Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 19, 2016 TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	Bluegrove Water Supply Corporation
TYPE OF ASSISTANCE	$90,000 Loan Forgiveness
LEGAL PLEDGE	N/A; Loan Forgiveness

STAFF RECOMMENDATION
☒ Approve ☐ No Action

ACTION REQUESTED
Approve by resolution, a request from Bluegrove Water Supply Corporation (Clay County) for $90,000 in loan forgiveness from the Drinking Water State Revolving Fund to finance planning, acquisition, design and construction of water system improvements.

PROJECT
Water System Improvements
Project Number 62700

BACKGROUND
The Bluegrove Water Supply Corporation (Corporation) proposes to purchase one of their leased well field sites to ensure they maintain access to a sustainable water supply. In addition, the Corporation proposes to rehabilitate an existing water storage tank, replace water meters, and rehabilitate/replace existing infrastructure to address water loss.

FINANCIAL
Key Issues
None.

Loan Forgiveness
The Corporation qualifies for $90,000 in loan forgiveness from the Drinking Water State Revolving Fund Very Small Systems initiative.

Cost Savings
The Corporation is saving $90,000 in loan forgiveness.

COMMITMENT PERIOD: THREE (3) MONTHS TO EXPIRE AUGUST 31, 2016.

Internal Risk Score

The funding being provided by the Texas Water Development Board is in the form of 100% loan forgiveness and therefore is not subject to the risk score. For grants and loan forgiveness, TWDB staff reviews audited 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, loan forgiveness conditions and additional conditions as follows:

- Executed loan forgiveness agreement;
- Return surplus funds; and
- Standard emergency discovery.

Attachments:
1. Project Data Summary
2. Engineering/Environmental Review
3. Project Budget
4. Resolution (16-)
5. Water Conservation Review
6. Location Map

ATTACHMENT 1

Project Data Summary

Authority	Bluegrove Water Supply Corporation
Program	Drinking Water State Revolving Fund
Commitment Code	LF1000535
Project Number	62700
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	N/A; Loan Forgiveness
Revenue Pledge Level	N/A
Legal Description	$90,000 Loan Forgiveness
Tax-exempt or Taxable	N/A
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	75
Rural	Yes
Water Connections	43
Wastewater Connections	N/A
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Planning, Acquisition, Design and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Exempt (Less than $500,000)
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	

Project Team

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

Texas Water Development Board

Bluegrove WSC
62700 Water System Improvements
Engineering and Environmental Review

Engineering:

Key Issues:

None known at this time.

Project Need/Description

Need: The Bluegrove Water Supply Corporation needs to purchase one of their existing well fields. The Corporation currently leases the well field and water rights. The Corporation also needs to rehabilitate components of their existing distribution system to address water loss issues.

Project Description: The Corporation proposes to purchase one of their leased well field sites to ensure they maintain access to a sustainable water supply for the future. As part of the proposed project the Corporation will also rehabilitate an existing water storage tank, replace water meters, and rehabilitate/replace existing infrastructure to address water loss.

Project Schedule:

Project Task	Schedule Date
Closing	8/18/2016
Engineering Feasibility Report Completion (End of Planning Phase)	9/29/2016
Design Phase Complete	10/28/2016
Start of Construction	1/9/2017
Construction Completion	10/27/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for this project was issued on April 21, 2016. As required by 31 Texas Administrative Code (TAC) §371.41, Subchapter E, environmental review of the proposed project has been completed. The proposed project is in compliance with the National Environmental Policy Act.

Texas Water Development Board

Project Budget Summary

Bluegrove WSC

62700 - Bluegrove Water System Improvements

Budget Items	This Commitment	TWDB Funds	Total
Construction			
Construction	$28,000.00	$28,000.00	$28,000.00
Subtotal for Construction	**$28,000.00**	**$28,000.00**	**$28,000.00**
Basic Engineering Services			
Construction Engineering	$2,500.00	$2,500.00	$2,500.00
Design	$7,500.00	$7,500.00	$7,500.00
Planning	$1,500.00	$1,500.00	$1,500.00
Subtotal for Basic Engineering Services	**$11,500.00**	**$11,500.00**	**$11,500.00**
Special Services			
Surveying	$1,500.00	$1,500.00	$1,500.00
Subtotal for Special Services	**$1,500.00**	**$1,500.00**	**$1,500.00**
Fiscal Services			
Fiscal/Legal	$3,500.00	$3,500.00	$3,500.00
Subtotal for Fiscal Services	**$3,500.00**	**$3,500.00**	**$3,500.00**
Other			
Administration	$3,000.00	$3,000.00	$3,000.00
Land/Easements Acquisition	$35,000.00	$35,000.00	$35,000.00
Subtotal for Other	**$38,000.00**	**$38,000.00**	**$38,000.00**
Contingency			
Contingency	$7,500.00	$7,500.00	$7,500.00
Subtotal for Contingency	**$7,500.00**	**$7,500.00**	**$7,500.00**
Total	$90,000.00	$90,000.00	$90,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO BLUEGROVE WATER SUPPLY CORPORATION FROM THE DRINKING WATER STATE REVOLVING FUND THROUGH A LOAN IN THE AMOUNT OF $90,000 WITH 100% LOAN FORGIVENESS

