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the District could save approximately \$3,241,903 over the life of the financing. The District is saving \$10,000,000 in principal forgiveness funding.

Project Data Summary

Responsible Authority	East Aldine Municipal District
Program	CWSRF
Commitment Number	L1002270, L1002271, LF1002272
Project Number	73991
List Year	2025
Type of Pledge	Tax Pledge
Pledge Level (if applicable)	N/A
Legal Description	\$7,945,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Proposed Series 2026A, \$3,055,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Proposed Series 2026B: \$10,000,000 East Aldine MD Principal Forgiveness Agreement
Tax-exempt or 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	N/A
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	N/A (not retail provider)
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Nancy Richards	Sarah Smaardyk	Sophia Fousie	Britt Wilson	Walter Dean

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
East Aldine Management District

\$7,945,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Proposed Series 2026

Dated Date: 1/15/2026 Source: CWSRF-EQUIVALENCY
 Delivery Date: 1/15/2026 Rate: 2.51%
 First Interest: 2/15/2026 IUP Year: 2025
 First Principal: 2/15/2027 Case: Sales Tax
 Last Principal: 2/15/2046 Admin.Fee: \$136,646
 Fiscal Year End: 12/31 Admin. Fee Payment Date: 1/15/2026
 Required Coverage: 1.0

\$3,055,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Series 2026B

Dated Date: 1/15/2026 Source: CWSRF-EQUIVALENCY
 Delivery Date: 1/15/2026 Rate: 0.00%
 First Interest: 2/15/2026 IUP Year: 2025
 First Principal: 2/15/2027 Case: Sales Tax
 Last Principal: 2/15/2046 Admin.Fee: \$52,543
 Fiscal Year End: 12/31 Admin. Fee Payment Date: 1/15/2026
 Required Coverage: 1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$7,945,000 ISSUE				\$3,055,000 ISSUE				DEBT SERVICE	ACTUAL COVERAGE
				PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2026	\$13,202,303	\$13,202,303	\$2,127,100	\$0	-	\$103,956	\$103,956	-	-	\$0	\$0	\$2,231,056	5.92
2027	13,202,303	13,202,303	2,131,900	330,000	1.41%	175,884	505,884	\$155,000	-	-	155,000	2,792,784	4.73
2028	13,202,303	13,202,303	2,124,100	335,000	1.42%	171,179	506,179	155,000	-	-	155,000	2,785,279	4.74
2029	13,202,303	13,202,303	2,128,600	340,000	1.42%	166,387	506,387	155,000	-	-	155,000	2,789,987	4.73
2030	13,202,303	13,202,303	1,199,100	345,000	1.50%	161,385	506,385	155,000	-	-	155,000	1,860,485	7.10
2031	13,202,303	13,202,303	1,196,400	350,000	1.61%	155,980	505,980	155,000	-	-	155,000	1,857,380	7.11
2032	13,202,303	13,202,303	1,197,200	355,000	1.72%	150,110	505,110	155,000	-	-	155,000	1,857,310	7.11
2033	13,202,303	13,202,303	1,196,400	360,000	1.79%	143,835	503,835	155,000	-	-	155,000	1,855,235	7.12
2034	13,202,303	13,202,303	1,198,900	370,000	1.90%	137,098	507,098	155,000	-	-	155,000	1,860,998	7.09
2035	13,202,303	13,202,303	1,199,600	375,000	2.02%	129,795	504,795	155,000	-	-	155,000	1,859,395	7.10
2036	13,202,303	13,202,303	1,198,500	385,000	2.19%	121,792	506,792	155,000	-	-	155,000	1,860,292	7.10
2037	13,202,303	13,202,303	-	390,000	2.32%	113,052	503,052	155,000	-	-	155,000	658,052	20.06
2038	13,202,303	13,202,303	-	400,000	2.44%	103,648	503,648	155,000	-	-	155,000	658,648	20.04
2039	13,202,303	13,202,303	-	410,000	2.53%	93,582	503,582	155,000	-	-	155,000	658,582	20.05
2040	13,202,303	13,202,303	-	420,000	2.60%	82,935	502,935	155,000	-	-	155,000	657,935	20.07
2041	13,202,303	13,202,303	-	430,000	2.66%	71,756	501,756	155,000	-	-	155,000	656,756	20.10
2042	13,202,303	13,202,303	-	445,000	2.72%	59,985	504,985	155,000	-	-	155,000	659,985	20.00
2043	13,202,303	13,202,303	-	455,000	2.78%	47,609	502,609	155,000	-	-	155,000	657,609	20.08
2044	13,202,303	13,202,303	-	470,000	2.82%	34,657	504,657	155,000	-	-	155,000	659,657	20.01
2045	13,202,303	13,202,303	-	480,000	2.85%	21,190	501,190	155,000	-	-	155,000	656,190	20.12
2046	13,202,303	13,202,303	-	500,000	2.87%	7,175	507,175	110,000	-	-	110,000	617,175	21.39
			\$16,897,800	\$7,945,000		\$2,252,987	\$10,197,987	\$3,055,000			\$3,055,000	\$30,150,787	

