

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: April 29, 2015

TEAM MANAGER: Clay Schultz

APPLICANT	Hazy Hills Water Supply Corporation
TYPE OF ASSISTANCE	\$94,000 Loan Forgiveness
LEGAL PLEDGE	N/A; 100% Loan Forgiveness

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the **Hazy Hills Water Supply Corporation (Travis County)** for \$94,000 in loan forgiveness from the Drinking Water State Revolving Fund to finance planning and design costs related to construction of a new well to address water supply issues.

PROJECT

New Well and Treatment System
Project Number 62596

BACKGROUND

The water system serving the community of Hazy Hills has been in place for more than 30 years and has been in receivership for the last 15 years. In 2010, the community formed Hazy Hills Water Supply Corporation (Corporation) and assumed ownership of the water system in April 2014.

As of January 2015, the water system estimated the combined output from its two wells to be less than 10 gallons per minute (gpm). The current number of active connections is estimated at approximately 50, which equates to a minimum well capacity requirement of approximately 30 gpm. In order to address this shortage, bring the water system to the capacity required by TCEQ, and improve water quality, the Corporation proposes to construct a new well, remove an old concrete storage tank, install a new storage tank(s) and filtration system, if needed, and improve the distribution system. The requested funding will allow the Corporation to proceed with planning and design of the proposed improvements.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE ON OCTOBER 31, 2015
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FINANCIAL

Key Issues

None.

Principal Forgiveness

The Hazy Hills Water Supply Corporation (Corporation) qualifies for \$94,000 in loan forgiveness from the Drinking Water State Revolving Fund's Very Small Systems initiative.

Cost Savings

Based on a 30-year maturity schedule, current interest rates and the loan forgiveness funds, the Corporation could save approximately \$193,000 over the life of the financing by utilizing Texas Water Development Board (TWDB) funding.

Internal Risk Score

The funding being provided by the TWDB is in the form of 100% loan forgiveness, and therefore is not subject to the risk score. For Drinking Water State Revolving Fund loan forgiveness funding, TWDB staff reviews financial information and other documentation to assess the entity's ability to manage existing obligations and business practices. Based on this analysis, staff believes the Corporation has adequate capabilities to manage its obligations.

LEGAL

Key Issues

None.

CONDITIONS

Standard Drinking Water State Revolving Fund conditions and further conditioned as follows:

- Water rights certification;
- Notification of conversion;
- Notification of conveyance;
- Executed loan forgiveness agreement;
- Return surplus loan forgiveness funds; and,
- Standard emergency discovery conditions.

Attachments: 1. Project Data Summary
2. Engineering/Environmental Review
3. Project Budget
4. Resolution (15-)
5. Water Conservation Review
6. Location Map

Project Data Summary

Authority	Hazy Hills Water Supply Corporation
Program	Drinking Water State Revolving Fund
Commitment Code	LF1000425
Project Number	62596
Intended Use Plan Year	2015
Fund Number	951
Type of Pledge	N/A
Revenue Pledge Level	N/A
Legal Description	\$94,000 Loan Forgiveness Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	210
Rural	Yes
Water Connections	49
Wastewater Connections	0
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
Financial Managerial, & Technical Complete?	No
Phase Committing	Planning and Design
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Exempt (Less than \$500,000)
Water Rights Certification Required	Yes
Internal Risk Score	N/A
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	100% Loan Forgiveness; Very Small Systems

Project Team

Team Manager	Clay Schultz
Financial Analyst	Maxine Gilford
Engineering Reviewer	John Muras
Environmental Reviewer	Nicki Hise
Attorney	Barbara Watson

Hazy Hills WSC
Engineering and Environmental Review

Engineering:Key Issues

The Hazy Hills Water Supply Corporation (Corporation) requested \$200,000 in financial assistance, which included construction phase costs. Staff recommends planning and design phase funding in the amount of \$94,000 at this time. This will allow the Corporation to complete a thorough alternatives analysis during planning and better define the project scope.

Project Need / Description

Need: The Hazy Hills Water Supply Corporation provides water service to a very small community of approximately 210 residents in the Spicewood area. The Corporation was created in 2010 and assumed ownership of the public water system in April 2014. The water source for the system is groundwater wells that have experienced a significant reduction in capacity over the past several years.

Project Description: The Corporation proposes to construct a new well, water storage and any other related system improvements necessary to increase its water supply capacity. Proposed funding for the project at this time will be to complete planning and design. The design phase will include completion of a test well.

