



## PROJECT FUNDING REQUEST

**BOARD DATE:** December 16, 2025

**Team Manager:** Candice De Lello

### ACTION REQUESTED

Consider approving by resolution a) a request from the City of Mineral Wells (Palo Pinto County) for \$58,780,000 in financial assistance consisting of \$48,780,000 in financing and \$10,000,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a water system improvements project; and b) a waiver from the requirement to include funds to mitigate water loss as part of this project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The City of Mineral Wells (City) is located in Palo Pinto County approximately 50 miles west of Fort Worth. The City provides water and wastewater services to a population of approximately 35,527 residents and 6,446 connections.

### PROJECT NEED AND DESCRIPTION

The City operates the Hilltop Water Treatment Plant (WTP) and Brazos Pump Station, both of which are aging facilities with several components in need of improvement. Identified needs include resilience and regulatory compliance. Additionally, the existing WTP and Brazos Pump Station are not designed to manage the additional capacity that is required to treat future supplies from the Turkey Peak Reservoir.

This project proposes expansion and improvements to the City's WTP and Brazos Pump Station to enhance reliability, resiliency, and treatment capacity. Planned work will address aging infrastructure and ensure compliance with drinking water regulations. The project will also provide the capacity necessary to treat increased raw supplies from the Turkey Peak Reservoir. The primary focus is on replacing the four clarifiers at the WTP to improve pre-treatment processes and ensure regulatory compliance. Additionally, a 4-mile 24-inch raw water transmission main that delivers water from the Brazos Pump Station to the Hilltop Reservoir will be evaluated for replacement or expansion to improve system reliability. This transmission main, nearing 60 years old, requires rehabilitation and capacity upgrades to accommodate future water supplies from the Turkey Peak Reservoir. As part of the proposed project, the City also plans to prepare an asset management plan for the Hilltop WTP and Brazos Pump Station.

**COMMITMENT PERIOD:** SIX (6) MONTHS TO EXPIRE JUNE 30, 2026

## PROJECT SCHEDULE

Task	Schedule Date
Closing	March 31, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	July 1, 2026
Design Phase Completion	October 1, 2026
Start of Construction	April 1, 2027
Construction Completion	April 1, 2029

## KEY ISSUES

The City qualifies for \$10,000,000 in principal forgiveness as a disadvantaged community through the Drinking Water State Revolving Fund. The City qualifies for \$105,000 in financing at zero percent interest for preparation of an asset management plan.

The City is requesting a waiver from the requirement to include funds to mitigate water loss as part of this project. The City is above its threshold for real and apparent loss. The City has been actively addressing water loss since a November 2023 study. Efforts include replacing over 11,800 feet of water mains, isolating and repairing a leaking storage tank, and replacing more than 3,100 customer meters while addressing small leaks at 1,100 locations. Fire hydrant replacements have been expanded, with 20 replaced last year and plans to replace 50 annually over the next 10 years. Additional main replacements along 180 West and North Keller Road, ongoing service line upgrades, and careful monitoring of fiber boring contractors further reduce leaks. The City also incorporates water loss mitigation in its 5- year Capital Improvements Plan. These actions will help mitigate the City's real and apparent water loss, which justifies the water loss waiver.

## 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. Water Loss Waiver Request Letter
6. Location Map

# Financial Review City of Mineral Wells

Risk Score: 2B

Audit Reviewed: FY 2024

## Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -1.24%	State: 1.49%
Top 10 Customers % of Total Revenue	33.40%	10-15%
Median Household Income as % of State	73%	100%
Household Cost Factor	3.71%	1.51-2.00%
Days of Cash on Hand (3-year Average)	161 days	30-149 days
Net Fixed Assets/ Annual Depreciation	43 years	12-24 years
Debt Service Coverage Ratio	0.31x	1.0x
Debt-to-Operating Revenues	2.35	4.00-5.99x
Unemployment Rate (July 2025)	County: 4.60%	State: 4.70%
Working Capital Ratio	7.5	> 1.0

### Key Risk Score Strengths

- The City's days of cash on hand is above the benchmark, indicating sufficient reserves for operating expenses.
- The City's high fixed assets to depreciation ratio indicates well-maintained infrastructure and a solid reinvestment strategy, supporting long-term service delivery and financial stability.
- The City's working capital ratio exceeds the benchmark, indicating strong near-term liquidity and financial stability to cover operational needs and unexpected expenses.
- The City maintains a low debt to operating revenues ratio, indicating strong fiscal discipline and a sustainable debt burden. This enhances the City's creditworthiness, providing flexibility for future capital investments without over-reliance on borrowing.
- The City maintains a strong cash balance ratio of 22.8 percent, due to cash reserves increasing from \$3,522,713 in 2019 to \$7,170,028 million in 2024, enhancing its ability to absorb financial shocks and support ongoing operations.