\$3,055,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	11.31 YEARS
NET INTEREST RATE	2.508%
COST SAVINGS	\$ 1,690,355
AVERAGE ANNUAL REQUIREMENT	\$485,618

\$3,055,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	10.44 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$ 1,551,548
AVERAGE ANNUAL REQUIREMENT	\$145,476

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$1,435,752



Project Budget Summary
East Aldine Municipal District
73991 - Castlewood 08 and 09

Budget Items	TWDB Funds	Total
Construction		
Construction	\$15,149,172.00	\$15,149,172.00
Subtotal for Construction	\$15,149,172.00	\$15,149,172.00
Basic Engineering Services		
Design	\$1,243,776.00	\$1,243,776.00
Planning	\$77,735.00	\$77,735.00
Subtotal for Basic Engineering Services	\$1,321,511.00	\$1,321,511.00
Special Services		
Application	\$3,013.00	\$3,013.00
Environmental	\$100,000.00	\$100,000.00
Geotechnical	\$301,300.00	\$301,300.00
Permits	\$6,026.00	\$6,026.00
Project Management (by engineer)	\$401,600.00	\$401,600.00
Asset Management Plan	\$43,013.00	\$43,013.00
Surveying	\$352,080.00	\$352,080.00
Testing	\$60,260.00	\$60,260.00
Subtotal for Special Services	\$1,267,292.00	\$1,267,292.00
Fiscal Services		
Bond Counsel	\$254,388.00	\$254,388.00
Financial Advisor	\$147,948.00	\$147,948.00
Fiscal/Legal	\$21,500.00	\$21,500.00
Issuance Costs	\$10,000.00	\$10,000.00
Loan Origination Fee	\$189,189.00	\$189,189.00
Subtotal for Fiscal Services	\$623,025.00	\$623,025.00
Other		
Land/Easements Acquisition	\$300,000.00	\$300,000.00
Subtotal for Other	\$300,000.00	\$300,000.00
Contingency		
Contingency	\$2,339,000.00	\$2,339,000.00
Subtotal for Contingency	\$2,339,000.00	\$2,339,000.00
Total	\$21,000,000.00	\$21,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$21,000,000 TO THE EAST ALDINE MANAGEMENT DISTRICT
 FROM THE CLEAN WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$7,945,000 EAST ALDINE MANAGEMENT DISTRICT, TEXAS SALES TAX REVENUE
 BONDS, PROPOSED SERIES 2026A, \$3,055,000 EAST ALDINE MANAGEMENT
 DISTRICT, TEXAS SALES TAX REVENUE BONDS, PROPOSED SERIES 2026B
 AND
 \$10,000,000 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The East Aldine Management District (District), located in Harris County filed an application for financial assistance in the amount of \$21,000,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, acquisition, design, and construction of wastewater system improvements identified as Project No. 73991.

The District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$7,945,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Proposed Series 2026A, \$3,055,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Proposed Series 2026B (Obligations) (together with all authorizing documents), and the execution of a Principal Forgiveness Agreement in an amount of \$10,000,000 all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The District has offered a pledge of sales and use tax 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 § 375.14.

Findings:

1. The revenue or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607.
2. The application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251--1389, 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 District.
4. The District has demonstrated that the implementation of a water conservation plan is not reasonably necessary for conservation under Texas Water Code § 16.4021(d).

5. The District qualifies as a Disadvantaged Community and a “small” or “rural” system as determined by the applicable Intended Use Plan, and the project is therefore eligible for principal forgiveness in the amount of \$10,000,000 and financial assistance in the amount of \$3,055,000 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 East Aldine Management District for financial assistance in the amount of \$21,000,000 from the Clean Water State Revolving Fund through the TWDB’s proposed purchase of \$7,945,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Proposed Series 2026A, \$3,055,000 East Aldine Management District, Texas Sales Tax Revenue Bonds, Proposed Series 2026B, and the execution of a Principal Forgiveness Agreement in the amount of \$10,000,000. This commitment will expire on May 31, 2026.

The commitment is conditioned as follows.

