



PROJECT FUNDING REQUEST

BOARD DATE: November 19, 2025

Team Manager: David Firgens

ACTION REQUESTED

Consider approving by resolution a request from the City of Poteet (Atascosa County) for \$581,633 in financial assistance consisting of \$285,000 in financing and \$296,633 in principal forgiveness funding from the Drinking Water State Revolving Fund Lead Service Line Replacement Program for planning, design, and construction of a water system project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Poteet (City) is located 30 miles south of San Antonio. The City provides water and wastewater services to a population of approximately 3,396 residents and approximately 1,395 water and wastewater connections.

PROJECT NEED AND DESCRIPTION

The City has approximately 1,395 residential connections within its service area with the potential for lead water service lines.

The City has completed its inventory of its service connections. It has identified 140 connections containing lead. The City estimates 4,200 feet of new water lines for the connections will require replacement.

PROJECT SCHEDULE

Task	Schedule Date
Closing	January 15, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	March 31, 2026
Design Phase Completion	August 31, 2026
Start of Construction	November 28, 2026
Construction Completion	February 28, 2027

Commitment	Use	Expiration
Series 2025A and Principal Forgiveness	Inventory	November 30, 2026
Series 2025B and Principal Forgiveness	Line Replacement	November 30, 2027

KEY ISSUES

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

To reimburse inventory work, the proposed project is eligible for \$52,041 in principal forgiveness and \$50,000 in financing at zero-percent interest with a term of up to 15 years. In addition, the project is eligible for \$244,592 in principal forgiveness and \$235,000 in financing with a subsidized interest rate and a term of up to 30 years for planning, design, and construction of lead service line replacements.

LEGAL/SPECIAL CONDITIONS

- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

Attachments:

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

Financial Review

City of Poteet

Risk Score: 2B

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -1.53%	State: 1.49%
Top 10 Customers % of Total Revenue	12%	10-15%
Median Household Income as % of State	122%	100%
Household Cost Factor	2.15	1.51-2.00%
Days of Cash on Hand (3-year Average)	44 days	30-149 days
Net Fixed Assets/ Annual Depreciation	26 years	12-24 years
Debt Service Coverage Ratio	0.79x	1.1x
Debt-to-Operating Revenues	5.70x	4.00-5.99x
Unemployment Rate (August, 2025)	County: 4.80%	State: 4.7%
Working Capital Ratio	0.4	> 1.0

Key Risk Score Strengths

- The City's cash balance ratio of 53.6 percent is above the benchmark, reflecting a significant improvement in liquidity, with cash reserves increasing from \$112,323 in 2019 to \$1.5 million in 2024, enhancing its ability to absorb financial shocks and support ongoing operations.
- The City's fixed assets to depreciation ratio is above the benchmark, indicating a well-maintained infrastructure and a solid reinvestment strategy, supporting long-term service delivery and financial stability.
- The City meets the benchmark for debt-to-operating revenues, indicating strong fiscal discipline and a sustainable debt burden. This enhances the City's creditworthiness, providing flexibility for future capital investments without over-reliance on borrowing.

Key Risk Score Concerns

- With a debt service coverage ratio of 0.79x, the City will need to raise monthly water and sewer rates by \$17.48 to meet coverage requirements with the first increase of \$17.27 required in 2026. The City plans to conduct a rate study after its recent installation of smart meters in January of this year.
- The population of the service area is in a slow, long-term decline with a 2 percent decline over the 10-year period from 2010 to 2020. Utility connections declined similarly over the more recent 5-year period from 2018 and 2023. The 2026 State Water Plan projects an additional 17.9 percent decline over the 20-year period from 2030 to 2050. Despite the decline in its customer base, the City's cash balance ratio has increased by 53 percent and utility system revenues have remained stable with a slight increase over the past 5 years.

PLEDGE

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

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
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Water	6,750	\$72.00	\$89.48	1.84	2.15
Wastewater	8,250	\$31.40	\$31.40		

TAXES

	2024 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.6558	\$0.6558	\$1.50	95%	\$151,137,540
Interest & Sinking	\$0.2900	\$0.2900			
Total Tax Rate	\$0.9458	\$0.9458			

Cost Savings

Based on the maturity schedule and current interest rates, the City could save approximately \$101,385 over the life of the financing. The City is also saving \$296,633 in principal forgiveness.