### Key Risk Score Concerns

- Despite a low median household income and high household cost factor, the City maintains strong cash flows reflecting effective financial management and stable revenue streams. The City's accounts receivable from clients compared to the system revenue is approximately 18 percent, indicating that the City collects a little more than 80 percent of billed system revenue.
- Based on the 2024 audited financial statements, the City is projected to need a \$18.60 rate increase prior to the first principal payment; however, the City recently approved water and sewer rate increases of approximately \$42 in October 2025.
- The City's concentration of top ten water customers is above the benchmark, accounting for approximately 33 percent of total water revenue. The two largest customers account for approximately 18 percent of the City's water revenue. A stress test was conducted removing these revenues indicating the City would require a rate increase of \$69.70 by 2038 to meet debt service coverage requirements. Six of the top ten customers of the water system are wholesale customers under contract with the City.

**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	First <input checked="" type="checkbox"/> Second <input 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
Water	3,114	\$101.40	\$140.56	3.02	3.71
Wastewater	2,741	\$32.93	\$35.65		

**TAXES**

	2024 Tax Year Rate	Max Projected Tax Rate (Year 2025)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.5452	\$0.5452	\$1.50	95%	\$1,468,162,772
Interest & Sinking	\$0.0281	\$0.0281			
Total Tax Rate	\$0.5733	\$0.5733			

**Cost Savings**

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$15,041,766 over the life of the financing. The City is also saving \$10,000,000 in principal forgiveness.

## Project Data Summary

<b>Responsible Authority</b>	City of Mineral Wells
<b>Program</b>	DWSRF
<b>Commitment Number</b>	L1002243, L1002244, LF1002245
<b>Project Number</b>	63085
<b>List Year</b>	2025
<b>Type of Pledge</b>	Combo Tax and Revenue
<b>Pledge Level (if applicable)</b>	Second Lien
<b>Legal Description</b>	\$48,675,000 City of Mineral Wells, Texas Combination Tax & Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2026A, \$105,000 City of Mineral Wells, Texas Combination Tax & Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2026B, \$10,000,000 City of Mineral Wells, Texas Principal Forgiveness Agreement
<b>Tax-exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Qualifies as Disadvantaged</b>	Yes
<b>State Revolving Fund Type</b>	Equivalency
<b>Financial Managerial &amp; Technical Complete</b>	Yes
<b>Phases Funded</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Overall Risk Score</b>	2B

### PROJECT TEAM

<b>Team Manager</b>	<b>Financial Analyst</b>	<b>Engineering Reviewer</b>	<b>Environmental Reviewer</b>	<b>Attorney</b>
Candice DeLello	Arnoldo Rubio	Sydney Segovia	Britt Wilson	Walter Dean

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Mineral Wells

**\$48,675,000 City of Mineral Wells, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2026A**

Dated Date:	3/31/2026	Source:	DWSRF-EQUIVALENCY
Delivery Date:	3/31/2026	Rate:	3.33%
First Interest:	8/1/2026	IUP Year:	2025
First Principal:	8/1/2026	Case:	System Revenue
Last Principal:	8/1/2055	Admin.Fee:	\$954,412
Fiscal Year End:	9/30	Admin. Fee Payment Date:	3/31/2026
Required Coverage:	1.0	Total Assessed Valuation:	\$1,468,162,772

**\$105,000 City of Mineral Wells, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2026B**

Dated Date:	3/31/2026	Source:	DWSRF-EQUIVALENCY
Delivery Date:	3/31/2026	Rate:	0.00%
First Interest:	8/1/2026	IUP Year:	2025
First Principal:	8/1/2026	Case:	System Revenue
Last Principal:	8/1/2055	Admin.Fee:	\$2,059
Fiscal Year End:	9/30	Admin. Fee Payment Date:	3/31/2026
Required Coverage:	1.0		

