PROJECT FUNDING REQUEST

BOARD DATE: June 25, 2026 **Team Manager:** Candice DeLello

ACTION REQUESTED
Consider approving by resolution a request from the Morton Valley Water Supply Corporation (Eastland County) for $142,857 in financial assistance consisting of $70,000 in financing and $72,857 in principal forgiveness funding from the Drinking Water State Revolving Fund Lead Service Replacement Program to fund the required lead service line inventory.

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 for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines. Projects being presented for consideration have been scored and ranked using prioritization criteria in the Drinking Water State Revolving Fund Lead Service Line Replacement State Fiscal Year 2023 Intended Use Plan. The prioritized list of projects was approved by the Texas Water Development Board in August 2023. All financial assistance will be made at the ratio of 51 percent principal forgiveness and 49 percent financing.

The Morton Valley Water Supply Corporation (Corporation) is located 120 miles west of Dallas. The Corporation provides water and wastewater services to a population of approximately 590 residents and approximately 290 water connections.

PROJECT NEED AND DESCRIPTION
The Corporation has approximately 290 connections that potentially contain lead. The Corporation needs to inventory these connections to identify any actual connections that contain lead.

The Corporation proposes to inventory all the connections by March 2027. Funding for the replacement of service lines containing lead is not being requested by the Corporation.

PROJECT SCHEDULE

Task	Schedule Date
Closing	September 15, 2026
Inventory Completion	March 31, 2027

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE JUNE 30, 2027

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

The proposed project is eligible for $72,857 in principal forgiveness and $70,000 in financing at zero-percent interest with a term of up to 15 years to complete the required lead service line inventory.

LEGAL/SPECIAL CONDITIONS

- Executed principal forgiveness agreement
- Return of surplus funds
- Notice of change in legal status
- Notice of conveyance

Attachments:

- Financial Review
- Project Budget
- Resolution (26-)
- Water Conservation Review
- Location Map

Attachment 1

Financial Review
Morton Valley WSC

Risk Score: 2B | Audit Reviewed: FY 2025

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: -0.47%	State: 1.49%
Top 10 Customers % of Total Revenue	6.73%	10-15%
Median Household Income as % of State	65%	100%
Household Cost Factor	4.87%	1.49-2.00%
Days of Cash on Hand (3-year Average)	91 days	30-149 days
Net Fixed Assets/ Annual Depreciation	38 years	12-24 years
Debt Service Coverage Ratio	2.12x	1.0x
Debt-to-Operating Revenues	3.03	4.00-5.99x
Unemployment Rate (February 2026)	County: 5.60%	State: 4.40%
Working Capital Ratio	1.15	> 1.0
Cash Balance Ratio	-34.90%	0-9.99%

Key Risk Score Strengths

- The Corporations debt service coverage ratio of 2.12x exceeds the required 1.0x coverage and indicates it has strong financial health.
- The Corporation meets the benchmark for days of cash on hand, indicating sufficient reserves for operating expenses.
- The system's debt to operating revenue ratio is 3.03x, which is below the benchmark range of 4.00 to 5.99x. This reflects a manageable debt position and indicates that the system is not overleveraged.

Key Risk Score Concerns

- The five-year cash balance ratio of -34.90 percent is below the benchmark due to significant capital investments from 2020 through 2023, primarily related to improvements in the water distribution system. The system has had an increase in its cash balance both in 2024 and 2025.
- The household cost factor is above the benchmark; however, the Corporation has had solid revenue growth, with revenues increasing by 39 percent over the past five years. Additionally, accounts receivable represents 7 percent of total revenues in 2025, indicating collections remain within a manageable range.

PLEDGE

Legal Pledge Name	Utility System Revenues
Type of Pledge	☐ Tax ☒ Revenue ☐ Tax & Revenue ☐ Contract ☐ Other
Revenue Pledge Level	☒ First ☐ Second ☐ Third ☐ N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2027)	Current Household Cost Factor	Projected Household Cost Factor
Water	2,644	$141.61	$141.61	4.87	4.87

Cost Savings

Based on a 14-year maturity schedule and current interest rates, the Corporation could save approximately $29,069 over the life of the financing. The Corporation is also saving $72,857 in principal forgiveness.

