PROJECT FUNDING REQUEST

BOARD DATE: September 10, 2026 **Team Manager:** Kevin Smith

ACTION REQUESTED

Consider approving by resolution a request from the City of Alamo (Hidalgo County) for $2,568,600 in financial assistance consisting of $785,000 in financing and $1,783,600 in principal forgiveness from the Drinking Water State Revolving Fund for planning and design of a water system improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Alamo (City) is located 50 miles northwest of Brownsville. The City provides water and wastewater services to a population of approximately 20,008 residents and approximately 6,227 water connections and 5,877 wastewater connections.

PROJECT NEED AND DESCRIPTION

The City of Alamo's (City) 5.0 million gallons per day water treatment plant was built in 2000. The plant receives up to 2.64 million gallons per day of surface water from the Rio Grande River and is currently operating at 87 percent capacity. The Texas Commission of Environmental Quality requires utilities to initiate planning for expansion once flows reach 85 percent of the permitted capacity. Additionally, the water demand in the City's service area is projected to increase from the current 2.90 million gallons per day to 5.24 million gallons per day by 2046.

The City proposes expansion of the water treatment plant from 5 MGD to 6 MGD, two new 1.3 million gallons per day water wells, and a 25,000 gallons raw water storage tank. Expansion of the water plant includes variable frequency drives, a membrane filtration system, a reserve osmosis system, waste handling, upgrades to the electrical and chemical feed systems, new SCADA, and a generator. The City also plans to develop an asset management plan.

PROJECT SCHEDULE

Task	**Schedule Date**
Closing	January 15, 2027
Engineering Feasibility Report Completion (End of Planning Phase)	April 1, 2028
Design Phase Completion	December 1, 2028

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE MARCH 31, 2027

KEY ISSUES

The City qualifies for $75,000 in financing at zero-percent interest for development of an asset management plan and $1,783,600 in principal forgiveness as a disadvantaged community through the Drinking Water State Revolving Fund.

LEGAL/SPECIAL CONDITIONS

- Executed principal forgiveness agreement
- Return of surplus funds
- Water rights certification

Attachments:

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

Financial Review
City of Alamo

Risk Score: 2A

Audit Reviewed: FY 2025

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 0.60%	State: 1.49%
Top 10 Customers % of Total Revenue	55%	10-15%
Median Household Income as % of State	71%	100%
Household Cost Factor	1.35%	1.51-2.00%
Days of Cash on Hand (3-year Average)	441 days	30-149 days
Cash Balance Ratio	17.80%	0-9.99%
Net Fixed Assets/ Annual Depreciation	24 years	12-24 years
Debt Service Coverage Ratio	2.47x	1.0x
Debt-to-Operating Revenues	1.60	4.00-5.99x
Unemployment Rate (May 2026)	County: 6.10%	State: 4.30%
Working Capital Ratio	4.6	> 1.0

Key Risk Score Strengths

- The City’s utility system charges provide sufficient revenue to pay both its existing and proposed debt service.
- The City’s cash balance ratio exceeds the benchmark, indicating that the City’s general fund revenues continue to outpace the general fund expenditures. This has resulted in increased reserve levels, providing greater financial flexibility.
- The City’s days of cash on hand exceed the benchmark, which provides revenue flexibility if there are any fluctuations or changes among the existing customers.

Key Risk Score Concerns

- While the City has a below average median household income, it maintains a strong financial performance through prudent budget management, diverse revenue sources, and stable reserves, ensuring its ability to meet obligations and sustain operations effectively.
- Although the City has a concentrated top ten customer base in its utility system, the top three customers are two apartment complexes and a high school, which provides stability. A stress test reflects that without its top four customers the City still maintains a sufficient debt service coverage.

PLEDGE

Legal Pledge Name	Waterworks and Sewer 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	Current Household Cost Factor	Projected Household Cost Factor
Water	6,923	$31.09	$31.09	1.35%	1.35%
Wastewater	6,719	$30.04	$30.04		

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the City could save approximately $136,243 over the life of the financing. The City is also saving $1,783,600 in principal forgiveness.

