



## PROJECT FUNDING REQUEST

**BOARD DATE:** March 31, 2026

**Team Manager:** Nancy Richards

### ACTION REQUESTED

Consider approving by resolution a request from the City of Katy (Harris, Fort Bend, and Waller counties) for \$20,600,000 in financial assistance from the Texas Water Development Fund for planning, design, and construction of a wastewater system improvements project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The City of Katy (City) is located 20 miles west of downtown Houston. The City provides water and wastewater services to a population of approximately 27,000 residents and approximately 10,482 water and wastewater connections.

### PROJECT NEED AND DESCRIPTION

The City's 3.9 million gallons per day (MGD) wastewater treatment plant was constructed in the 1940's with expansions in 2004 and 2021. Several components have reached the end of their useful service life. In 2025, the volume of flow entering the treatment plant exceeded 75 percent of the permitted capacity for nine consecutive months. The Texas Commission on Environmental Quality requires the initiation of planning for expansion when this threshold is met.

The City proposes to expand the wastewater treatment plant capacity to 5.3 MGD. The proposed work includes three new aeration basins, a digester basin, grit basin, clarifier, blowers, and generator. The City also proposes to expand the belt filter press and chlorine contact basin facilities, convert the grit basins to fine air bubble aeration, and revise the plant's permit application.

### PROJECT SCHEDULE

Task	Schedule Date
Closing	August 15, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	October 30, 2026
Design Phase Completion	December 4, 2027
Start of Construction	April 29, 2027
Construction Completion	April 9, 2029

**COMMITMENT PERIOD:** TWELVE (12) MONTHS TO EXPIRE MARCH 31, 2027

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (26- )
4. Water Conservation Review
5. Location Map

# Financial Review City of Katy

Risk Score: 2A

Audit Reviewed: FY 2024

## Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 4.50%	State: 1.49%
Top 10 Customers % of Total Revenue	7%	10-15%
Median Household Income as % of State	157%	100%
Household Cost Factor	0.38%	1.51-2.00%
Days of Cash on Hand (3-year Average)	328 days	30-149 days
Net Fixed Assets/ Annual Depreciation	19 years	12-24 years
Debt Service Coverage Ratio	0.67x	1.00x
Debt-to-Operating Revenues	1.82	4.00-5.99x
Unemployment Rate (November, 2025)	City: 4.9%	State: 4.2%
Working Capital Ratio	4.5	> 1.0

### Key Risk Score Strengths

- The City's days of cash on hand is above the benchmark, indicating sufficient reserves for operating expenses and has remained above 300 days over a three-year period.
- The working capital ratio is above the benchmark, indicating that the City's current assets are sufficient to cover its short-term obligations.
- Projected household cost factor of 0.38 is below the benchmark based on the City's median household income of \$114,917 and current utility rates.
- The City's debt-to-operating revenues ratio remains below the benchmark, indicating the utility system carries debt equivalent to nearly two years of operating revenues.

### Key Risk Score Concerns

- Debt service coverage is below the benchmark. A rate increase of \$3.81 is projected to be needed by 2031 to meet coverage over the life of the obligation, which the City expects to meet in 2027. The City has completed a rate study that plans for increases in the approximate amount of \$13 by 2027. The City anticipates that rates will be approved this year based on the results of the study.

### PLEDGE

Legal Pledge Name	Water and Wastewater System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" 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

### RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
Water	9,309	\$18.93	\$20.68	0.34	0.38
Wastewater	8,551	\$13.57	\$15.32		

**TAXES**

	2025 Tax Year Rate	Max Projected Tax Rate	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.3746	\$0.3746	\$2.50	99%	\$6,601,164,445
Interest & Sinking	\$0.0504	\$0.0504			
Total Tax Rate	\$0.4250	\$0.4250			

<b>Responsible Authority</b>	City of Katy
<b>Program</b>	WDF
<b>Commitment Number</b>	L1002337
<b>Project Number</b>	21910
<b>List Year</b>	2026
<b>Type of Pledge</b>	Revenue Pledge
<b>Pledge Level (if applicable)</b>	First Lien
<b>Legal Description</b>	\$20,600,000 City of Katy, Texas Waterworks and Sanitary Sewer System Revenue Bonds, Proposed Series 2026
<b>Tax-exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	No
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay <> Escrow Release
<b>Qualifies as Disadvantaged</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Phases Funded</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	N/A
<b>Water Conservation Plan</b>	Adopted
<b>Overall Risk Score</b>	2A