Project Data Summary

Responsible Authority	City of Poteet
Program	DWSRF
Commitment Number	L1002006, L1002008, LF1002007, LF1002009
Project Number	63064
List Year	2023
Type of Pledge	Combo Tax and Revenue
Pledge Level (if applicable)	Third Lien
Legal Description	\$50,000 City of Poteet, Texas, Combination Tax and Surplus Revenue Certificates of Obligation Proposed Taxable Series 2026A, \$235,000 City of Poteet, Texas, Combination Tax and Surplus Revenue Certificates of Obligation Proposed Taxable Series 2026B, \$52,041 City of Poteet Principal Forgiveness Agreement, \$244,592 City of Poteet Principal Forgiveness Agreement
Tax-exempt or Taxable	Taxable
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, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Shubham Aggarwal	Rand Zeolla	Grace Davila	Stephannie Resendez	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Poteet

\$50,000 City of Poteet, Texas, Combination Tax and Surplus Revenue Certificates of Obligation Taxable Proposed Series 2026A

Dated Date: 1/15/2026 Source: DWSRF-EQUIVALENCY
 Delivery Date: 1/15/2026 Rate: 0.00%
 First Interest: 9/15/2026 IUP Year: 2023
 First Principal: 3/15/2027 Case: Tax and Revenue
 Last Principal: 3/15/2036 Admin.Fee: \$980
 Fiscal Year End: 9/30 Admin. Fee Payment Date: 1/15/2026
 Required Coverage: 1.1 Total Assessed Valuation: \$151,137,540

\$235,000 City of Poteet, Texas, Combination Tax and Surplus Revenue Certificates of Obligation Taxable Proposed Series 2026B

Dated Date: 1/15/2026 Source: DWSRF-EQUIVALENCY
 Delivery Date: 1/15/2026 Rate: 4.26%
 First Interest: 9/15/2026 IUP Year: 2023
 First Principal: 3/15/2027 Case: Tax and Revenue
 Last Principal: 9/15/2056 Admin.Fee: \$4,608
 Fiscal Year End: 9/30 Admin. Fee Payment Date: 1/15/2026
 Required Coverage: 1.1

FISCAL YEAR	REQUIRED TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 95%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$50,000 ISSUE				\$235,000 ISSUE				DEBT SERVICE	ACTUAL COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2026	\$0.2900	\$416,384	\$466,530	\$882,914	\$787,079	\$0	-	\$0	\$0	-	-	\$6,394	\$6,394	\$793,473	1.11
2027	0.2900	416,384	474,023	890,407	789,945	5,000	-	-	5,000	3.04%	9,516	14,516	809,461	1.10	
2028	0.2900	416,384	474,023	890,407	785,464	5,000	-	-	5,000	3.04%	9,364	14,364	804,827	1.11	
2029	0.2900	416,384	474,023	890,407	786,835	5,000	-	-	5,000	3.04%	9,212	14,212	806,046	1.10	
2030	0.2900	416,384	474,023	890,407	786,722	5,000	-	-	5,000	3.15%	9,057	14,057	805,779	1.11	
2031	0.2900	416,384	474,023	890,407	786,883	5,000	-	-	5,000	3.19%	8,898	13,898	805,782	1.11	
2032	0.2900	416,384	474,023	890,407	786,549	5,000	-	-	5,000	3.35%	8,735	13,735	805,284	1.11	
2033	0.2900	416,384	474,023	890,407	788,861	5,000	-	-	5,000	3.39%	8,566	13,566	807,427	1.10	
2034	0.2900	416,384	474,023	890,407	786,536	5,000	-	-	5,000	3.61%	8,391	13,391	804,927	1.11	
2035	0.2900	416,384	474,023	890,407	788,801	5,000	-	-	5,000	3.66%	8,210	13,210	807,011	1.10	
2036	0.2900	416,384	474,023	890,407	784,888	5,000	-	-	5,000	3.73%	8,025	13,025	802,913	1.11	
2037	0.2900	416,384	474,023	890,407	785,705	-	-	-	-	5,000	3.78%	7,837	12,837	798,542	1.12
2038	0.2900	416,384	474,023	890,407	786,796	-	-	-	-	5,000	3.81%	7,647	12,647	799,443	1.11
2039	0.2900	416,384	474,023	890,407	787,753	-	-	-	-	5,000	3.84%	7,456	12,456	800,209	1.11
2040	0.2900	416,384	474,023	890,407	787,765	-	-	-	-	10,000	3.88%	7,166	17,166	804,931	1.11
2041	0.2900	416,384	474,023	890,407	786,354	-	-	-	-	10,000	4.30%	6,757	16,757	803,111	1.11
2042	0.2900	416,384	474,023	890,407	563,253	-	-	-	-	10,000	4.31%	6,327	16,327	579,579	1.54
2043	0.2900	416,384	474,023	890,407	559,658	-	-	-	-	10,000	4.32%	5,895	15,895	575,553	1.55
2044	0.2900	416,384	474,023	890,407	216,255	-	-	-	-	10,000	4.32%	5,463	15,463	231,718	3.84
2045	0.2900	416,384	474,023	890,407	216,832	-	-	-	-	10,000	4.34%	5,030	15,030	231,862	3.84
2046	0.2900	416,384	474,023	890,407	216,483	-	-	-	-	10,000	4.34%	4,596	14,596	231,079	3.85
2047	0.2900	416,384	474,023	890,407	217,064	-	-	-	-	10,000	4.35%	4,162	14,162	231,225	3.85
2048	0.2900	416,384	474,023	890,407	216,679	-	-	-	-	10,000	4.36%	3,726	13,726	230,405	3.86
2049	0.2900	416,384	474,023	890,407	216,022	-	-	-	-	10,000	4.36%	3,290	13,290	229,312	3.88
2050	0.2900	416,384	474,023	890,407	217,390	-	-	-	-	10,000	4.37%	2,854	12,854	230,244	3.87
2051	0.2900	416,384	474,023	890,407	216,678	-	-	-	-	10,000	4.37%	2,417	12,417	229,094	3.89
2052	0.2900	416,384	474,023	890,407	215,971	-	-	-	-	10,000	4.38%	1,979	11,979	227,950	3.91
2053	0.2900	416,384	474,023	890,407	217,053	-	-	-	-	10,000	4.39%	1,541	11,541	228,593	3.90
2054	0.2900	416,384	474,023	890,407	216,119	-	-	-	-	10,000	4.39%	1,102	11,102	227,221	3.92
2055	0.2900	416,384	474,023	890,407	216,115	-	-	-	-	10,000	4.41%	662	10,662	226,776	3.93
			\$26,923,211	\$16,314,507	\$50,000	\$0		\$50,000	\$235,000		\$180,491	\$415,491	\$16,779,998		

