PROJECT FUNDING REQUEST

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

ACTION REQUESTED

Consider approving by resolution a request from the Olmito Water Supply Corporation (Cameron County) for $2,560,000 in financial assistance consisting of $260,000 in financing and $2,300,000 in principal forgiveness from the Drinking Water State Revolving Fund program for planning, acquisition, and design of a water system improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Olmito Water Supply Corporation (Corporation) is located 10 miles north of Brownsville. The Corporation provides water and wastewater services to a population of approximately 9,384 residents and approximately 3,839 water and 3,589 wastewater connections.

PROJECT NEED AND DESCRIPTION

The Corporation's 2 million gallons per day (MGD) water treatment plant was built in 1988, with expansion in 2010. The plant receives up to 1.6 MGD surface water from Cameron County Irrigation District No. 6 and is currently operating at 100 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 Corporation's service area is projected to increase from the current 2.16 MGD to 2.78 MGD by 2045.

The Corporation is requesting planning, acquisition and design funds for the expansion of the water treatment plant from 2 MGD to 3 MGD and to add two water wells for a total production capacity of 1.2 MGD. Expansion of the water plant includes new membrane filtration and reverse osmosis desalination system, chemical feed and pretreatment systems. The Corporation also plans to develop an asset management plan.

PROJECT SCHEDULE

Task	Schedule Date
Closing	December 15, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	March 1, 2027
Land Acquisition	January 4, 2027
Design Phase Completion	February 1, 2028

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

KEY ISSUES

The Corporation qualifies for $1,500,000 in principal forgiveness as a disadvantaged, small/rural community through the Drinking Water State Revolving Fund. The Corporation also qualifies for $800,000 in urgent need principal forgiveness through the Drinking Water State Revolving Fund for the Governor's drought disaster proclamation, which includes Cameron County.

The Corporation qualifies for $80,000 in financing at zero percent interest for preparation of an asset management plan.

LEGAL/SPECIAL CONDITIONS

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

Attachments:

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

Financial Review
Olmito WSC

Risk Score: 2B

Audit Reviewed: FY 2025

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 0.36%	State: 1.49%
Top 10 Customers % of Total Revenue	26%	10-15%
Median Household Income as % of State	67%	100%
Household Cost Factor	1.68%	1.51-2.00%
Days of Cash on Hand (3-year Average)	452 days	30-149 days
Net Fixed Assets/ Annual Depreciation	23 years	12-24 years
Debt Service Coverage Ratio	2.5x	1.0x
Debt-to-Operating Revenues	3.06	4.00-5.99x
Unemployment Rate (May 2026)	County: 6.60%	State: 4.30%
Working Capital Ratio	6.503	> 1.0

Key Risk Score Strengths

- Debt service coverage is above the benchmark at 2.5x. The lowest debt service coverage over the life of the proposed obligation is 2.49 in 2028.
- The Corporation's working capital ratio is above the benchmark, indicating that its current assets are sufficient to cover short-term obligations.
- The Corporation's debt-to-operating revenues ratio remains below the benchmark, indicating the Corporation carries debt equivalent to three years of operating revenues.

Key Risk Score Concerns

- The Corporation's median household income is below the benchmark. No rate increases are projected to be necessary to meet debt service coverage, indicating that the proposed financing is not projected to place any financial strain on the community.
- The top ten water customers account for 26 percent of utility revenues, with Cameron County Detention Center making up 15 percent of that total. A stress test was conducted excluding those revenues, which did not result in any projected rate increases.

PLEDGE

Legal Pledge Name	Gross 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	5,500	$37.71	$37.71	1.68	1.68
Wastewater	4,125	$34.01	$34.01		

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Corporation could save approximately $114,855 over the life of the financing. The Corporation is also saving $2,300,000 in principal forgiveness.

Project Data Summary

Responsible Authority	Olmito WSC
Solicitation Program	DWSRF
Funding Program	DWSRF
Commitment Number	L1002394, L1002396, LF1002395
Project Number	63116
List Year	2026
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$80,000 Olmito WSC Loan Agreement, $180,000 Olmito WSC Loan Agreement, $2,300,000 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, Acquisition, and Design
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Shubham Aggarwal	Kyle DuQuesnay	Grace Davila	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Olmito WSC

$180,000 Olmito WSC Loan Agreement

Dated Date: 12/15/2026
Delivery Date: 12/15/2026
First Interest: 6/15/2027
First Principal 6/15/2027
Last Principal: 6/15/2056
Fiscal Year End: 12/31

Source: DWSRF-EQUIVALENCY
IUP Year: 2026
Case: Revenue only
Admin.Fee: $3,529
Admin. Fee Payment Date: 12/15/2026
Required Coverage: 1.0

