

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: December 1, 2015

TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	Mooreville Water Supply Corporation
TYPE OF ASSISTANCE	\$731,000 Grant
LEGAL PLEDGE	N/A; 100% Grant

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve, by resolution, a request from the Mooreville Water Supply Corporation (Falls County) for a \$731,000 grant from the Economically Distressed Areas Program to finance construction of a project to develop a long-term reliable water supply.

PROJECT

New Water Supply Source
Project Number 10442

BACKGROUND

Mooreville Water Supply Corporation's (Corporation) only water well failed. The community it serves is without a reliable source of water. The Corporation proposes to construct an interconnection with Central Texas Water Supply Corporation to purchase treated surface water. The Corporation received bids on the proposed pipeline in early 2015. The bids exceeded the \$1,744,690 grant funds provided by the Texas Water Development Board (TWDB) in March 2014. The Corporation is requesting additional funds to complete the proposed pipeline.

FINANCIAL

Key Issues

The Corporation qualifies for a \$731,000 grant from the Economically Distressed Areas Program (EDAP). The Corporation executed a grant agreement with TWDB in May 2014 that required the submission of audited, annual financial statements within 120 days of the Corporation's fiscal year-end (November 30th). The Corporation is currently delinquent on providing the 2014 audited financial statements, and the 2015 statements will be due in March 2016. A recommended condition for closing on the additional proposed funding requires the Corporation to submit the 2014 and 2015 annual audits, prior to release of the proposed grant funds.

Cost Savings

Based on a 20-year maturity schedule, current interest rates, and grant funding, the Corporation could save approximately \$1,161,239 over the life of the grant by utilizing the EDAP.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE DECEMBER 31, 2016

Nuisance Determination

In November 2013, the Texas Department of State Health Services issued an opinion that a nuisance dangerous to the public health and safety exists in the project area. This qualifies the project for a grant greater than 50% of the project costs.

Grant to Loan Calculation

Pursuant to Texas Water Development Board (Board) rules, the regional benchmark methodology is used for applicants constructing a new system. The applicant provided three comparable systems that have similar population, treatment capacity and per capita income. The comparable systems data is used to determine the average amount of a customer's monthly bill that is used for the payment of the debt service of the system ("*average capital component*"). The average capital component for the three systems is \$0.00 monthly per living unit equivalent. A zero capital component entitles the Corporation to EDAP assistance in the form of 100% grant. The 100% grant is for the EDAP-eligible portion of the project.

Financial, Managerial and Technical Assessment

The Corporation completed the Financial, Managerial and Technical Assessment, prior to receiving the planning, acquisition, and design funds. No adverse findings were made.

Internal Risk Score

The funding being provided by the TWDB is in the form of 100% grant and therefore is not subject to the risk score. For EDAP grants, TWDB staff reviews financial statements 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.

Model Subdivision Rules

Based on the information provided, the TWDB's legal staff has determined that the County has adopted and is adequately enforcing the provisions of 31 TAC Chapter 364, the Model Subdivision Rules.

Conditions

Standard EDAP grant conditions and further conditioned as follows:

- Prior to closing, provide audited financial statements for fiscal years 2014 and 2015;
- Executed grant agreement;
- Water rights certification;
- Return surplus grant funds;
- Conversion; and
- U.S. Iron and Steel.

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

Project Data Summary

Authority	Mooreville Water Supply Corporation
Program	Economically Distressed Areas Program
Commitment Code	G1000475
Project Number	10442
Intended Use Plan Year	N/A
Fund Number	375
Type of Pledge	N/A (Grant)
Revenue Pledge Level	N/A
Legal Description	\$731,000 Grant
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	135
Rural	Yes
Water Connections	65
Wastewater Connections	0 (no wastewater system)
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
Financial Managerial & Technical Complete	Yes
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Funding Phase Code	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
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	None

Project Team

Team Manager	Caaren Skrobarczyk
Financial Analyst	Dain Larsen
Engineering Reviewer	JoAnne Duncan
Environmental Reviewer	Jean Devlin
Attorney	Joe Reynolds

Mooreville
ESTIMATED WATER LOAN AMOUNT
CAPITAL COMPONENT WITH
ADDITIONAL DEBT
TO BE USED FOR ILLUSTRATIVE
PURPOSES ONLY

REGIONAL BENCHMARK METHODOLOGY

CAPITAL COMPONENTS OF COMPARABLE SERVICE PROVIDERS

Sunny Dew Water Supply Corporation (Willacy County)	\$0
Denton Estates (Denton County)	\$0
<u>Preston Club Water Well (Grayson County)</u>	<u>\$0</u>
Average Capital Component	\$0
Times Number of EDAP-eligible connections (LUEs) at the end of construction	65
<u>Times 12 months produces</u>	<u>\$0</u>
Estimated Annual Debt Service for Economically Distressed Area	\$0
Assuming a 20-year maturity schedule and a 3.82% current TWDB applicable estimated taxable lending rate	
Produces an EDAP water loan (rounded to the nearest thousand)	\$0

* A zero or negative result entitles the Corporation to a 100% grant.