\$50,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	5.67 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$9,653
AVERAGE ANNUAL REQUIREMENT	\$4,545

\$235,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	18.02 YEARS
NET INTEREST RATE	4.263%
COST SAVINGS	\$91,732
AVERAGE ANNUAL REQUIREMENT	\$13,403

TOTAL AVERAGE ANNUAL REQUIREMENTS	
	\$541,290

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.



Project Budget Summary
City of Poteet
63064 - Lead Service Line Inventory and Replacement

Budget Items	TWDB Funds	Total
Construction		
Construction	\$308,884.00	\$308,884.00
Subtotal for Construction	\$308,884.00	\$308,884.00
Basic Engineering Services		
Construction Engineering	\$10,000.00	\$10,000.00
Design	\$45,000.00	\$45,000.00
LSLR Inventory	\$101,061.00	\$101,061.00
Planning	\$39,500.00	\$39,500.00
Subtotal for Basic Engineering Services	\$195,561.00	\$195,561.00
Special Services		
Application	\$2,250.00	\$2,250.00
Environmental	\$12,000.00	\$12,000.00
Inspection	\$8,000.00	\$8,000.00
Permits	\$2,000.00	\$2,000.00
Subtotal for Special Services	\$24,250.00	\$24,250.00
Fiscal Services		
Bond Counsel	\$20,250.00	\$20,250.00
Financial Advisor	\$19,500.00	\$19,500.00
Issuance Costs	\$7,600.00	\$7,600.00
Loan Origination Fee	\$5,588.00	\$5,588.00
Subtotal for Fiscal Services	\$52,938.00	\$52,938.00
Total	\$581,633.00	\$581,633.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$581,633 TO THE CITY OF POTEET
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE, IN ONE OR MORE SERIES OF
\$50,000 CITY OF POTEET, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED TAXABLE SERIES 2026A
AND
\$235,000 CITY OF POTEET, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED TAXABLE SERIES 2026B
AND
\$296,633 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The City of Poteet (City), located in Atascosa County, has applied for financial assistance in the amount of \$581,633 from the Drinking Water State Revolving Fund-Lead Service Line Replacement Program (DWSRF-LSLR) to finance the planning, design, construction, and inventory of certain lead service line replacements identified as Project No. 63064.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase, in one or more series of \$50,000 City of Poteet, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2026A and \$235,000 City of Poteet, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Taxable Series 2026B (Obligations), (together with all authorizing documents), and the execution of one or more a Principal Forgiveness Agreement in an amount of \$296,633, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

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

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 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 \$296,333 and financial assistance in the amount of \$50,000 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 Poteet for financial assistance in the amount of \$581,633 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase, in one or more series of \$285,000 City of Poteet, Texas Combination Tax and Surplus Revenue Certificates of Obligation as follows:

- a) \$50,000 Proposed Taxable Series 2026A, to expire on November 30, 2026; and
- b) \$235,000 Proposed Taxable Series 2026B, to expire on November 30, 2027.

and the execution of one or more Principal Forgiveness Agreements in the amount of \$296,633 as follows:

- a) \$52,041 to expire on November 30, 2026; and
- b) \$244,592 to expire on November 30, 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.
24. 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.
25. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

State Revolving Fund Conditions:

26. The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
27. 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.
28. 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.
29. 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.
30. 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.

31. The Obligations and 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.
32. 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:

33. The City shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
34. 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.
35. 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:

36. The Obligations must contain a provision that provides as follows:
 - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
 - b. if surplus revenues are based upon budgeted amounts:
 - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;

- ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and before the time taxes are to be levied for that year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues or both, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination of these, into the Interest and Sinking Fund for the repayment of the Obligations; and
- iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of the Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

Special Conditions:

- 37. Before closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
- 38. 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 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.



City of Poteet Atascosa County

