

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: December 19, 2019

TEAM MANAGER: Lee Huntoon

<b>APPLICANT</b>	Coke County Water Supply Corporation
<b>TYPE OF ASSISTANCE</b>	\$300,000 Principal Forgiveness
<b>LEGAL PLEDGE</b>	N/A; 100 percent Principal Forgiveness

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve by resolution a request from the Coke County Water Supply Corporation (Coke County) for \$300,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of water system improvements.

### PROJECT

Automated Meter Reading Meter and Valve Replacement  
Project Number 62861

### BACKGROUND

Coke County Water Supply Corporation (Corporation) is located 5 miles west of the town of Robert Lee. The Corporation provides water service to approximately 353 residents.

The Corporation's water system contains deteriorated isolation valves and an aging meter system leading to high water loss and service outages during line breaks. The existing isolation valves date back to the 1970s when the distribution system was constructed, while the water meters in use are approaching the end of their useful life. The Corporation proposes to replace the existing valves and meter system. New isolation valves will also be added to the existing distribution system.

### FINANCIAL

#### Key Issues

None.

#### Principal Forgiveness

The Corporation qualifies for \$300,000 in principal forgiveness as a disadvantaged community and a very small system.

**COMMITMENT PERIOD: FOUR (4) MONTHS TO EXPIRE APRIL 30, 2020**

Cost Savings

Based on 100 percent principal forgiveness, the Corporation will save \$300,000 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. In order to assess the entity's ability to manage existing obligations and business practices, staff reviewed the Corporation's funding application and its audited financial statements for the year ended December 31, 2018. Based on this analysis, staff has determined that the Corporation will have adequate capabilities 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.

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**

<b>Responsible Authority</b>	Coke County Water Supply Corporation
<b>Program</b>	Drinking Water State Revolving Fund
<b>Commitment Code</b>	LF1001071
<b>Project Number</b>	62861
<b>Intended Use Plan Year</b>	2020
<b>Type of Pledge</b>	N/A
<b>Revenue Pledge Level</b>	N/A
<b>Legal Description</b>	\$300,000 Principal Forgiveness Agreement
<b>Tax-exempt or Taxable</b>	Tax-exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow
<b>Population</b>	353
<b>Rural</b>	Yes
<b>Water Connections</b>	191
<b>Wastewater Connections</b>	N/A
<b>Qualifies as Disadvantaged</b>	Yes
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	No
<b>Funding Phase Code</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Exempt (Less than \$500,000)
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	N/A
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	Disadvantaged Communities and Very Small Systems

**Project Team**

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

**Coke County Water Supply Corporation  
62861 Automated Meter & Valve Replacement  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

None.

Project Need/Description

Project Need: The Coke County Water Supply Corporation (Corporation) is experiencing high water loss due to aging water meters and breaks in existing water lines. The water meters currently in use average 20 years in age and are at the end of their useful life. Additionally, the existing isolation valves were installed in the 1970s and are failing. A lack of isolation valves leads to high water loss and service outages when lines break or leaks occur, and the pump station must then be shut down during line repair.

Project Description: The Corporation proposes to replace existing water meters in the distribution system with a new automated meter reading (AMR) drive-by system, replace isolation valves, and add new valves to allow for isolation of line segments during line repairs and improvements.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	3/19/2020
Engineering Feasibility Report Completion (End of Planning Phase)	4/15/2020
Design Phase Complete	7/15/2020
Start of Construction	10/15/2020
Construction Completion	3/15/2021

**Environmental Section:**

Key Issues:

None known at this time.

Environmental Summary:

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**  
**Coke County Water Supply Corporation**  
**62861 - Automated Meter Reading &**  
**Valve Replacement**

Budget Items	This Commitment	Total
<b>Construction</b>		
Construction	\$225,050.00	\$225,050.00
<b>Subtotal for Construction</b>	<b>\$225,050.00</b>	<b>\$225,050.00</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$6,000.00	\$6,000.00
Design	\$24,000.00	\$24,000.00
Planning	\$2,000.00	\$2,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$32,000.00</b>	<b>\$32,000.00</b>
<b>Special Services</b>		
Application	\$8,000.00	\$8,000.00
Environmental	\$5,000.00	\$5,000.00
Inspection	\$10,000.00	\$10,000.00
Surveying	\$5,000.00	\$5,000.00
<b>Subtotal for Special Services</b>	<b>\$28,000.00</b>	<b>\$28,000.00</b>
<b>Contingency</b>		
Contingency	\$14,950.00	\$14,950.00
<b>Subtotal for Contingency</b>	<b>\$14,950.00</b>	<b>\$14,950.00</b>
<b>Total</b>	<b>\$300,000.00</b>	<b>\$300,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE  
TO THE COKE COUNTY WATER SUPPLY CORPORATION  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH \$300,000 IN PRINCIPAL FORGIVENESS

(19 - )

WHEREAS, the Coke County Water Supply Corporation (Corporation), located in Coke 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. 62861; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$300,000 with 100 percent 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; (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. the Corporation meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(23) and that the Corporation 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 Coke County Water Supply Corporation for financial assistance in the amount of \$300,000 from the Drinking Water State Revolving Fund with 100 percent to be forgiven. This commitment will expire on April 30, 2020.

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. this commitment is contingent on the Corporation executing a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
4. the Corporation 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 Corporation 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 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;

9. 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;
10. 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;

#### State Revolving Fund Conditions

11. the Corporation 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 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;
13. 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;
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 Corporation will adhere to the approved project schedule;

15. 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

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 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.

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

Special Condition:

21. during construction of the Project, the Corporation 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 19<sup>th</sup> day of December, 2019.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Peter M. Lake, Chairman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Jeff Walker  
Executive Administrator

Water  
Wastewater  
Other

## WATER CONSERVATION REVIEW

Attachment 5

Entity: \_\_\_\_\_

Review date: \_\_\_\_\_

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

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**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.



# Coke County WSC Coke County