FISCAL YEAR	CURRENT TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 95%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$48,675,000 ISSUE				\$105,000 ISSUE				DEBT SERVICE	ACTUAL COVERAGE
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2026	0.0281	\$392,617	\$1,867,060	\$2,259,677	\$677,300	\$1,070,000	2.11%	\$507,377	\$1,577,377	\$5,000	-	-	\$5,000	\$2,259,677	1.00
2027	0.0281	392,617	2,867,958	3,260,575	678,600	1,090,000	2.10%	1,486,975	2,576,975	5,000	-	-	5,000	3,260,575	1.00
2028	0.0281	392,617	2,870,768	3,263,385	679,300	1,115,000	2.10%	1,464,085	2,579,085	5,000	-	-	5,000	3,263,385	1.00
2029	0.0281	392,617	2,870,768	3,263,385	674,500	1,140,000	2.13%	1,440,670	2,580,670	5,000	-	-	5,000	3,260,170	1.00
2030	0.0281	392,617	2,870,768	3,263,385	679,100	1,160,000	2.22%	1,416,388	2,576,388	5,000	-	-	5,000	3,260,488	1.00
2031	0.0281	392,617	2,875,919	3,268,536	682,900	1,190,000	2.30%	1,390,636	2,580,636	5,000	-	-	5,000	3,268,536	1.00
2032	0.0281	392,617	2,875,919	3,268,536	681,000	1,215,000	2.42%	1,363,266	2,578,266	5,000	-	-	5,000	3,264,266	1.00
2033	0.0281	392,617	2,875,919	3,268,536	678,500	1,245,000	2.48%	1,333,863	2,578,863	5,000	-	-	5,000	3,262,363	1.00
2034	0.0281	392,617	2,875,919	3,268,536	680,300	1,275,000	2.60%	1,302,987	2,577,987	5,000	-	-	5,000	3,263,287	1.00
2035	0.0281	392,617	2,878,420	3,271,037	686,200	1,310,000	2.72%	1,269,837	2,579,837	5,000	-	-	5,000	3,271,037	1.00
2036	0.0281	392,617	2,878,420	3,271,037	681,300	1,345,000	2.83%	1,234,205	2,579,205	5,000	-	-	5,000	3,265,505	1.00
2037	0.0281	392,617	2,878,420	3,271,037	680,700	1,380,000	2.91%	1,196,142	2,576,142	5,000	-	-	5,000	3,261,842	1.00
2038	0.0281	392,617	2,878,420	3,271,037	684,200	1,425,000	3.00%	1,155,984	2,580,984	5,000	-	-	5,000	3,270,184	1.00
2039	0.0281	392,617	2,878,420	3,271,037	676,900	1,465,000	3.06%	1,113,234	2,578,234	5,000	-	-	5,000	3,260,134	1.00
2040	0.0281	392,617	2,878,420	3,271,037	678,800	1,510,000	3.12%	1,068,405	2,578,405	5,000	-	-	5,000	3,262,205	1.00
2041	0.0281	392,617	2,878,420	3,271,037	684,600	1,555,000	3.18%	1,021,293	2,576,293	5,000	-	-	5,000	3,265,893	1.00
2042	0.0281	392,617	2,878,420	3,271,037	679,400	1,605,000	3.23%	971,844	2,576,844	5,000	-	-	5,000	3,261,244	1.00
2043	0.0281	392,617	2,878,420	3,271,037	678,300	1,660,000	3.30%	920,002	2,580,002	5,000	-	-	5,000	3,263,302	1.00
2044	0.0281	392,617	2,878,420	3,271,037	-	1,715,000	3.33%	865,222	2,580,222	5,000	-	-	5,000	2,585,222	1.27
2045	0.0281	392,617	2,878,420	3,271,037	-	1,770,000	3.38%	808,113	2,578,113	5,000	-	-	5,000	2,583,113	1.27
2046	0.0281	392,617	2,878,420	3,271,037	-	1,830,000	3.41%	748,287	2,578,287	5,000	-	-	5,000	2,583,287	1.27
2047	0.0281	392,617	2,878,420	3,271,037	-	1,895,000	3.43%	685,884	2,580,884	-	-	-	-	2,580,884	1.27
2048	0.0281	392,617	2,878,420	3,271,037	-	1,960,000	3.45%	620,885	2,580,885	-	-	-	-	2,580,885	1.27
2049	0.0281	392,617	2,878,420	3,271,037	-	2,025,000	3.48%	553,265	2,578,265	-	-	-	-	2,578,265	1.27
2050	0.0281	392,617	2,878,420	3,271,037	-	2,095,000	3.49%	482,795	2,577,795	-	-	-	-	2,577,795	1.27
2051	0.0281	392,617	2,878,420	3,271,037	-	2,170,000	3.50%	409,680	2,579,680	-	-	-	-	2,579,680	1.27
2052	0.0281	392,617	2,878,420	3,271,037	-	2,245,000	3.52%	333,730	2,578,730	-	-	-	-	2,578,730	1.27
2053	0.0281	392,617	2,878,420	3,271,037	-	2,325,000	3.52%	254,706	2,579,706	-	-	-	-	2,579,706	1.27
2054	0.0281	392,617	2,878,420	3,271,037	-	2,405,000	3.53%	172,866	2,577,866	-	-	-	-	2,577,866	1.27
2055	0.0281	392,617	2,878,420	3,271,037	-	2,485,000	3.54%	87,969	2,572,969	-	-	-	-	2,572,969	1.27
					\$97,076,328	\$12,241,900	\$48,675,000		\$27,680,589	\$76,355,589	\$105,000			\$105,000	\$88,702,489

