

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: September 6, 2018

TEAM MANAGER: Lee Huntoon

APPLICANT	Beechwood Water Supply Corporation
TYPE OF ASSISTANCE	\$223,510 Principal Forgiveness Agreement
LEGAL PLEDGE	N/A; 100 percent Principal Forgiveness

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from Beechwood Water Supply Corporation (Sabine County) for \$223,510 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a Hurricane Harvey disaster recovery project.

PROJECT

Water System Project
Project Number 62801

BACKGROUND

The Beechwood Water Supply Corporation (Corporation) is located in Hemphill, Texas, next to the Toledo Bend Reservoir along the Texas/Louisiana border. The Corporation is a surface water retailer and sewer service provider for 504 water and 104 wastewater connections.

The Corporation received approximately 30 inches of rain during Hurricane Harvey and qualifies for urgent need funding. Erosion of a nearby waterway exposed an existing water line and washed out several meters. Additionally, the excessive rainfall undercut a ground storage tank, causing damage to the foundation. The foundation must be repaired and tank returned to service to meet Texas Commission on Environmental Quality (TCEQ) storage capacity requirements.

The Corporation proposes to relocate approximately 500 feet of existing waterline at the end of Ridgecrest Drive, relocate existing water meters, and provide new service lines and connections for approximately ten residences. Additionally, the Corporation plans to repair the foundation of one of the 33,000 gallon bolted ground storage tanks. All proposed work is directly related to recovering from Hurricane Harvey.

COMMITMENT PERIOD: THREE (3) MONTHS TO EXPIRE DECEMBER 31, 2018.

FINANCIAL

Key Issues

None.

Principal Forgiveness

The Corporation received approximately 30 inches of rain during Hurricane Harvey and qualifies for urgent need funding under the Drinking Water State Revolving Fund program.

Cost Savings

Based on 100 percent principal forgiveness, the Corporation will save \$223,510 over the life of the commitment.

Internal Risk Score

The funding being provided by the Texas Water Development Board (TWDB) is in the form of 100 percent principal forgiveness and therefore is not subject to a risk score analysis. For this request, staff reviewed the Corporation's audited financial statements for the year ending December 31, 2017, and funding application to assess the entity's ability to manage existing obligations and its business practices. Based on this analysis, staff has determined that the Corporation reports positive net revenues and has adequate capabilities to manage its obligations. Audited financial statements will be required over the duration of the project per program requirements.

LEGAL

Key Issues

None.

Conditions

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

- Conversion;
- Conveyance;
- Executed principal forgiveness agreement; and,
- Return of surplus principal forgiveness funds.

- Attachments:
1. Project Data Summary
 2. Engineering/Environmental Review
 3. Project Budget
 4. Resolution (18-)
 5. Water Conservation Review
 6. Location Map

Project Data Summary

Responsible Authority	Beechwood Water Supply Corporation
Program	Drinking Water State Revolving Fund
Commitment Code	LF1000870
Project Number	62801
Intended Use Plan Year	2018
Type of Pledge	N/A
Revenue Pledge Level	N/A
Legal Description	\$223,510 Principal Forgiveness Agreement
Tax-exempt or Taxable	N/A; 100% principal forgiveness
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	1,406
Rural	Yes
Water Connections	504
Wastewater Connections	104
Qualifies as Disadvantaged	Yes
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, 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	Urgent Need Funding

Project Team

Team Manager	Lee Huntoon
Financial Analyst	Laura Jarzombek
Engineering Reviewer	Alyssa Azari
Environmental Reviewer	Chris Caran
Attorney	Ashley Nwonuma

**Beechwood WSC
62801 Water System Project
Engineering and Environmental Review**

Engineering:

Key Issues:

This project qualifies for urgent need funding to address issues in the drinking water system due to excessive rainfall during Hurricane Harvey.

Project Need/Description

Need: The Beechwood Water Supply Corporation (Corporation) received approximately 30 inches of rain during Hurricane Harvey and erosion of a nearby waterway exposed an existing water line and washed out several meters. Additionally, the excessive rainfall undercut a ground storage tank, causing damage to the foundation. The foundation must be repaired and tank returned to service to meet Texas Commission on Environmental Quality (TCEQ) storage capacity requirements.

Description: The Corporation proposes to relocate approximately 500 feet of existing waterline at the end of Ridgecrest Drive, relocate existing water meters, and provide new service lines and connections for approximately ten residences. Additionally, the Corporation plans to repair the foundation of one of the 33,000 gallon bolted ground storage tanks. All proposed work is directly related to recovering from Hurricane Harvey.

Project Schedule:

Project Task	Schedule Date
Closing	12/6/2018
Engineering Feasibility Report Completion (End of Planning Phase)	1/30/2019
Design Phase Complete	4/30/2019
Start of Construction	6/30/2019
Construction Completion	6/30/2020

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude completion of the project. Based on this initial review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect implementation of the project.

Pursuant to the requirements of 31 Texas Administrative Code Chapter 371, Subchapter E, all financial assistance shall be conditioned that funding for design and construction of specific project elements will not be released until the environmental review is complete and a favorable environmental determination has been issued.



Project Budget Summary
Beechwood WSC
62801 - Water System Project

Attachment 3

Budget Items	This Commitment	Total
Construction		
Construction	\$106,510.00	\$106,510.00
Subtotal for Construction	\$106,510.00	\$106,510.00
Basic Engineering Services		
Construction Engineering	\$20,000.00	\$20,000.00
Design	\$20,000.00	\$20,000.00
Planning	\$5,000.00	\$5,000.00
Subtotal for Basic Engineering Services	\$45,000.00	\$45,000.00
Special Services		
Environmental	\$15,000.00	\$15,000.00
Subtotal for Special Services	\$15,000.00	\$15,000.00
Contingency		
Contingency	\$57,000.00	\$57,000.00
Subtotal for Contingency	\$57,000.00	\$57,000.00
Total	\$223,510.00	\$223,510.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO BEECHWOOD WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH \$223,510 IN PRINCIPAL FORGIVENESS

(18 -)

WHEREAS, the Beechwood Water Supply Corporation, located in Sabine County (Corporation) has filed an application for financial assistance in the amount of \$223,510 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62801; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$223,510 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 commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13; and

WHEREAS, the TWDB hereby finds:

1. that no debt obligations are to be assumed by the Corporation for the financial assistance 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 an Urgent Need project in accordance with the applicable Intended Use Plan and is therefore eligible for principal forgiveness through the DWSRF.

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

A commitment is made by the TWDB to the Beechwood Water Supply Corporation for financial assistance in the amount of \$223,510 from the Drinking Water State Revolving Fund with 100% to be forgiven. This commitment will expire on December 31, 2018.

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 Principal 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 Principal Forgiveness Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. financial assistance funds are public funds and, as such, the Principal 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. financial assistance funds 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 Principal 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 Principal 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 Principal 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 Principal Forgiveness Agreement;
12. the Principal Forgiveness Agreement shall provide that all funds 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 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;

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 Principal Forgiveness Agreement;
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. 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;
2. 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.
3. prior to closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
4. 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 6th day of September, 2018.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake
Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
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:

Total water loss (GPCD): _____ Total water loss (percent): _____ Wholesale Water
 Total no. of connections: _____ Length of mains (miles): _____ Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

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 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

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

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 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 benchmarking 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.



Beechwood WSC Sabine County