### PROJECT TEAM

<b>Team Manager</b>	<b>Financial Analyst</b>	<b>Engineering Reviewer</b>	<b>Environmental Reviewer</b>	<b>Attorney</b>
Nancy Richards	Kyle DuQuesnay	Grace Davila	Britt Wilson	Walter Dean

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Katy

**\$20,600,000 City of Katy, Texas Waterworks and Sanitary Sewer System Revenue Bonds, Proposed Series 2026**

Dated Date: 8/15/2026	Source: WDF
Delivery Date: 8/15/2026	Rate: 4.74%
First Interest: 9/15/2026	IUP Year: 2026
First Principal: 9/15/2027	Case: Revenue only
Last Principal: 9/15/2056	Admin. Fee: \$0
Fiscal Year End: 09/30	Admin. Fee Payment Date: N/A
Required Coverage: 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$20,600,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2026	\$898,726	\$0	\$0	-	\$75,257	\$75,257	\$75,257	11.94	
2027	1,338,087	-	435,000	2.93%	903,087	1,338,087	1,338,087	1.00	
2028	1,338,087	-	445,000	2.95%	890,341	1,335,341	1,335,341	1.00	
2029	1,338,087	-	460,000	2.95%	877,214	1,337,214	1,337,214	1.00	
2030	1,338,644	-	475,000	2.94%	863,644	1,338,644	1,338,644	1.00	
2031	1,339,679	-	490,000	3.01%	849,679	1,339,679	1,339,679	1.00	
2032	1,339,679	-	500,000	3.09%	834,930	1,334,930	1,334,930	1.00	
2033	1,339,679	-	515,000	3.13%	819,480	1,334,480	1,334,480	1.00	
2034	1,339,679	-	535,000	3.20%	803,360	1,338,360	1,338,360	1.00	
2035	1,339,679	-	550,000	3.30%	786,240	1,336,240	1,336,240	1.00	
2036	1,339,679	-	565,000	3.57%	768,090	1,333,090	1,333,090	1.00	
2037	1,339,679	-	580,000	3.78%	747,920	1,327,920	1,327,920	1.01	
2038	1,339,679	-	600,000	3.95%	725,996	1,325,996	1,325,996	1.01	
2039	1,339,679	-	620,000	4.11%	702,296	1,322,296	1,322,296	1.01	
2040	1,339,679	-	635,000	4.27%	676,814	1,311,814	1,311,814	1.02	
2041	1,339,679	-	655,000	4.42%	649,699	1,304,699	1,304,699	1.03	
2042	1,339,679	-	675,000	4.54%	620,748	1,295,748	1,295,748	1.03	
2043	1,339,679	-	695,000	4.65%	590,103	1,285,103	1,285,103	1.04	
2044	1,339,679	-	715,000	4.75%	557,786	1,272,786	1,272,786	1.05	
2045	1,339,679	-	735,000	4.82%	523,823	1,258,823	1,258,823	1.06	
2046	1,339,679	-	760,000	4.89%	488,396	1,248,396	1,248,396	1.07	
2047	1,339,679	-	780,000	4.93%	451,232	1,231,232	1,231,232	1.09	
2048	1,339,679	-	805,000	4.97%	412,778	1,217,778	1,217,778	1.10	
2049	1,339,679	-	830,000	4.99%	372,770	1,202,770	1,202,770	1.11	
2050	1,339,679	-	855,000	5.02%	331,353	1,186,353	1,186,353	1.13	
2051	1,339,679	-	880,000	5.04%	288,432	1,168,432	1,168,432	1.15	
2052	1,339,679	-	905,000	5.06%	244,080	1,149,080	1,149,080	1.17	
2053	1,339,679	-	935,000	5.07%	198,287	1,133,287	1,133,287	1.18	
2054	1,339,679	-	960,000	5.07%	150,882	1,110,882	1,110,882	1.21	
2055	1,339,679	-	990,000	5.08%	102,210	1,092,210	1,092,210	1.23	
2056	1,339,679	-	1,020,000	5.09%	51,918	1,071,918	1,071,918	1.25	
			\$0	\$20,600,000		\$17,358,837	\$37,958,837	\$37,958,837	