**Mooreville WSC
10442 New Water Source
Engineering and Environmental Review**

Engineering:

Key Issues:

Due to the emergency nature of the Mooreville Water Supply Corporation's (Corporation) lack of a reliable water supply, the Texas Department of State Health Services conducted a nuisance investigation, finding that a nuisance dangerous to the public health and safety does exist for the Corporation. The Corporation has been receiving water through an emergency interconnect with the Levi Water Supply Corporation.

Cost Per Connection (CPC):

In January 2009, the Board revised the CPC, a benchmark to evaluate the cost effectiveness of an Economically Distressed Areas Program (EDAP) funded project. CPC is calculated by dividing the EDAP eligible costs, less hook-up costs, by the number of EDAP eligible connections at the end of construction. The total project cost, including planning, design, and construction phases, is approximately \$2,475,690. All project costs are considered EDAP eligible, resulting in a CPC estimated at \$38,087.54 based on the estimated number of 65 connections at the end of construction. The Board's current CPC benchmark for water only projects is \$15,000. The estimated CPC is more than twice the Board's current benchmark for water only projects.

Project Need/Description

Need: Mooreville Water Supply Corporation's single water well has failed, leaving the community without a reliable source of water.

Project Description: The Corporation is proposing to construct an interconnection with Central Texas Water Supply Corporation to purchase treated surface water as a supply. The Corporation proposes to construct approximately 11 miles of transmission line and related appurtenances to allow the interconnection. Bids for the proposed pipeline exceeded the funds available. The Corporation is seeking additional funds to construct the proposed pipeline.

Project Schedule:

Project Task	Schedule Date
Closing	5/16/2016
Construction Completion	1/13/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

As required by 31 Texas Administrative Code §363.14, environmental review of the transmission line from Lott, Texas to the Mooreville Water Supply Corporation pump station has been completed. An Environmental Determination was issued on July 14, 2014.



Project Budget Summary
 Mooreville WSC
 10442 - New Water Source

Budget Items	Description	Previous Commitments	This Commitment	Total
Construction				
Construction		\$815,260.00	\$731,000.00	\$1,546,260.00
Subtotal for Construction		\$815,260.00	\$731,000.00	\$1,546,260.00
Basic Engineering Services				
Construction Engineering		\$21,000.00	\$0.00	\$21,000.00
Design		\$107,427.50	\$0.00	\$107,427.50
Planning		\$20,000.00	\$0.00	\$20,000.00
Subtotal for Basic Engineering Services		\$148,427.50	\$0.00	\$148,427.50
Special Services				
Environmental		\$12,980.00	\$0.00	\$12,980.00
Inspection		\$36,000.00	\$0.00	\$36,000.00
Permits		\$15,000.00	\$0.00	\$15,000.00
Project Management (by engineer)		\$20,000.00	\$0.00	\$20,000.00
Surveying		\$40,980.00	\$0.00	\$40,980.00
Testing		\$10,000.00	\$0.00	\$10,000.00
Subtotal for Special Services		\$134,960.00	\$0.00	\$134,960.00
Fiscal Services				
Fiscal/Legal		\$83,080.00	\$0.00	\$83,080.00
Subtotal for Fiscal Services		\$83,080.00	\$0.00	\$83,080.00
Other				
Land/Easements Acquisition		\$482,020.00	\$0.00	\$482,020.00
Subtotal for Other		\$482,020.00	\$0.00	\$482,020.00
Contingency				
Contingency		\$80,942.50	\$0.00	\$80,942.50
Subtotal for Contingency		\$80,942.50	\$0.00	\$80,942.50
Total		\$1,744,690.00	\$731,000.00	\$2,475,690.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT
OF \$731,000 TO
MOOREVILLE WATER SUPPLY CORPORATION
FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE EXECUTION OF A GRANT AGREEMENT
IN THE AMOUNT OF \$731,000

(15-)

WHEREAS, Mooreville Water Supply Corporation (Corporation), has filed an application seeking financial assistance in the amount of \$731,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, to finance construction of certain water system improvements, identified as Project No. 10442; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (the TWDB) through a grant of \$731,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, all as is more specifically set forth in the application and in recommendations of TWDB's staff; and

