

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 28, 2019

TEAM MANAGER: Lee Huntoon

APPLICANT	Tom Green County Fresh Water Supply District #2
TYPE OF ASSISTANCE	\$300,000 Principal Forgiveness Agreement
LEGAL PLEDGE	N/A; 100 percent Principal Forgiveness

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the Tom Green Fresh Water Supply District #2 (Tom Green) for \$300,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of water system improvements.

PROJECT

Water System Improvements
Project Number 62817

BACKGROUND

The Tom Green County Fresh Water Supply District #2 (District) is located in Christoval on the Edwards Plateau and is included in the San Angelo Metropolitan Statistical Area. The District serves 315 customers with 233 water connections. The District does not provide wastewater services.

The District proposes to construct an irrigation system on the Water Treatment Plant (WTP) and Elevated Storage Tank property to dispose of approximately 5,500 gallons per month of wastewater discharge from the WTP; construct a storage building for chemical storage, replace customer meters with Automated Meter Reading meters and install software and billing programs; and install a new water line that will provide a loop in the system to improve water pressure and provide sufficient flow for fire protection.

FINANCIAL

Key Issues

A Corrective Action Plan is required prior to closing to address material internal control weaknesses noted within the District's most recent financial statement audit. An unqualified opinion was issued for the financial statement audit for the year's ended June 30, 2017 and 2016. However, material internal control weaknesses identified included

COMMITMENT PERIOD: THREE (3) MONTHS TO EXPIRE JUNE 30, 2019.

findings related to segregation of duties, skills levels, internal controls, preparation of timely financial statements, expenditures processing, and loan covenants.

Principal Forgiveness

The District qualifies for principal forgiveness as a very small system.

Cost Savings

Based on 100 percent principal forgiveness as a very small system, the District will save \$300,000 over the life of the commitment.

Internal Risk Score

The funding being provided by the Texas Water Development Board is in the form of 100 percent principal forgiveness and therefore is not subject to a risk score analysis. In order to assess the entity's ability to manage existing obligations and business practices, staff reviewed the District's funding application and its audited financial statements for the year ended June 30, 2016 and June 30, 2017. In addition, the Texas Commission on Environmental Quality issued a financial, managerial, and technical (FMT) capability assessment, which was reviewed by staff. Based on this analysis, the District will need to complete a corrective action plan prior to closing in order to exhibit its ability to manage its obligations.

LEGAL

Key Issues

None.

Conditions

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

- Conversion and Conveyance; and
- Corrective action plan.

- Attachments:
1. Project Data Summary
 2. Engineering/Environmental Review
 3. Project Budget
 4. Resolution (19-)
 5. Water Conservation Review
 6. Location Map

Project Data Summary

Responsible Authority	Tom Green County Fresh Water Supply District #2
Program	Drinking Water State Revolving Fund
Commitment Code	LF1000941
Project Number	62817
Intended Use Plan Year	2019
Type of Pledge	N/A
Revenue Pledge Level	N/A
Legal Description	\$300,000 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	315
Rural	Yes
Water Connections	233
Wastewater Connections	0
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	Yes
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	Very Small Systems; Corrective action plan to address material weaknesses

Project Team

Team Manager	Lee Huntoon
Financial Analyst	Laura Jarzombek
Engineering Reviewer	Juan Moran-Lopez
Environmental Reviewer	Chris Caran
Attorney	Ashley Nwonuma

**Tom Green County FWSD # 2
62817 Water System Improvements
Engineering and Environmental Review**

Engineering:

Key Issues:

The Tom Green County Fresh Water Supply District #2 (District) has several major problems that affect the District's ability to meet the Texas Commission on Environmental Quality (TCEQ) rules and has issues with accurately measuring customer usage and maintaining pressure within the system.

Project Need/Description

Project Need: The Tom Green County Fresh Water Supply District #2 (District) has been discharging backwash water from the water treatment plant (WTP) into a street ditch without a discharge permit, violating Texas Commission on Environmental Quality (TCEQ) rules. The District was also directed to have a storage area for chemicals used at the WTP. Additionally, some of the District's meters are over-sized and have not been measuring usage accurately. Lastly, the District plans to loop some six-inch water lines to assure pressure maintenance, reduce water loss from existing aging lines, and provide fire protection.

