TEXAS WATER DEVELOPMENT BOARD

PROJECT FUNDING REQUEST

BOARD DATE: June 25, 2026 **Team Manager:** Kevin Smith

ACTION REQUESTED

Consider approving by resolution a request from the East Rio Hondo Water Supply Corporation (Cameron County) for $4,290,240 in principal forgiveness funding from the Clean Water State Revolving Fund Emerging Contaminants program for planning, design, and construction of a wastewater system improvements project to address emerging contaminants.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Infrastructure Investment and Jobs Act, 2021, Pub. L. 117-58 (IIJA) appropriated capitalization grant funds for Federal Fiscal Years (FFY) 2022 to 2026 to reduce exposure to perfluoroalkyl and polyfluoralkyl substance (PFAS) and other emerging contaminants (EC) through drinking water and to help address discharges through wastewater and, potentially, nonpoint sources. All financial assistance will be made as 100 percent principal forgiveness.

The East Rio Hondo Water Supply Corporation (Corporation) is located 30 miles north of Brownsville. The Corporation provides water services to a population of approximately 34,314 residents and approximately 7,850 water connections.

PROJECT NEED AND DESCRIPTION

The Corporation owns and operates two water treatment plants. The sludge from the treatment plants has PFAS and lithium that is above the Environmental Protection Agency's maximum contaminant levels. In addition, the Corporation's sludge disposal site is constructed with natural soil composition and doesn't have a composite liner, which increases the risk of leaching contaminants into subsurface strata and groundwater.

The Corporation proposes to construct improvements to its sludge basins to address the PFAS that have been found to be present at the Simpson Water Treatment Plant, including replacement of the gravity sludge thickener and lining the existing sludge basins with composite liner. The in-situ soil along the bottom and side slopes of the basins and the existing sludge within the basin will be removed and relocated to the sludge disposal site. The preferred lining alternative will be selected during the planning phase.

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

PROJECT SCHEDULE

Task	Schedule Date
Closing	September 1, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	December 31, 2026
Design Phase Completion	February 28, 2027
Start of Construction	August 30, 2027
Construction Completion	August 30, 2028

KEY ISSUES

The Corporation qualifies for 100 percent principal forgiveness through the emerging contaminants program through the Clean Water State Revolving Fund. The funding is provided in the form of a 100 percent principal forgiveness and therefore is not subject to the Texas Water Development Board's (TWDB) internal risk score analysis that is applied to financings.

The TWDB reviewed the most recent audited financial statements to assess the applicant's ability to manage existing obligations and business practices. Based on this analysis, the TWDB has determined that the applicant has adequate capabilities to manage its obligations.

LEGAL/SPECIAL CONDITIONS

- Notice of change in legal status
- Notice of conveyance

Attachments:

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

Project Data Summary

Attachment 1

Responsible Authority	East Rio Hondo WSC
Program	CWSRF
Commitment Number	LF1002347
Project Number	74000
List Year	2025
Type of Pledge	N/A
Pledge Level (if applicable)	N/A
Legal Description	$4,290,240 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	N/A

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
Kevin Smith	Kyle DuQuesnay	Ghazaleh Alikaram	Lauren Dill	Michael Perez

Project Budget Summary
East Rio Hondo WSC
74000 - ERHWSC Martha Ann Simpson WTP Sludge Basins

Budget Items	TWDB Funds	Total
Construction		
Construction	$3,484,760.00	$3,484,760.00
Subtotal for Construction	**$3,484,760.00**	**$3,484,760.00**
Basic Engineering Services		
Construction Engineering	$90,000.00	$90,000.00
Design	$250,000.00	$250,000.00
Planning	$51,000.00	$51,000.00
Subtotal for Basic Engineering Services	**$391,000.00**	**$391,000.00**
Special Services		
Environmental	$6,500.00	$6,500.00
Geotechnical	$15,000.00	$15,000.00
Inspection	$80,000.00	$80,000.00
Surveying	$50,000.00	$50,000.00
Testing	$75,000.00	$75,000.00
Subtotal for Special Services	**$226,500.00**	**$226,500.00**
Contingency		
Contingency	$187,980.00	$187,980.00
Subtotal for Contingency	**$187,980.00**	**$187,980.00**
Total	$4,290,240.00	$4,290,240.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO THE EAST RIO HONDO WATER SUPPLY CORPORATION
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH $4,290,240 IN PRINCIPAL FORGIVENESS

(26-)

Recitals:

The East Rio Hondo Water Supply Corporation (Corporation), located in Cameron County, has filed an application for financial assistance in the amount of $4,290,240 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design, and construction of improvements to address emerging contaminants identified as Project No. 74000.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of $4,290,240 with 100 percent to be forgiven, as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 375.14.