WHEREAS, on November 14, 2013, the Texas Department of State Health Services

WHEREAS, at its March 17, 2014, Board Meeting, the TWDB, by TWDB Resolution No. 14-19, made a commitment to provide financial assistance in the amount of \$1,744,690 to the Corporation from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, to finance the planning and design of certain water system improvements under Project No. 10442; and

WHEREAS, the TWDB has carefully considered all matters required by law and in particular the following:

1. the feasibility of creating a conservation and reclamation district to provide and finance the water supply or sewer services, in accordance with Texas Water Code § 16.346;
2. the need of the economically distressed area to be served by the water supply and sewer services in relation to the need of other political subdivisions requiring economically distressed areas financing, and the relative costs and benefits of all applications, in accordance with Texas Water Code § 17.929(a)(1);
3. the availability to the political subdivision of revenue from alternative sources for the payment of the cost of the proposed project, in accordance with Texas Water Code § 17.929 (a)(2);

4. financing of the proposed water supply or sewer project, in accordance with Texas Water Code § 17.929(a)(3);
5. the feasibility of achieving cost savings by providing a regional facility for water supply and wastewater service and the feasibility of financing the facilities by using funds from the economically distressed areas account or any other financial assistance, in accordance with Texas Water Code § 17.929(a)(5);
6. the rates, fees and charges that the average customer to be served by the project will be able to pay, sources of funding available to the Corporation, and any local funds of the Corporation, in accordance with Texas Water Code § 17.933(d)(1);
7. sources of funding available to the Corporation from federal and private funds and from other state funds, in accordance with Texas Water Code § 17.933(d)(2);
8. any local funds of the Corporation to be served by the project if the economically distressed area to be served is within the boundary of the Corporation, in accordance with Texas Water Code § 17.933(d)(3);
9. the just, fair, and reasonable charges for water and wastewater service as provided in the Texas Water Code, in accordance with Texas Water Code § 17.933(d)(4);

WHEREAS, the TWDB hereby finds:

1. that the Corporation has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
2. that the area to be served by the proposed project has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available, in accordance with Texas Water Code § 17.929(b);
3. that the County has/have adopted model subdivision rules as promulgated by the TWDB pursuant to Texas Water Code § 16.343 and the manner of enforcement, in accordance with Texas Water Code § 17.929(a) (4);
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 that 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, in accordance with Texas Water Code § 16.053(j); and
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).

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

A commitment is made by the TWDB to the Mooreville Water Supply Corporation for financial assistance in the amount of \$731,000 from the Economically Distressed Areas Account of the Texas Water Development Funds through a grant of \$731,000. This commitment will expire on December 31, 2016.

This 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 363;
3. the Grant Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Grant Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. grant funds are public funds and, as such, the Grant 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. grant funds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Grant 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, under 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 agreement 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;

EDAP Conditions

9. The Grant Agreement must include a provision that requires compliance with Texas Water Code § 16.356 that no revenues received from rates or fees collected from the water/wastewater system to be constructed through this commitment shall be used for any purposes other than utility purposes and that the annual financial statement prepared by the Corporation under Business Organizations Code § 22.352 shall include a specific report on compliance with this condition;

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

Special Conditions:

10. 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;
11. prior to closing, the Corporation shall submit audited financial statements for fiscal years 2014 and 2015, the form and substance of which are satisfactory to the Executive Administrator;
12. 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;
13. prior to closing, the Corporation and the Executive Administrator shall execute an Agreement that sets forth the terms and uses of the grant funds;
14. the Grant Agreement must include a provision stating that the Corporation shall return any grant funds that are determined to be Surplus Funds in a manner determined by the Executive Administrator; and

15. the Obligations must contain a covenant that the Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products and manufactured goods produced in the United States, as required by Texas Water Code § 17.183.

APPROVED and ordered of record this 1st day of December, 2015.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

WATER CONSERVATION REVIEWEntity: Mooreville WSC Review date: January 2014**WATER CONSERVATION PLAN DATE:** December 2013 **Approvable** **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline	112	95	36	32
5-year Goal	111	90	33	29
10-year Goal	110	86	31	28

WATER LOSS AUDIT YEAR: 2012

Apparent loss (gallons):	<u>853,059</u>	Real loss (gallons):	<u>409,172</u>
Produced water (gallons):	<u>6,105,818</u>	Total water loss (percent):	<u>21</u>
Connections per mile:	<u>5</u>	Total water loss (GPCD):	<u>26</u>

If < 32 connections per mile, real loss (gallons) per mile per day: 80
(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: NA
(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): NA

ADDITIONAL INFORMATION:

The Corporation's leak detection and repair program includes the use of electronic equipment for detecting leaks, monthly accounting of water pumped into the system versus water sold from the distribution system to customers, encouraging citizens and all employees to report noticeable leaks as soon as they occur, and including bill insert reminders to do so. The program also includes a program for servicing production pumping and storage facilities and monthly inspections of all water main fittings and connections. This is a very sparsely populated system serving 65 connections. Eighty-five percent of their connections are residential.