AVERAGE (MATURITY) LIFE	17.76 YEARS
NET INTEREST RATE	4.744%
COST SAVINGS	\$0
AVERAGE ANNUAL REQUIREMENT	\$1,224,479

*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 Katy**  
**21910 - Wastewater Treatment Plant**  
**Expansion**

Budget Items	TWDB Funds	Local and Other Funds	Total
<b>Construction</b>			
Construction	\$16,969,720.00	\$0.00	\$16,969,720.00
<b>Subtotal for Construction</b>	<b>\$16,969,720.00</b>	<b>\$0.00</b>	<b>\$16,969,720.00</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$394,520.00	\$1,000.00	\$395,520.00
Design	\$261,460.00	\$942,980.00	\$1,204,440.00
Planning	\$150,470.00	\$230,960.00	\$381,430.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$806,450.00</b>	<b>\$1,174,940.00</b>	<b>\$1,981,390.00</b>
<b>Special Services</b>			
Environmental	\$0.00	\$38,380.00	\$38,380.00
Geotechnical	\$20,700.00	\$84,600.00	\$105,300.00
Inspection	\$490,650.00	\$0.00	\$490,650.00
Project Management (by engineer)	\$264,200.00	\$0.00	\$264,200.00
Surveying	\$7,000.00	\$157,450.00	\$164,450.00
Testing	\$140,180.00	\$0.00	\$140,180.00
<b>Subtotal for Special Services</b>	<b>\$922,730.00</b>	<b>\$280,430.00</b>	<b>\$1,203,160.00</b>
<b>Fiscal Services</b>			
Bond Counsel	\$0.00	\$75,000.00	\$75,000.00
Financial Advisor	\$0.00	\$56,844.00	\$56,844.00
Fiscal/Legal	\$0.00	\$15,000.00	\$15,000.00
<b>Subtotal for Fiscal Services</b>	<b>\$0.00</b>	<b>\$146,844.00</b>	<b>\$146,844.00</b>
<b>Other</b>			
Reproduction of Plans	\$0.00	\$4,000.00	\$4,000.00
<b>Subtotal for Other</b>	<b>\$0.00</b>	<b>\$4,000.00</b>	<b>\$4,000.00</b>
<b>Contingency</b>			
Contingency	\$1,901,100.00	\$0.00	\$1,901,100.00
<b>Subtotal for Contingency</b>	<b>\$1,901,100.00</b>	<b>\$0.00</b>	<b>\$1,901,100.00</b>
<b>Total</b>	<b>\$20,600,000.00</b>	<b>\$1,606,214.00</b>	<b>\$22,206,214.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$20,600,000 TO THE CITY OF KATY  
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF  
THE TEXAS WATER DEVELOPMENT FUND II  
THROUGH THE PROPOSED PURCHASE OF  
\$20,600,000 CITY OF KATY, TEXAS WATERWORKS AND SANITARY SEWER  
SYSTEM REVENUE BONDS, PROPOSED SERIES 2026

(26- )

Recitals:

The City of Katy (City), located in Fort Bend, Harris, and Waller Counties, Texas, has filed an application for financial assistance in the amount of \$20,600,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code § 17.959, to finance wastewater system improvements, identified as Project No. 21910.

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$20,600,000 through the TWDB's purchase of \$20,600,000 City of Katy, Texas Waterworks and Sanitary Sewer System Revenue Bonds, Proposed Series 2026 (Obligations) (together with all authorizing documents), 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 system revenues 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 § 363.16.

1. The water quality needs of the waters into which effluent from the treatment works will be discharged, the benefit of the treatment works to such water quality needs, the relationship of the treatment works to the overall, statewide water quality needs, and the relationship of the treatment works to water quality planning for the state.
2. The City has not been designated, pursuant to Texas Water Code § 26.082, to provide a regional system to serve all or part of the waste disposal needs of a defined area, the development of such systems being the declared policy of the legislature.