Project Schedule

Project Task	Schedule Date
Closing	7/14/2015
Engineering Feasibility Report Completion (End of Planning Phase)	10/1/2015
Design Phase Complete	4/1/2016

Environmental:Key Issues

None known at this time.

Environmental Summary

A Categorical Exclusion (CE) for this project was issued on February 6, 2015. As required by 31 Texas Administrative Code (TAC) §371.41, environmental review of the proposed project has been completed. The proposed project is in compliance with the National Environmental Policy Act.

Hazy Hills WSC
62596 - New Well & Treatment System

Budget Items	TWDB Funds	Total Cost
Basic Engineering Services		
Design	\$70,000	\$70,000
Planning	\$9,400	\$9,400
Basic Engineering Services Total	\$79,400	\$79,400
Contingency		
Contingency	\$14,600	\$14,600
Contingency Total	\$14,600	\$14,600
Grand Total	\$94,000	\$94,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO HAZY HILLS WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH A LOAN IN THE AMOUNT OF \$94,000
WITH 100% LOAN FORGIVENESS

(15-)

WHEREAS, the Hazy Hills Water Supply Corporation, located in Travis County, Texas (Corporation) has filed an application for financial assistance in the amount of \$94,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning and design of certain water system improvements identified as Project No. 62596; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$94,000 with 100% to be forgiven, as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the TWDB hereby finds:

1. that no debt obligations are to be assumed by the Corporation for the loan and no taxes or revenues are required to be pledged by the Corporation;
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 Corporation is exempt from requirements to adopt a water conservation program because the TWDB's financial assistance will be \$500,000 or less;
4. 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);
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. that the Corporation meets the definition of a small water system in accordance with 31 TAC § 371.1(60) and the current Intended Use Plan, and is therefore eligible for subsidy through the DWSRF; and
7. that the Executive Administrator issued a Categorical Exclusion on February 6, 2015, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract

documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

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

A commitment is made by the TWDB to the Hazy Hills Water Supply Corporation for financial assistance in the amount of \$94,000 from the Drinking Water State Revolving Fund with 100% of the loan forgiven. This commitment will expire on October 31, 2015.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371;
3. the Loan Forgiveness Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Loan Forgiveness Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. loan proceeds are public funds and, as such, the Loan Forgiveness Agreement must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
5. 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 Loan Forgiveness Agreement shall include an environmental indemnification provision wherein the Corporation agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
6. 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, reflected in the contract, and acceptable to the Executive Administrator;

7. 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;
8. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

State Revolving Fund Conditions

9. the Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
10. the Loan Forgiveness Agreement must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The Corporation, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
11. the Loan Forgiveness Agreement must include a provision stating that the Corporation shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The Corporation shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during the term of the Loan Forgiveness Agreement;
12. the Loan Forgiveness Agreement 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;
13. the Loan 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 the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

14. 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 Loan Forgiveness Agreement; and

15. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

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

Special Conditions:

1. 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;
2. prior to 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 Corporation has the right to use the water that the project financed by the TWDB will provide;
3. the Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility;
4. the Obligations must include a provision requiring that, prior to any action by the Corporation 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;
5. prior to closing, the Corporation shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
6. the Loan Forgiveness Agreement must include a provision stating that the Corporation shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and
7. the Corporation must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator.

APPROVED and ordered of record this 29th day of April, 2015.

TEXAS WATER DEVELOPMENT BOARD

Carlos Rubinstein, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

WATER CONSERVATION REVIEW

Entity: _____ Review date: _____

WATER CONSERVATION PLAN DATE: _____ **Approvable** **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

WATER LOSS AUDIT YEAR:

Apparent loss (gallons): _____ Real loss (gallons): _____
 Produced water (gallons): _____ Total water loss (percent): _____
 Connections per mile: _____ Total water loss (GPCD): _____

If < 32 connections per mile, real loss (gallons) per mile per day: _____
(Average real loss for less than 32 connections is 1,154 gal/mile/day)

If > 32 connections per mile, real loss (gallons) per connection per day: _____
(Average real loss for greater than 32 connections is 47 gal/connection/day)

If > 16 connections per mile and > 3,000 connections
 Infrastructure Leakage Index (ILI): _____

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

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

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

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.

GPCD means gallons per capita 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 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 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.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

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

Hazy Hills WSC, Travis County