\$48,675,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.06 YEARS
NET INTEREST RATE	3.333%
COST SAVINGS	\$14,991,126
AVERAGE ANNUAL REQUIREMENT	\$2,545,186

\$105,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	10.34 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$50,640
AVERAGE ANNUAL REQUIREMENT	\$3,500

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$2,956,750

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 Mineral Wells**  
**63085 - Hilltop Water Treatment Plant and**  
**Brazos Pump Station Expansion and**  
**Improvements**

Budget Items	TWDB Funds	Local and Other Funds	Total
<b>Construction</b>			
Construction	\$44,372,500	\$18,500,000	\$62,872,500
<b>Subtotal for Construction</b>	<b>\$44,372,500</b>	<b>\$18,500,000</b>	<b>\$62,872,500</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$4,513,750	\$0	\$4,513,750
Design	\$4,513,750	\$0	\$4,513,750
Planning	\$500,000	\$0	\$500,000
<b>Subtotal for Basic Engineering Services</b>	<b>\$9,527,500</b>	<b>\$0</b>	<b>\$9,527,500</b>
<b>Special Services</b>			
Special Service Other (Asset Management Plan)	\$100,000	\$0	\$100,000
<b>Subtotal for Special Services</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$100,000</b>
<b>Fiscal Services</b>			
Bond Counsel	\$130,000	\$0	\$130,000
Financial Advisor	\$133,000	\$0	\$133,000
Fiscal/Legal	\$9,500	\$0	\$9,500
Issuance Costs	\$6,500	\$0	\$6,500
Loan Origination Fee	\$956,471	\$0	\$956,471
<b>Subtotal for Fiscal Services</b>	<b>\$1,235,471</b>	<b>\$0</b>	<b>\$1,235,471</b>
<b>Contingency</b>			
Contingency	\$3,544,529	\$0	\$3,544,529
<b>Subtotal for Contingency</b>	<b>\$3,544,529</b>	<b>\$0</b>	<b>\$3,544,529</b>
<b>Total</b>	<b>\$58,780,000</b>	<b>\$18,500,000</b>	<b>\$77,280,000</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
 \$58,780,000 TO THE CITY OF MINERAL WELLS  
 FROM THE DRINKING WATER STATE REVOLVING FUND  
 THROUGH THE PROPOSED PURCHASE OF  
 \$48,675,000 CITY OF MINERAL WELLS, TEXAS COMBINATION TAX AND  
 SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, PROPOSED SERIES  
 2026A; \$105,000 CITY OF MINERAL WELLS, TEXAS COMBINATION TAX AND  
 SUBORDINATE LIEN REVENUE CERTIFICATES OF OBLIGATION, PROPOSED SERIES  
 2026B  
 AND  
 \$10,000,000 IN PRINCIPAL FORGIVENESS

(25 - )

Recitals:

The City of Mineral Wells (City), located in Palo Pinto County, has applied for financial assistance in the amount of \$58,780,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 63085.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$48,675,000 City of Mineral Wells, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2026A; the proposed purchase of \$105,000 City of Mineral Wells, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2026B (the 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 City has offered a pledge of ad valorem taxes and a lien on subordinate 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.

The City requests a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss because the City is currently addressing water loss mitigation with several other projects.

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.*, 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 TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
6. 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).
7. Based on the conditions described above, the City is satisfactorily addressing its system water loss, which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate system water loss in accordance with Texas Water Code § 16.0121(g).

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

1. For the reasons stated above, the TWDB waives the requirement in Texas Water Code § 16.053(j).
2. A commitment is made by the TWDB to the City of Mineral Wells for financial assistance in the amount of \$58,780,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$48,675,000 City of Mineral Wells, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2026A; the proposed purchase of \$105,000 City of Mineral Wells, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Proposed Series 2026B and the execution of a Principal Forgiveness Agreement in the amount of \$10,000,000. This commitment will expire on June 30, 2026.

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 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 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.
7. 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.
8. 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.
9. 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.
10. 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.