Standard Conditions:

1. The 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. The 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 are 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 District.
3. The commitment is contingent upon the District’s compliance with all applicable requirements contained in 31 TAC Chapter 375.
4. The Obligations must provide that the District agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The Obligations carrying an interest rate must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations at a redemption price of par, together with accrued interest to the date fixed for redemption.
6. The Obligations carrying no interest rate 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 District, 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 District's Obligations, at a minimum and regardless of the amount of the Obligations, must agree 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, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to the bonds under SEC Rule 15c2-12.
8. The Obligations must require the District 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 require the District to use any proceeds from the Obligations that are determined to be remaining unused funds for enhancements to the original project that are explicitly approved by the Executive Administrator or, if no enhancements are authorized by the Executive Administrator, requiring the District to submit a final accounting and disposition of any unused funds. Remaining unused funds are those funds unspent after the original approved project is completed.
10. The Obligations must require the District to use any proceeds from the Obligations that are 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 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. Proceeds of this commitment are public funds. Therefore, the Obligations must require 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 District when sampling, testing, removing, or disposing of contaminated soils or media at the project site except for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must provide that the District is solely responsible for liability resulting from acts or omissions of the District, 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

District, 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 District must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
15. Before closing, and if not previously provided with the application, the District must 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 District must 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 District to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
18. The Obligations must provide that the District must comply with all applicable federal laws and TWDB laws and rules related to the use of the financial assistance.
19. The Obligations must provide that the District 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.
20. The Obligations must require the District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
21. The Obligations must provide that the District must submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
22. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

Tax-Exempt Conditions:

23. The District'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 District when rendering this opinion.

24. The District's bond counsel opinion must state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion.
25. The Obligations must prohibit the District from using the 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).
26. The Obligations must provide that no portion of the proceeds of this financial assistance 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 that were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds that are 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 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 deposited amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount, or, in the case of a discount, the issue price of the Obligations.
27. The Obligations must require the District 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 to satisfy the requirements of section 148 of the Code. The Obligations must provide that the District 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, including receipts, expenditures, and investments, and retain all records of the accounting for at least six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of this financial assistance with other money of the District, provided that the District separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired those proceeds;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to this financial assistance, 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 related rulings. The District must 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 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 to correct the error within a reasonable amount of time after including payment to the United States of any interest and any penalty required by the Regulations.
- 28. The Obligations must prohibit the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
 - 29. The Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
 - 30. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.
 - 31. The Obligations must provide that the District 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.
 - 32. 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.
 - 33. The Obligations must provide that neither the District 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 District by the TWDB.

34. Before closing, the District must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.

State Revolving Fund Conditions:

35. The District must submit outlay reports on a quarterly or monthly basis with sufficient documentation on costs in accordance with TWDB outlay report guidelines.
36. The Obligations must provide that all laborers and mechanics employed by contractors and subcontractors for projects 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 District, all contractors, and all sub-contractors must 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 financial assistance made available as provided must insert in full in any contract in excess of \$2,000 the contract clauses as provided by the TWDB.
37. The Obligations must provide that the District 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 District 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.
38. The Obligations must provide that all proceeds of this financial assistance will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and must provide that the District will adhere to the approved project schedule.
39. The Obligations and Principal Forgiveness Agreement must provide that the District 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 § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines.
40. The Obligations and Principal Forgiveness Agreement must provide that the District will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.
41. The Obligations must provide that the District must comply with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets.
42. The Obligations and Principal Forgiveness Agreement must provide that the District shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

Clean Water State Revolving Fund Conditions:

43. The District must pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375.
44. Before release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District 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.
45. Before release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)–(C), the District must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq* and 33 U.S.C. § 1382(b)(14).

Pledge Conditions:

46. The Obligations must be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
47. The Obligations must be governed by the additional debt test and reserve requirement as provided in the outstanding East Aldine Management District, Sales Tax Revenue and Refunding Bonds, Series 2016.
48. The Obligations must provide that for each year the Bonds are outstanding, the District will levy a debt service tax rate and collect taxes sufficient for the repayment of annual principal and interest requirements on the Obligations.

Special Conditions:

49. Before closing, the District must execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
50. The Principal Forgiveness Agreement must state that the District shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator.
51. Before closing, the District must provide certification that the weighted average maturity of the Obligations does not exceed 120% of the average reasonably expected economic life of the Project.

APPROVED and ordered of record this 19th day of November 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

Review Date:

Project ID:

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:**Approvable****Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline			
5-year Goal			
10-year Goal			

WATER LOSS AUDIT YEAR:

Validation Required:

Validation Performed:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Apparent Loss GCD

Real Loss GCD

Threshold Type:

Reported

Threshold

Reported

Threshold

Does the applicant meet Water Loss Threshold Requirements?

Yes**No****NA****ADDITIONAL INFORMATION****STAFF NOTES AND RECOMMENDATIONS**

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 benchmarking 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.

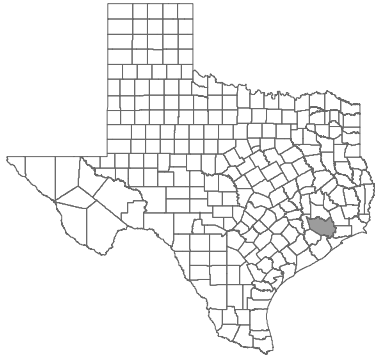
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



East Aldine Management District Harris County