STAFF NOTES AND RECOMMENDATIONS:

The Corporation reported the majority of their losses stems from customer meter inaccuracy. Staff recommends the Corporation implement a meter replacement program starting with the largest users. This program could improve the Corporation's water use accountability.

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.

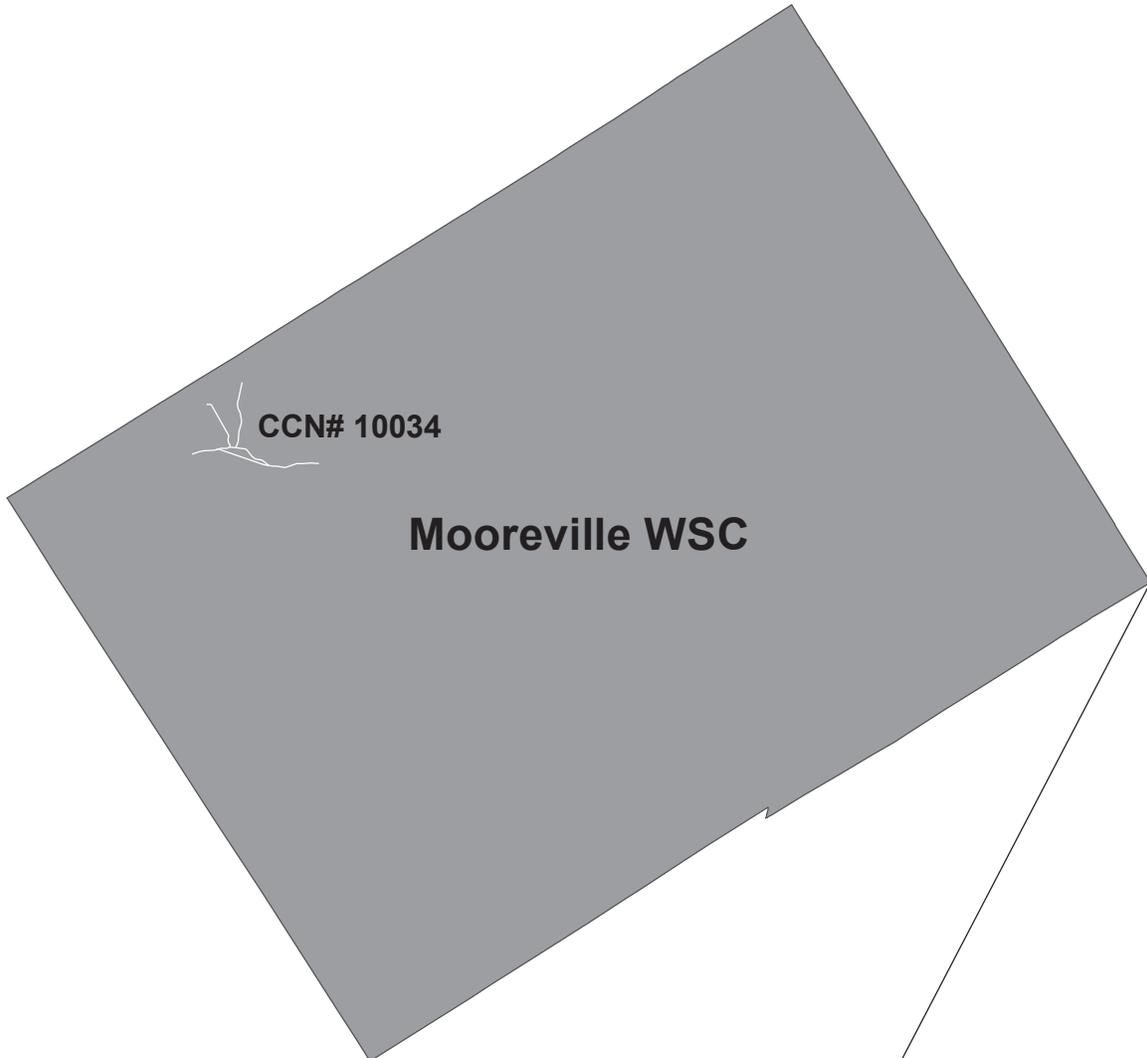
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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.

Mooreville WSC, Falls County



 CCN# 10034

Mooreville WSC