$80,000 Olmito WSC Loan Agreement

Dated Date: 12/15/2026
Delivery Date: 12/15/2026
First Interest: 6/15/2027
First Principal 6/15/2027
Last Principal: 6/15/2041
Fiscal Year End: 12/31

Source: DWSRF-EQUIVALENCY
IUP Year 2026
Case: Revenue only
Admin.Fee: $1,569
Admin. Fee Payment Date: 12/15/2026
Required Coverage: 1.0

			$180,000 ISSUE				$80,000 ISSUE					
FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	ACTUAL COVERAGE
2027	$1,015,943	$389,652	$5,000	3.07%	$7,254	$12,254	$5,000	-	-	$5,000	$406,906	2.50
2028	1,015,943	390,921	5,000	3.22%	7,097	12,097	5,000	-	-	5,000	408,018	2.49
2029	1,015,943	386,988	5,000	3.25%	6,935	11,935	5,000	-	-	5,000	403,923	2.52
2030	1,015,943	334,079	5,000	3.26%	6,772	11,772	5,000	-	-	5,000	350,851	2.90
2031	1,015,943	334,079	5,000	3.35%	6,607	11,607	5,000	-	-	5,000	350,686	2.90
2032	1,015,943	334,079	5,000	3.40%	6,438	11,438	5,000	-	-	5,000	350,517	2.90
2033	1,015,943	334,079	5,000	3.50%	6,266	11,266	5,000	-	-	5,000	350,344	2.90
2034	1,015,943	334,079	5,000	3.57%	6,089	11,089	5,000	-	-	5,000	350,168	2.90
2035	1,015,943	334,079	5,000	3.73%	5,906	10,906	5,000	-	-	5,000	349,985	2.90
2036	1,015,943	334,079	5,000	3.78%	5,719	10,719	5,000	-	-	5,000	349,797	2.90
2037	1,015,943	334,079	5,000	3.84%	5,528	10,528	5,000	-	-	5,000	349,607	2.91
2038	1,015,943	334,079	5,000	3.89%	5,335	10,335	5,000	-	-	5,000	349,414	2.91
2039	1,015,943	334,079	5,000	3.92%	5,140	10,140	5,000	-	-	5,000	349,218	2.91
2040	1,015,943	334,079	5,000	3.95%	4,943	9,943	5,000	-	-	5,000	349,022	2.91
2041	1,015,943	334,079	5,000	4.03%	4,743	9,743	10,000	-	-	10,000	353,822	2.87
2042	1,015,943	334,079	5,000	4.36%	4,534	9,534	-	-	-	-	343,612	2.96
2043	1,015,943	334,079	5,000	4.37%	4,315	9,315	-	-	-	-	343,394	2.96
2044	1,015,943	334,079	5,000	4.37%	4,097	9,097	-	-	-	-	343,176	2.96
2045	1,015,943	334,079	5,000	4.38%	3,878	8,878	-	-	-	-	342,957	2.96
2046	1,015,943	334,079	5,000	4.39%	3,659	8,659	-	-	-	-	342,738	2.96
2047	1,015,943	334,079	5,000	4.40%	3,439	8,439	-	-	-	-	342,518	2.97
2048	1,015,943	334,079	5,000	4.41%	3,219	8,219	-	-	-	-	342,298	2.97
2049	1,015,943	334,079	5,000	4.41%	2,998	7,998	-	-	-	-	342,077	2.97
2050	1,015,943	334,079	5,000	4.42%	2,778	7,778	-	-	-	-	341,856	2.97
2051	1,015,943	334,079	10,000	4.43%	2,446	12,446	-	-	-	-	346,524	2.93
2052	1,015,943	334,079	10,000	4.43%	2,003	12,003	-	-	-	-	346,081	2.94
2053	1,015,943	334,079	10,000	4.44%	1,559	11,559	-	-	-	-	345,638	2.94
2054	1,015,943	334,079	10,000	4.45%	1,115	11,115	-	-	-	-	345,193	2.94
2055	1,015,943	334,079	10,000	4.45%	670	10,670	-	-	-	-	344,748	2.95
2056	1,015,943	334,079	10,000	4.47%	224	10,224	-	-	-	-	344,302	2.95
		$ 10,187,693	$180,000		$131,699	$311,699	$80,000		$0	$80,000	$10,579,392	

$180,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17 YEARS
NET INTEREST RATE	4.304%
COST SAVINGS	$75,846
AVERAGE ANNUAL REQUIREMENT	$10,390

$80,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	7.94 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	$39,009
AVERAGE ANNUAL REQUIREMENT	$5,333

