



## PROJECT FUNDING REQUEST

**BOARD DATE:** April 10, 2025

**Team Manager:** Nancy Richards

### ACTION REQUESTED

Consider approving by resolution a request from the Penelope Water Supply Corporation (Hill County) for \$475,000 in grant funding from the Rural Water Assistance Fund for planning, design, and construction of water system improvements.

### STAFF RECOMMENDATION

☒ Approve ☐ No Action

### BACKGROUND

The Penelope Water Supply Corporation's (Corporation) serves the City of Penelope, located 30 miles north of Waco. The Corporation provides water services to a population of approximately 206 residents and approximately 100 water connections.

### PROJECT NEED AND DESCRIPTION

The Corporation's water distribution system has frequent water leaks and water loss due to aging and deteriorating infrastructure and needs replacement. The Corporation proposes to replace 6,700 feet of water lines and 25 gate valves.

### PROJECT SCHEDULE

Task	Schedule Date
Closing	September 18, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	November 30, 2025
Design Phase	January 31, 2026
Start of Construction	March 1, 2026
Construction Completion	October 1, 2026

### KEY ISSUES

The Corporation qualifies for \$475,000 in grant funding as an applicant with a population of 1,000 or less for a water loss mitigation project.

The funding being provided by the Texas Water Development Board (TWDB) is in the form of a 100 percent grant and therefore is not subject to the TWDB's internal risk score analysis that is applied to loans. For this request, staff reviewed tax returns, compiled financial statements, and the funding application information to assess the Corporation's ability to manage existing obligations and business practices. Based on this analysis, staff have determined that the Corporation has adequate capabilities to manage its obligations.

<b>COMMITMENT PERIOD:</b> SIX (6) MONTHS TO EXPIRE OCTOBER 31, 2025
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**LEGAL/SPECIAL CONDITIONS**

- Notice of conveyance
- Notice of change in legal status

**Attachments:**

1. Project Data Summary
2. Project Budget
3. Resolution (25- )
4. Water Conservation Review
5. Location Map

<b>Responsible Authority</b>	Penelope WSC
<b>Program</b>	RWAF
<b>Commitment Number</b>	G1002091
<b>Project Number</b>	21842
<b>List Year</b>	2024
<b>Type of Pledge</b>	N/A
<b>Pledge Level (if applicable)</b>	N/A
<b>Legal Description</b>	\$475,000 Penelope WSC Grant Agreement
<b>Tax-exempt or Taxable</b>	Taxable
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Qualifies as Disadvantaged</b>	Yes
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Phases Funded</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Exempt (\$500,000 or less)
<b>Overall Risk Score</b>	N/A

PROJECT TEAM				
Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Nancy Richards	Raul Flores	Sophia Fousie	Carol Crapanzano	Michael Perez



**Project Budget Summary**  
**Penelope WSC**  
**21842 - Water Distribution System Improvements**

Budget Items	TWDB Funds	Total
<b>Construction</b>		
Construction	\$370,000.00	\$370,000.00
<b>Subtotal for Construction</b>	<b>\$370,000.00</b>	<b>\$370,000.00</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$11,600.00	\$11,600.00
Design	\$46,400.00	\$46,400.00
Planning	\$5,000.00	\$5,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$63,000.00</b>	<b>\$63,000.00</b>
<b>Special Services</b>		
Surveying	\$19,000.00	\$19,000.00
<b>Subtotal for Special Services</b>	<b>\$19,000.00</b>	<b>\$19,000.00</b>
<b>Contingency</b>		
Contingency	\$23,000.00	\$23,000.00
<b>Subtotal for Contingency</b>	<b>\$23,000.00</b>	<b>\$23,000.00</b>
<b>Total</b>	<b>\$475,000.00</b>	<b>\$475,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO  
PENELOPE WATER SUPPLY CORPORATION  
FROM THE RURAL WATER ASSISTANCE FUND  
IN AN AMOUNT OF \$475,000 THROUGH THE EXECUTION OF A GRANT AGREEMENT  
IN THE AMOUNT OF \$475,000

(25 - \_\_)

Recitals:

The Penelope Water Supply Corporation (Corporation), located in Hill County, filed an application for financial assistance in the amount of \$475,000, from the Rural Water Assistance Fund (RWAFF) to finance certain water system improvements, identified as Project No. 21842.

The Corporation seeks financial assistance in the form of a grant from the Texas Water Development Board (TWDB) in the amount of \$475,000, as is more specifically set forth in the application and in recommendations of the TWDB's staff.