Project Data Summary

Responsible Authority	Morton Valley WSC
Program	DWSRF
Commitment Number	L1002358, LF1002359
Project Number	63113
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$70,000 Morton Valley WSC, Loan Agreement 2026, $72,857 Morton Valley WSC, Principal Forgiveness Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning
Pre-Design	No
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
Shubham Aggarwal	Raul Flores	Grace Davila	Britt Wilson	Walter Dean

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Morton Valley WSC

$70,000 Morton Valley WSC, Loan Agreement 2026

Dated Date:	**9/15/2026**	**Source:**	**DWSRF-EQUIVALENCY (0% Interest)**
Delivery Date:	**9/15/2026**	**Rate:**	**0.00%**
First Interest:	**6/1/2027**	**IUP Year:**	**2023**
First Principal	**6/1/2027**	**Case:**	**Revenue only**
Last Principal:	**6/1/2040**	**Admin.Fee:**	**$1,373**
Fiscal Year End:	**12/31**	**Admin. Fee Payment Date:**	**N/A**
Required Coverage:	**1.0**		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$70,000 ISSUE PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2027	$191,366	$85,433	$5,000	-	$0	$5,000	$90,433	2.12
2028	$191,366	85,433	5,000	-	-	5,000	90,433	2.12
2029	$191,366	71,863	5,000	-	-	5,000	76,863	2.49
2030	$191,366	58,273	5,000	-	-	5,000	63,273	3.02
2031	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2032	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2033	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2034	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2035	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2036	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2037	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2038	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2039	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
2040	$191,366	58,272	5,000	-	-	5,000	63,272	3.02
		$883,722	$70,000		$0	$70,000	$953,722	

AVERAGE (MATURITY) LIFE	**7.21 YEARS**
NET INTEREST RATE	**0.000%**
COST SAVINGS	**$29,069**
AVERAGE ANNUAL REQUIREMENT	**$68,123**

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.

Attachment 2

Project Budget Summary
Morton Valley WSC
63113 - Lead Service Line Inventory & Replacement

Budget Items	TWDB Funds	Total
Basic Engineering Services		
LSLR Inventory	$89,297.00	$89,297.00
Subtotal for Basic Engineering Services	**$89,297.00**	**$89,297.00**
Fiscal Services		
Bond Counsel	$24,000.00	$24,000.00
Financial Advisor	$15,000.00	$15,000.00
Fiscal/Legal	$4,500.00	$4,500.00
Issuance Costs	$1,300.00	$1,300.00
Loan Origination Fee	$1,373.00	$1,373.00
Subtotal for Fiscal Services	**$46,173.00**	**$46,173.00**
Contingency		
Contingency	$7,387.00	$7,387.00
Subtotal for Contingency	**$7,387.00**	**$7,387.00**
Total	$142,857.00	$142,857.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
$142,857 TO THE MORTON VALLEY WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
A PROMISSORY NOTE IN THE AMOUNT OF $70,000 AND EXECUTION OF A LOAN
AGREEMENT AND $72,857 PRINCIPAL FORGIVENESS

(26-)

Recitals:

The Morton Valley Water Supply Corporation (Corporation), located in Eastland County, has filed an application for financial assistance in the amount of $142,857 from the Drinking Water State Revolving Fund (DWSRF) to finance planning, including a lead service line inventory, in the furtherance of certain water system improvements identified as Project No. 63113.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of a Promissory Note and execution of a Loan Agreement in the amount of $70,000 and the execution of a Principal Forgiveness Agreement in the amount of $72,857, as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The Corporation has offered a pledge of system revenues as sufficient security for the repayment of the Obligations.

WHEREAS, the TWDB hereby finds:

1. that the revenue pledged by the Corporation will be sufficient to meet all the Obligations assumed by the Corporation, in accordance with Texas Water Code § 15.607;

2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq*. and Pub. L. 117-58, 135 Stat. 1400-1401, as well as state law, in accordance with Texas Water Code § 15.607;

3. the term of the Obligations does not exceed the expected useful life of the project proposed by the Corporation;

4. that the Corporation is exempt from requirements to adopt a water conservation program because the TWDB's financial assistance will be $500,000 or less;

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Corporation and filed with the TWDB in accordance with Texas Water Code § 16.053(j);

6. The Corporation meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of

$72,857 in principal forgiveness and $70,000 in financing at zero-percent interest with a term of up to 15 years.