Findings:

3. The public interest requires state assistance in the financing of this project, in accordance with Texas Water Code § 17.277(a).

4. In its opinion the tax or revenue pledged by the City will be sufficient to meet all the Obligations assumed by the City during the succeeding period of not more than 50 years, in accordance with Texas Water Code § 17.125(a)(2).
5. The application and financial assistance requested meet the requirements of Chapter 17, Subchapters E, F, and L, Water Code, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A.
6. 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.
7. Any treatment works to be financed under the application will consider cost-effective innovative, nonconventional methods of treatment such as rock reed, root zone, ponding, irrigation, or other methods that may have been developed by the National Aeronautics and Space Administration or the Tennessee Valley Authority, in accordance with Texas Water Code § 17.189;

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

A commitment is made by the TWDB to the City of Katy for financial assistance in the amount of \$20,600,000 from the Financial Assistance Account of the Texas Water Development Fund II, to be evidenced by the TWDB's proposed purchase of \$20,600,000 The City of Katy, Texas Waterworks and Sanitary Sewer System Revenue Bonds, Proposed Series 2026. This commitment will expire on March 31, 2027.

This commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City has complied with all of the requirements of the laws under which the Obligations were issued; that the Obligations were issued in conformance with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.
3. This commitment is contingent upon the City's continued compliance with all applicable laws, rules, policies, and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement.

4. The Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption.
5. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
6. The Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
7. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
8. The Obligations must provide that the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of SEC rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to the bonds under SEC Rule 15c2-12.
9. The Obligations must require the City to use any surplus financial assistance proceeds from the Obligations remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
10. 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.
11. Financial assistance proceeds are public funds. Therefore, the Obligations must require that these proceeds be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256 and the Public Funds Collateral Act, Government Code, Chapter 2257.
12. Financial assistance proceeds shall not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site.

The Obligations must provide that the City is solely responsible for liability resulting from acts or omissions of the City, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.

13. Before closing, the City must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
14. Before closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the City must submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator.
15. Before closing, when any portion of financial assistance proceeds are to be held in escrow or in trust, the City must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.
16. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
17. The City must abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter F and Texas Water Code § 17.183.
18. 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).
19. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

Conditions Related To Tax-Exempt Status:

20. Before closing, the City's bond counsel must prepare a written opinion that states the interest on the Obligations is excludable from gross income or is exempt from

federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion.

21. Before closing, the City's bond counsel must prepare a written opinion that states the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.
22. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations).
23. The Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds issued to provide the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with:
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount, or, in the case of a discount, the issue price of the Obligations.
24. The Obligations must require the City to take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
  - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments on its books of account) separately and apart from all other funds (and receipts, expenditures, and investments) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the City, provided that the City separately

accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired with those proceeds;

- b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings under the Code. The City must maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of the financial assistance, and in order to induce the making of the financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time after discovery, including payment to the United States of any interest and any penalty required by the Regulations.
25. 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.
26. The Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code.
27. The Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to "advance refundings").
28. 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.
29. The transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the completed IRS Form 8038, or other evidence that the information reporting requirements of § 149(e) have been satisfied, must be provided to the Executive Administrator within 14 days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

30. 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.
31. Before closing, the City must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120 percent of the average reasonably expected economic life of the Project.

Pledge Conditions:

Revenue Pledge (Reserve Fund & Additional Debt Test)

32. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial 60 months following the issuance of the Obligations.
33. If the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any financial assistance provided by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB must be at least on a parity with lien or liens securing the outstanding obligations.
34. The Obligations must provide that additional revenue obligations may only be incurred if a) net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than 90 days before the adoption of the additional obligations as certified by a certified public accountant; or b) the City certifies that the City is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the City must provide the calculations identifying reasonable assumptions in a format that is acceptable to the Executive Administrator.

APPROVED and ordered of record this, the 31st day of March 2026.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: \_\_\_\_\_

ATTEST:

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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.