Findings:

1. No debt obligations are to be assumed by the Corporation for the financial assistance and no taxes or revenues are required to be pledged by the Corporation in accordance with Texas Water Code § 15.607.

2. The application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, and §§ 1382(b) and 1383(c), as well as state law, in accordance with Texas Water Code § 15.607.

3. The Corporation 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.

4. The Corporation has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007.

5. The Corporation is eligible for principal forgiveness in the amount of $4,290,240 from the Clean Water State Revolving Fund Intended Use Plan Emerging Contaminants Funding SFY 2025 (FFY 2024 Allotment).

6. The Corporation has identified the contaminants to be addressed and demonstrated in a manner acceptable to the executive administrator that the project is viable, feasible, and sustainable

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

A commitment is made by the TWDB to the East Rio Hondo Water Supply Corporation for financial assistance in the amount of $4,290,240 from the Clean Water State Revolving Fund with 100 percent to be forgiven. This commitment will expire on December 31, 2026.

Such 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 Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 375.

3. This commitment is contingent on the Corporation executing a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.

4. The Corporation shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator.

5. The Principal Forgiveness Agreement must contain a provision that the Corporation agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein.

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

7. Financial assistance funds are public funds and, as such, the Principal Forgiveness Agreement 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.

8. Financial assistance funds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site except for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Principal Forgiveness Agreement shall include an environmental indemnification provision wherein the Corporation agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the

sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law.

9. Before closing, and if not previously provided with the application, the Corporation 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.

10. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation 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.

11. Before closing, the Corporation shall submit to the escrow agent a closing memo signed by the Executive Administrator.

12. The Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

State Revolving Fund Conditions:

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

14. The Principal Forgiveness Agreement 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 Corporation, 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 financial assistance made available as provided herein shall insert in full in any contract in excess of $2,000 the contracts clauses as provided by the TWDB.

15. The Principal Forgiveness Agreement must include a provision stating that the Corporation 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 Corporation shall obtain a Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during the term of the Principal Forgiveness Agreement.

16. The Principal Forgiveness Agreement shall provide that all funds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the Corporation will adhere to the approved project schedule.

17. The Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines.

18. The Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.

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

Clean Water State Revolving Fund Conditions:

20. Before the release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)(C), the Corporation must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq* and 33 U.S.C. § 1382(b)(14);

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

21. During construction of the Project, the Corporation must notify the Executive Administrator in writing thirty (30) days prior to taking any actions to alter its legal status in any manner including the conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility including conveying its assets and liabilities to any nonprofit water supply corporation, for profit water supply corporation, or investor-owned utility, or private person.

APPROVED and ordered of record this 25th day of June 2026.

TEXAS WATER DEVELOPMENT BOARD

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

DATE SIGNED: __________________________

ATTEST:

____
Bryan McMath Executive Administrator

Attachment 4

- [ ] Water
- [x] Wastewater
- [ ] Other ______________

Review Date: 05/13/2026

Project ID: 74000

WATER CONSERVATION REVIEW

Entity: East Rio Hondo Water Supply Corporation

Other entity:

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

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	125	110	18
5-year Goal	100	100	14
10-year Goal	98	98	13

WATER LOSS AUDIT YEAR: 2025 Validation Required: Yes Validation Performed: Yes

Service connections: 9,088
Retail population: 25,134
Length of main lines (miles): 457
Connections per mile: 20
Water Loss GCD: 5
Water Loss GPCD: 2
ILI: 1
Real Loss GMD: 63

WATER LOSS THRESHOLDS Water Loss Project: ☐ Waiver Requested: ☐

Wholesale Adjusted: ☑

Threshold Type:

Not Applicable

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
NA	NA	NA	NA

Does the applicant meet water loss threshold requirements? **Yes** ☐ **No** ☐ **NA** ☑

ADDITIONAL INFORMATION

The corporation's water conservation plan includes practicing water-conserving landscaping, eliminating water theft, mapping and repairing leaks using GPS, and completing plumbing fixture retrofits. The corporation plans to have a public information program that will distribute digital and printed literature at teller payments, drive-through payment windows, and schools within the service area. The corporation plans to send new customers an initial conservation educational material package. Suggestions on water-saving plumbing fixtures, landscaping, irrigation procedures, and soil modifications will be encouraged through their education program and will also be available on the corporation's website.

STAFF NOTES AND RECOMMENDATIONS

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

Water loss audit validation was completed on 05/07/2026.

DEFINITIONS

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

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

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

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

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

GMD means gallons per mile per day.

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

NA means not applicable.

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

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

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

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

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

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

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

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

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

East Rio Hondo WSC
Cameron County