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 § 363.16, 363.43 and 365.23.

The Board hereby authorizes the transfer of \$475,000 from the Texas Water Fund to the Rural Water Assistance Fund, as authorized by Texas Water Code § 15.504(a), to finance the Project.

In accordance with Texas Water Code § 15.995, the TWDB has considered all matters required by law and in particular the following:

1. The needs of the area to be served by the project, the benefit of the project to the area, the relationship of the project to the overall statewide water needs, and the relationship of the project to the approved regional and state water plans.
2. The availability of revenue to the Corporation from all sources for the ultimate repayment of the cost of the project, including all interest.

Findings:

1. The public interest is served by state assistance for the project, in accordance with Texas Water Code § 15.995(d).
2. 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 in accordance with Texas Water Code § 15.995(d).
3. 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. 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. 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 findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the Penelope Water Supply Corporation for financial assistance in the amount of \$475,000 from the Rural Water Assistance Fund through a transfer from the Texas Water Fund to be evidenced by the execution of a Grant Agreement in the amount of \$475,000. This commitment will expire October 31, 2025.

The commitment is conditioned as follows:

Standard Conditions:

1. The commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.
2. The commitment is contingent upon the Corporation's continued compliance with all applicable laws, rules, policies, and guidance (as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement), including but not limited to 31 TAC Chapter 363 and 365.
3. This commitment is contingent on the Corporation executing a Grant Agreement in a form and substance acceptable to the Executive Administrator.
4. The Corporation must return any Grant funds that are determined to be surplus funds in a manner determined by the Executive Administrator.
5. The Grant Agreement must contain a provision that the Corporation agrees to comply with all of the conditions set forth in this TWDB Resolution.
6. 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.
7. 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.

8. 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.
9. Before 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.
10. Before 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.
11. Before release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements and rights-of-way have been completed or, with prior approval by the executive administrator if all acquisitions have not been completed, evidence that the applicant has the legal Corporation necessary to complete the acquisitions.

The Following Conditions Must Be Included in the Grant Agreement:

12. The Grant Agreement must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
13. The Grant Agreement must provide that the Corporation will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project.
14. The Grant Agreement must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
15. The Grant Agreement must include a provision requiring a final accounting to be made of the total sources and authorized use of Project funds within 60 days of the completion of the Project.

16. The Grant Agreement must include a provision stating that the Corporation shall return any Grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the Grant funds in a manner approved by the executive administrator.
17. The Grant Agreement must contain a provision stating that the Corporation shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G.

Special Conditions:

18. The Corporation must notify the Executive Administrator Before 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.
19. The Obligations must include a provision requiring that, before 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.

APPROVED and ordered of record this, the 10th day of April, 2025.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
L'Oreal Stepney, P.E., Chairwoman

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

ATTEST:

\_\_\_\_\_  
Bryan McMath, Executive Administrator



Review Date:

Project ID:

Water

Wastewater

Other

**WATER CONSERVATION REVIEW**

Entity:

Other entity:

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

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

**WATER LOSS AUDIT YEAR:**

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

**WATER LOSS THRESHOLDS**

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

<b>Apparent Loss GCD</b>		<b>Real Loss GCD</b>	
<b>Reported</b>	<b>Threshold</b>	<b>Reported</b>	<b>Threshold</b>

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 losses** are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

**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.

**GCD** means gallons per connection per day.

**GMD** means gallons per mile 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 3,000 connections and a connection density of more than 16 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.

**Real losses** are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

**Residential GPCD** is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

**Total GPCD** is the amount of total system input volume divided by the retail population divided by 365.

**Total water loss** is the sum of the apparent and real water losses.

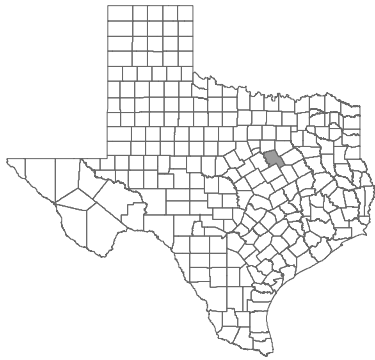
**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**Water Loss GPCD** is the amount of water loss divided by the retail population divided by 365.

**Water Loss per Connection per Day** Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

**Water Loss Thresholds** are levels of real and apparent water loss determined by the 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.

**Wholesale Adjusted** represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



# Penelope WSC Hill County