Project Data Summary

Responsible Authority	City of Alamo
Solicitation Program	DWSRF
Funding Program	DWSRF
Commitment Number	L1002410, L1002411, LF1002412
Project Number	63120
List Year	2026
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$710,000 City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2027A, $75,000 City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2027B, $1,783,600 Principal Forgiveness
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	Yes
Phases Funded	Planning and Design
Pre-Design	No
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Shubham Aggarwal	Sarah Smaardyk	Kyleigh Dixon	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Alamo

$710,000 City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2027A Bonds

Dated Date:	**1/15/2027**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**1/15/2027**	**IUP Year:**	**2026**
First Interest:	**2/15/2027**	**Case:**	**Revenue only**
First Principal	**2/15/2027**	**Admin.Fee:**	**$13,922**
Last Principal:	**2/15/2047**	**Admin. Fee Payment Date:**	**1/15/2027**
Fiscal Year End:	**09/30**	**Required Coverage:**	**1.0**

$75,000 City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2027B

Dated Date:	**1/15/2027**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**1/15/2027**	**IUP Year**	**2026**
First Interest:	**2/15/2027**	**Case:**	**Revenue only**
First Principal	**2/15/2027**	**Admin.Fee:**	**$1,471**
Last Principal:	**2/15/2037**	**Admin. Fee Payment Date:**	**1/15/2027**
Fiscal Year End:	**9/30**	**Required Coverage:**	**1.0**

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$710,000 ISSUE PRINCIPAL PAYMENT	$710,000 ISSUE INTEREST RATE	$710,000 ISSUE INTEREST PAYMENT	$710,000 ISSUE TOTAL PAYMENT	$75,000 ISSUE PRINCIPAL PAYMENT	$75,000 ISSUE INTEREST RATE	$75,000 ISSUE INTEREST PAYMENT	$75,000 ISSUE TOTAL PAYMENT	TOTAL DEBT SERVICE	ACTUAL COVERAGE
2027	$1,358,640	$499,666	$35,000	1.84%	$10,044	$45,044	$5,000	-	-	$5,000	$549,710	2.47
2028	1,358,640	598,654	35,000	1.85%	16,803	51,803	5,000	-	-	5,000	655,457	2.07
2029	1,358,640	596,453	35,000	1.90%	16,147	51,147	5,000	-	-	5,000	652,600	2.08
2030	1,358,640	95,804	35,000	1.98%	15,468	50,468	5,000	-	-	5,000	151,272	8.98
2031	1,358,640	595,741	35,000	2.07%	14,759	49,759	5,000	-	-	5,000	650,500	2.09
2032	1,358,640	597,274	35,000	2.16%	14,019	49,019	5,000	-	-	5,000	651,293	2.09
2033	1,358,640	597,274	35,000	2.25%	13,247	48,247	5,000	-	-	5,000	650,521	2.09
2034	1,358,640	594,073	35,000	2.29%	12,453	47,453	5,000	-	-	5,000	646,526	2.10
2035	1,358,640	599,353	35,000	2.37%	11,637	46,637	10,000	-	-	10,000	655,990	2.07
2036	1,358,640	599,215	35,000	2.44%	10,796	45,796	10,000	-	-	10,000	655,011	2.07
2037	1,358,640	598,704	35,000	2.55%	9,922	44,922	15,000	-	-	15,000	658,626	2.06
2038	1,358,640	533,760	35,000	2.66%	9,011	44,011	-	-	-	-	577,771	2.35
2039	1,358,640	534,456	35,000	2.74%	8,066	43,066	-	-	-	-	577,522	2.35
2040	1,358,640	534,914	35,000	2.80%	7,096	42,096	-	-	-	-	577,010	2.35
2041	1,358,640	535,138	35,000	2.85%	6,107	41,107	-	-	-	-	576,245	2.36
2042	1,358,640	535,104	35,000	2.91%	5,099	40,099	-	-	-	-	575,203	2.36
2043	1,358,640	534,807	35,000	2.96%	4,072	39,072	-	-	-	-	573,879	2.37
2044	1,358,640	534,248	35,000	3.02%	3,026	38,026	-	-	-	-	572,274	2.37
2045	1,358,640	533,422	35,000	3.08%	1,958	36,958	-	-	-	-	570,380	2.38
2046	1,358,640	537,275	35,000	3.14%	870	35,870	-	-	-	-	573,145	2.37
2047	1,358,640	535,804	10,000	3.20%	160	10,160	-	-	-	-	545,964	2.49
		$ 11,321,139	$710,000		$190,759	$900,759	$75,000		$0	$75,000	$12,296,898	