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

A commitment is made by the TWDB to the Morton Valley Water Supply Corporation for financial assistance in the amount of $142,857 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of a Promissory Note and execution of a Loan Agreement in the amount of $70,000 and the execution of a Principal Forgiveness Agreement in the amount of $72,857. This commitment will expire on June 30, 2027.

Such commitment is conditioned as follows:

<u>Standard Conditions</u>

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;

2. prior to closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator;

3. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371;

4. the Corporation, 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 Corporation'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 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 such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12;

5. the Obligations must contain a provision requiring the Corporation to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues 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;

6. the Obligations must include a provision requiring the Corporation to use any loan 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 that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator,

requiring the Corporation to submit a final accounting and disposition of any unused funds;

7. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved by the Executive Administrator;

8. 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;

9. loan proceeds are public funds and, as such, 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;

10. loan proceeds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations 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;

11. prior to closing, the Corporation shall 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;

12. prior to 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 under the contract, and acceptable to the Executive Administrator;

13. prior to 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;

14. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

15. the TWDB retains the option to purchase the Obligations in separate lots and/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;

16. the Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance;

17. the Obligations must provide that the Corporation 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;

18. the Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project;

19. Upon request by the Executive Administrator, the Corporation shall submit annual audits of contracting parties for the Executive Administrator's review.

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

<u>State Revolving Fund Conditions</u>

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

22. 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 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;

23. the Obligations 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 Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;

24. the Obligations shall provide that all loan proceeds 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;

25. The Obligations and 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 § 371.4 and related State Revolving Fund Policy Guidelines;

26. 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.

27. 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 and 2 CFR part 184.

<u>Drinking Water State Revolving Fund Conditions</u>

28. prior to 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 Corporation 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;

<u>Water Supply Corporation Conditions</u>

29. the Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:

    a. a first or parity lien on the gross revenues of the Corporation's water system (System); and

    b. a first or parity lien mortgage on the System;

30. upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB;

31. upon closing or within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office;

32. prior to closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution;

33. prior to closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary;

34. prior to release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions;

35. prior to closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:

    a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator; and

    b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers;

36. prior to closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator; and

37. the Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval;

Pledge Conditions for the Loan

38. 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 sixty (60) months following the issuance of the Obligations;

39. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if 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 a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the Corporation certifies that the Corporation 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 Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

40. 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;

41. the Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing prior to any action by it to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB;

42. prior to closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;

43. the Principal Forgiveness Agreement must include a provision stating that the Corporation shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;

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

- [x] Water
- [ ] Wastewater
- [x] Other LSLR

WATER CONSERVATION REVIEW

Review Date: 04/29/2026

Project ID: 63113

Entity: Morton Valley Water Supply Corporation

Other entity:

WATER CONSERVATION PLAN DATE: 2025 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	109	52	54
5-year Goal	106	49	51
10-year Goal	103	46	48

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

Service connections: 290
Retail population: 762

Length of main lines (miles): 83
Connections per mile: 3

Water Loss GCD: 50
Water Loss GPCD: 19
ILI: NA
Real Loss GMD: 172

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 is adequate and satisfies minimum requirements. The corporation practices a meter testing program, provides educational information to the public, and encourages the replacement of old plumbing fixtures. Additionally, a leak detection program is maintained through monthly water use accounting, daily visual inspections, and timely repairs.

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 lead service line project; therefore, water loss thresholds are not applicable.

Water loss audit validation was completed on 03/16/2026.

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.

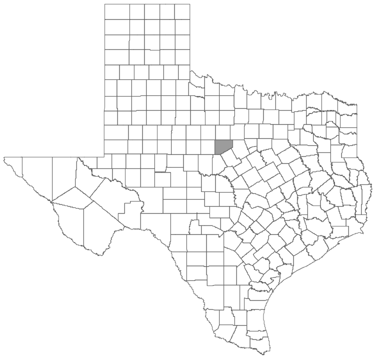
Water Loss GPCD is the amount of water loss divided by the retail population divided by 365.

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.

Attachment 5



Morton Valley WSC
Eastland County