TOTAL AVERAGE ANNUAL REQUIREMENTS
$352,646

Project Budget Summary
Olmito Water Supply Corporation
63116 - 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	$50,000.00	$50,000.00
Geotechnical	$30,000.00	$30,000.00
Permits	$100,000.00	$100,000.00
Surveying	$40,000.00	$40,000.00
Testing	$250,000.00	$250,000.00
Subtotal for Special Services	**$490,000.00**	**$490,000.00**
Fiscal Services		
Bond Counsel	$40,000.00	$40,000.00
Financial Advisor	$37,000.00	$37,000.00
Fiscal/Legal	$32,000.00	$32,000.00
Loan Origination Fee	$5,098.00	$5,098.00
Subtotal for Fiscal Services	**$114,098.00**	**$114,098.00**
Other		
Land/Easements Acquisition	$25,000.00	$25,000.00
Asset Management Plan	$75,000.00	$75,000.00
Subtotal for Other	**$100,000.00**	**$100,000.00**
Contingency		
Contingency	$195,902.00	$195,902.00
Subtotal for Contingency	**$195,902.00**	**$195,902.00**
Total	$2,560,000.00	$2,560,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
$2,560,000 TO THE OLMITO WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
PROMISSORY NOTES IN THE AMOUNTS OF $80,000 AND $180,000 AND EXECUTION
OF LOAN AGREEMENTS
AND
$2,300,000 PRINCIPAL FORGIVENESS

(26 -)

Recitals:

The Olmito Water Supply Corporation (Corporation), located in Cameron County, has filed an application for financial assistance in the amount of $2,560,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, and design of certain water system improvements identified as Project No. 63116.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of Promissory Notes in the amounts of $80,000 and $180,000 and execution of Loan Agreements and $2,300,000 as Principal Forgiveness, 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 and a mortgaged deed of trust as sufficient security for the repayment of the Obligations.

The TWDB hereby finds:

1. That the revenue and/or taxes 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.*, as well as state law, in accordance with Texas Water Code § 15.607;

3. That 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 that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

4. 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);

5. That the Corporation meets the definition of a "small" or "rural" disadvantaged community in the applicable IUP and is therefore eligible for principal forgiveness in

the amount of $1,500,000. That the project qualifies as an Urgent Need project in accordance with the applicable Intended Use Plan and 31 TAC § 371.21(f) and is eligible for principal forgiveness in the amount of $800,000. The Corporation 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 Corporation is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed $2,300,000 and financial assistance in the amount of $80,000 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 Olmito Water Supply Corporation for financial assistance in the amount of $2,560,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of Promissory Notes in the amounts of $80,000 and $180,000 and execution of Loan Agreements and $2,300,000 in Principal Forgiveness. This commitment will expire on March 31, 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 Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;

5. the low interest Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;

6. the zero percent interest Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as

revised, beginning no earlier than 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;

7. 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;

8. 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;

9. 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;

10. 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;

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. 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;

13. 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;

14. 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;

15. 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;

16. 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;

17. the Executive Administrator may require that the Corporation 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 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;

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

20. 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;

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

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

State Revolving Fund Conditions

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

24. 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;

25. 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;

26. 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;

27. 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;

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

29. The Obligations and 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.

Drinking Water State Revolving Fund Conditions

30. prior to or at closing, the Corporation shall pay an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371;

31. 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;

Water Supply Corporation Conditions

32. 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;

33. 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;

34. 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;

35. 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;

36. 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;

37. 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;

38. 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;

39. 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

40. 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;

<u>Pledge Conditions for the Loan</u>

41. 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;

42. if the Corporation has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

43. 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:

44. prior to 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 Corporation 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 such a finding will be made before the release of funds for construction;

45. 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;

46. 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;

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

48. 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 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: 06/24/2026
Project ID: 63116

Entity: Olmito Water Supply Corporation

Other entity:

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

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	125	56	8
5-year Goal	123	54	6
10-year Goal	121	52	4

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

Service connections: 2,365
Retail population: 7,935
Length of main lines (miles): 40
Connections per mile: 59
Water Loss GCD: 10
Water Loss GPCD: 3
ILI: NA
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
8	19	2	30

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

ADDITIONAL INFORMATION

The corporation's water conservation plan satisfies minimum requirements. Efforts to implement conservation goals include:

- testing and replacing customer water meters on a monthly basis,
- locating and repairing leaks through daily visual inspections of distribution lines, and
- periodically providing the public with conservation information.

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 water loss project includes implementing an asset management plan to help mitigate water loss. Water loss audit validation was completed on 05/13/2026. The validation did not change the data of 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.

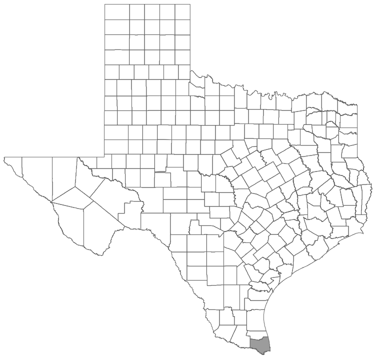
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



Olmito WSC
Cameron County