11. 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.
12. 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.
13. 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.
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, 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.
16. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
17. 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.
18. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

19. 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.
20. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
21. 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).
22. 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.
23. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

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 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.
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.

Special Conditions:

- 46. Before closing, the City shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
- 47. 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 16th day of December 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**

	<b>Total GPCD</b>	<b>Residential GPCD</b>	<b>Water Loss GPCD</b>
<b>Baseline</b>			
<b>5-year Goal</b>			
<b>10-year Goal</b>			

**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.



*Public Works  
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Mineral Wells, Texas  
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[smckennon@mineralwellsstx.gov](mailto:smckennon@mineralwellsstx.gov)

August 28, 2025

Bryan McMath, Executive Administrator  
Texas Water Development Board  
Stephen F. Austin Building  
1700 N. Congress Avenue, 5th Floor Austin, Texas 78711-3231

Dear Mr. McMath:

We are writing to request a waiver for the water loss mitigation requirement under Texas Water Code Chapter 358.6 (f) or our upcoming State Fiscal Year 2025 Drinking Water State Revolving Fund (DWSRF) application for the City of Mineral Wells Hilltop Water Treatment Plant and Brazos Pump Station Expansion and Improvements (Project Number 63085). The retail public utility currently exceeds its total water loss threshold. As a result, the city is submitting a request to waive the requirement of using a portion of any financial assistance received from TWDB for a water supply project to mitigate the utility's water loss.

The City of Mineral Wells is working on several fronts to decrease the water loss in our system. Given recent droughts in 2014 and 2023, this has been deemed a top priority by staff and Council alike. Some of the most significant things we are currently doing with in-house funding are discussed below.

#### **CURRENT AND PLANNED PROJECTS**

Please find below the City of Mineral Well's current water loss mitigation activities being implemented as well as planned activities, along with their funding sources, that the Executive Administrator can consider when evaluating this water loss mitigation waiver request.

#### **Current projects**

- Repairing and replacing water mains & valves identified from a November 2023 water loss study. We started replacing lines from the water loss study in February 2024. We have replaced 6,000 feet of 8 inch main, eliminating numerous leaks. We replaced 5,800 feet of 16-inch line with 8-inch line, eliminating thousands of gallons of loss per day. We still need to replace 1,000 feet of 10-inch line with 6-inch line on Taylor Road. We will complete work in this area July 2026.
- Isolated a leaking storage tank on Taylor Road. Isolated a 12-inch line going to the tank. Both the tank and the line had numerous leaks. The leak at the storage tank has been isolated and the new altitude valve is currently being repaired.

- We have replaced 3,124 meters of the 6,498 active accounts. We eliminated small leaks on our customers' side at 1,100 locations. We started the LTE meter replacement project in October 2022. We are replacing 1,000 each fiscal year. We will have the replacements complete during the 2027-2028 fiscal year.
- Expanded our fire hydrant replacement program. We have replaced over 20 hydrants within the last year. Almost all the hydrants and/or the valves were leaking. Starting October 2024, we began to replace old fire hydrants as fast as possible. We have replaced more than 20 during the last fiscal year. We are increasing funding and staff for the fire hydrant project. We will replace 50 hydrants and valves each year over the next 10 years.
- With funding from a bond election, we replaced 4,800 feet of various size water mains on 180 West eliminating an estimated 100 leaks. The 180 West water line is still ongoing with in-house funding and plan to complete by 2026.
- Currently we are monitoring the fiber boring contractors daily to verify they don't cause undetected leaks which may arise in the future.

#### Planned Projects

- With funding from a bond election, on North Keller Road, off 180 West, we will be replacing about 4,000 feet of 2-inch and 3-inch lines with 4-inch and 6-inch lines that will provide service to thirty current accounts. We are also currently replacing service lines at 180 West that were not active during the first part of the project.
- Each year, the City of Mineral Wells updates its five-year Capital Improvements Plan (CIP). The City's current CIP has five watermain replacement projects and a repair project that will all be undertaken to mitigate water loss.

Based on the current and planned water loss mitigation activities described above, the City of Mineral Wells requests the Executive Administrator and Board grant a waiver as described in Texas Administrative Code §358.6(f).

In summary, the city has recently made substantial efforts and has near and long-term plans to spend several million dollars mitigating water loss throughout its water system. The City of Mineral Wells appreciates the Texas Water Development Board's efforts to help water suppliers in Texas continue to meet the needs of their citizens.

Please feel free to contact our office if you have any questions regarding this waiver request for the City's DWSRF application.

Sincerely



Scott McKennon  
Director of Public  
Works



# Mineral Wells Palo Pinto County