(16-)

WHEREAS, the Bluegrove Water Supply Corporation, located in Clay County (Corporation) has filed an application for financial assistance in the amount of $90,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design, and construction of certain water system improvements identified as Project No. 62700; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of $90,000 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 loan is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC Chapter 371;

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; (No resolution condition required)

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 April 13, 2016, 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 Bluegrove Water Supply Corporation for financial assistance in the amount of $90,000 from the Drinking Water State Revolving Fund with 100% of the loan forgiven. This commitment will expire on August 31, 2016.

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:

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

17. 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

18. 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 19th day of May, 2016.

TEXAS WATER DEVELOPMENT BOARD

_____
Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

_____
Darrell Nichols
Assistant Executive Administrator

ATTACHMENT 5

WATER CONSERVATION REVIEW

Entity: Bluegrove Water Supply Corporation

Review date: March 2016

WATER CONSERVATION PLAN DATE: NA ☐ **Approvable** ☐ **Adopted**

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

WATER LOSS AUDIT YEAR: 2010

Total water loss (GPCD): 29

Total water loss (percent): 24

Wholesale Water ☐

Total no. of connections: 43

Length of mains (miles): 2

Connections per mile: 22

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

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :	6	743	NA	7	1600	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	NA	NA	NA	NA	NA	NA

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

ADDITIONAL INFORMATION:

The Corporation's request for financial assistance is less than $500,000; therefore, a water conservation plan is not required.

STAFF NOTES AND RECOMMENDATIONS:

None.

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 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.

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.

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.

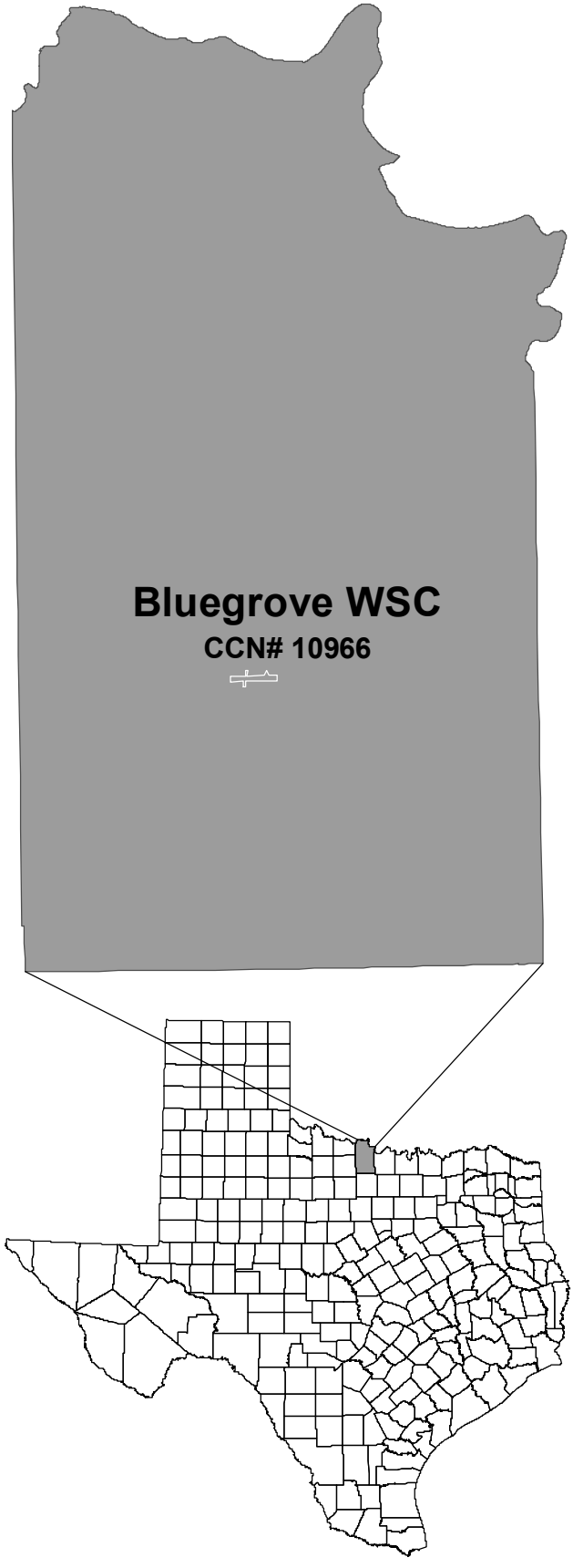
Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

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.

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 Thresholds are levels of real and apparent water loss determined by the size and 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.

ATTACHMENT 6

Bluegrove WSC, Clay County