Project Description: The District proposes to construct an irrigation system on the WTP and Elevated Storage Tank property to dispose of approximately 5,500 gallons per month of wastewater discharge from the WTP; construct a storage building for chemical storage, replace customer meters with Automated Meter Reading and install software and billing programs to assure that the system provides the necessary information for billing and accounting for water use. The District, serving the unincorporated community of Christoval, also proposes to install a new 6-inch line from the WTP south on 3rd St. to connect to an existing 6-inch line on McKee St. This will provide a loop that will improve water pressure and provide sufficient flow for fire protection.

Project Schedule:

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	4/15/2019
Design Phase Complete	5/15/2019
Closing	6/28/2019
Start of Construction	8/16/2019
Construction Completion	2/20/2020

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 an environmental review has been completed and a favorable environmental determination has been issued.



Project Budget Summary
 Tom Green County FWSD # 2
 62817 - Water System Improvements

Budget Items	This Commitment	Total
Construction		
Construction	\$220,525.00	\$220,525.00
Subtotal for Construction	\$220,525.00	\$220,525.00
Basic Engineering Services		
Construction Engineering	\$6,000.00	\$6,000.00
Design	\$24,396.00	\$24,396.00
Planning	\$10,000.00	\$10,000.00
Subtotal for Basic Engineering Services	\$40,396.00	\$40,396.00
Special Services		
Environmental	\$2,500.00	\$2,500.00
Surveying	\$3,500.00	\$3,500.00
Subtotal for Special Services	\$6,000.00	\$6,000.00
Contingency		
Contingency	\$33,079.00	\$33,079.00
Subtotal for Contingency	\$33,079.00	\$33,079.00
Total	\$300,000.00	\$300,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT #2
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH \$300,000 IN PRINCIPAL FORGIVENESS

(19 -)

WHEREAS, the Tom Green County Fresh Water Supply District #2 (District), located in Tom Green County, has filed an application for financial assistance in the amount of \$300,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62817; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$300,000 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 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 District for the financial assistance and no taxes or revenues are required to be pledged by the District;
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 District 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 District and filed with the TWDB in accordance with Texas Water Code § 16.053(j); and
6. that the District meets the definition of a very small system in accordance with the current Intended Use Plan, and is therefore eligible for principal forgiveness in the amount of \$300,000.

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

A commitment is made by the TWDB to the Tom Green County Fresh Water Supply District #2 for financial assistance in the amount of \$300,000 from the Drinking Water State Revolving Fund with 100% to be forgiven. This commitment will expire on June 30, 2019.

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 District's compliance with all applicable requirements contained in 31 TAC Chapter 371;
3. this commitment is contingent on the District executing a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
4. the District shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;
5. the Principal Forgiveness Agreement must contain a provision that the District agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein.
6. 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;
7. 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;
8. financial assistance funds proceeds shall not be used by the District 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 District 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 District, its contractors,

consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

9. prior to closing, and if not previously provided with the application, the District 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;
10. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District 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;

State Revolving Fund Conditions

11. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
12. 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 District, 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;
13. the Principal Forgiveness Agreement must include a provision stating that the District 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 District 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;
14. 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 District will adhere to the approved project schedule;
15. the Principal Forgiveness Agreement must contain a covenant that the District 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

16. 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 District 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; and
17. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District 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:

18. prior to closing, the District shall provide a corrective action plan, acceptable to the Executive Administrator, addressing material weaknesses noted within its financial audit for the fiscal years that ended on June 30, 2016 and June 30, 2017; and
19. during construction of the Project, the District must notify the Executive Administrator in writing thirty (30) days prior to taking any actions to alter its legal status in any manner including the conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility, including conveying its assets and liabilities to any nonprofit water supply corporation, for profit water supply corporation, or investor-owned utility, or private person.

APPROVED and ordered of record this 28th day of March, 2019.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake
Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

Water
 Wastewater
 Other

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

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.



Tom Green County FWSD #2 Tom Green County