$710,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	9.73 YEARS
NET INTEREST RATE	2.761%
COST SAVINGS	$118,186
AVERAGE ANNUAL REQUIREMENT	$42,893

$75,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	6.22 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	$18,057
AVERAGE ANNUAL REQUIREMENT	$6,818

TOTAL AVERAGE ANNUAL REQUIREMENTS
$585,567

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 Alamo
63120 - Water Well and Brackish Groundwater Treatment Facilities

Budget Items	TWDB Funds	Total
Basic Engineering Services		
Design	$1,600,000.00	$1,600,000.00
Planning	$60,000.00	$60,000.00
Subtotal for Basic Engineering Services	**$1,660,000.00**	**$1,660,000.00**
Special Services		
Application	$20,000.00	$20,000.00
Environmental	$40,000.00	$40,000.00
Geotechnical	$30,000.00	$30,000.00
Permits	$100,000.00	$100,000.00
Project Management (by engineer)	$30,000.00	$30,000.00
Surveying	$45,000.00	$45,000.00
Testing	$100,000.00	$100,000.00
Water Conservation Plan	$25,000.00	$25,000.00
Ground Water Hydrogeologic Evaluation and Study	$150,000.00	$150,000.00
Subtotal for Special Services	**$540,000.00**	**$540,000.00**
Fiscal Services		
Bond Counsel	$55,000.00	$55,000.00
Financial Advisor	$54,600.00	$54,600.00
Loan Origination Fee	$15,393.00	$15,393.00
Subtotal for Fiscal Services	**$124,993.00**	**$124,993.00**
Other		
Asset Management Plan	$73,529.00	$73,529.00
Subtotal for Other	**$73,529.00**	**$73,529.00**
Contingency		
Contingency	$170,078.00	$170,078.00
Subtotal for Contingency	**$170,078.00**	**$170,078.00**
Total	$2,568,600.00	$2,568,600.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $2,568,600 TO THE CITY OF ALAMO
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF IN ONE OR MORE SERIES OF $710,000 CITY OF ALAMO, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2027A
AND
$75,000 CITY OF ALAMO, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2027B
AND
$1,783,600 IN PRINCIPAL FORGIVENESS

(26 -)

Recitals:

The City of Alamo (City), located in Hidalgo County, has applied for financial assistance in the amount of $2,568,600 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning and design of certain water system improvements identified as Project No. 63120.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase in one or more series of $710,000 City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2027A and $75,000 City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2027B (Obligations), together with all authorizing documents, and the execution of a Principal Forgiveness Agreement in an amount of $1,783,600, as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of first lien on the net revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations.

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 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.

4. 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).

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

6. The City meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of $1,783,600. The City qualifies for financial assistance with a reduced interest rate of zero percent in order to prepare an Asset Management Plan as described in the applicable Intended Use Plan. The City is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed $1,783,600 and financial assistance in the amount of $75,000 with a reduced interest rate of zero percent.

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

A commitment is made by the TWDB to the City of Alamo for financial assistance in the amount of $2,568,600 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase in one or more series of $710,000 City of Alamo, Texas Waterworks and Sewer Revenue Bonds, Proposed Series 2027A and $75,000 City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2027B and the execution of a Principal Forgiveness Agreement in the amount of $1,783,600. This commitment will expire on March 31, 2027.

The commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.

2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which the Obligations were issued have been complied with; that the Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.

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

4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.

5. The low interest Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations at a redemption price of par together with accrued interest to the date fixed for redemption.

6. The zero percent Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations at a redemption price of par.

7. The City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations, or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of the rule, this continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to those bonds under SEC Rule 15c2-12.

8. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.

9. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project explicitly approved by the Executive Administrator, or, if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds.

10. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.

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

12. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in

accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

13. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site, except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines or for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must include an environmental indemnification provision wherein the City agrees, and agrees to cause its construction contractors, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action, or damages arising from activities performed by the City or its construction contractors, including their officials and employees, in connection with the project, to the extent permitted by law.

14. Before closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.

15. Before closing, and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.

16. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.

17. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

18. The TWDB retains the option to purchase the Obligations in separate lots or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.

19. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

20. The Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

21. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

22. The City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

23. The Obligations must provide that the City will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

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

Tax-Exempt Conditions:

25. 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.

26. 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.

27. 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).

28. 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.

29. 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;

30. 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.

31. 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.

32. 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.

33. 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).

34. 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.

35. 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.

36. 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;

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

38. 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.

39. 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.

40. 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.

41. 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.

42. 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.

43. 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;

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

45. 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.

Pledge Conditions;

46. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations. and

47. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding City of Alamo, Texas Waterworks and Sewer System Revenue Bonds, Series 2018.

Special Conditions:

48. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the City has the right to use the water that the project financed by the TWDB will provide or a written

determination that a reasonable expectation exists that a finding will be made before the release of funds for construction.

49. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the City has the right to use the water that the project financed by the TWDB will provide.

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

51. 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 10th day of September, 2026.

TEXAS WATER DEVELOPMENT BOARD

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

DATE SIGNED: ______________________

ATTEST:

____
Bryan McMath, Executive Administrator

Attachment 4

☑ Water
☐ Wastewater
☐ Other ______________

WATER CONSERVATION REVIEW

Review Date: 07/08/2026
Project ID: 63120

Entity: City of Alamo

Other entity:

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

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	141	62	32
5-year Goal	135	60	32
10-year Goal	130	55	32

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

Service connections: 9,604
Retail population: 21,065
Length of main lines (miles): 75
Connections per mile: 128
Water Loss GCD: 26
Water Loss GPCD: 12
ILI: 2.34
Real Loss GMD: NA

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

Wholesale Adjusted: ☐

Threshold Type:

Connection Density >= 32 per mile

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
5	12	21	30

Does the applicant meet Water Loss Threshold Requirements? **Yes** ☑ **No** ☐ **NA** ☐

ADDITIONAL INFORMATION

The water conservation plan satisfies minimum requirements. The city plans to reduce water consumption, minimize water loss and waste, and document the level of water reuse. Progress will be tracked through the maintenance of meter and leak detection logs, annual water audits, and annual system inspections. The plan focuses on an extensive leak detection program that combines field inspections with SCADA and pressure monitoring. Public information and education programs will be introduced in local schools to increase public and employee awareness of water conservation, particularly during the summer months.

STAFF NOTES AND RECOMMENDATIONS

Based on the 2025 water loss audit data the utility is below the apparent and real water loss thresholds and does not need a waiver. The proposed project is not a water loss project. Water loss audit validation was completed on 06/04/2026. The validation did change the data of the water loss audit and did not impact the thresholds.

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.

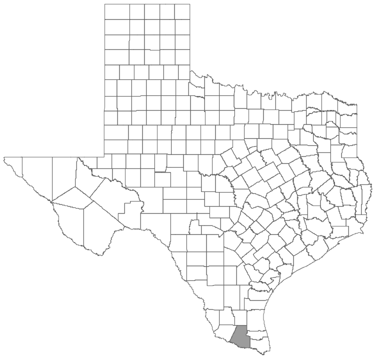
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



City of Alamo
Hidalgo County