



PROJECT FUNDING REQUEST

BOARD DATE: October 2, 2025

Team Manager: Theresa Finch

ACTION REQUESTED

Consider approving by resolution a request from the Welch Water Supply Corporation (Dawson County) for \$3,260,000 in principal forgiveness from the Drinking Water State Revolving Fund for construction of water treatment system improvements.

STAFF RECOMMENDATION

☒ **Approve** ☐ **No Action**

BACKGROUND

The Welch Water Supply Corporation (Corporation) is in Dawson County approximately 17 miles northwest of La Mesa. The Corporation provides water services to a population of 315 residents and approximately 105 connections.

PROJECT NEED AND DESCRIPTION

Since 2012, the Welch Water Supply Corporation (Corporation) has been operating under an Administrative Order issued by the U.S. Environmental Protection Agency (EPA) due to exceedances of the Maximum Contaminant Levels (MCLs) for nitrates and arsenic. To address these compliance issues, the Corporation proposes the installation of a new reverse osmosis (RO) water treatment system and a supplemental water well.

The RO Water Treatment Plant (WTP) will be housed in a new building that includes all necessary appurtenances. A new ground storage tank will store both raw and treated water, and a high-service pump within the building will deliver treated water to the distribution system. A new groundwater well will also be developed to support the facility's water supply.

PROJECT SCHEDULE

Task	Schedule Date
Closing	April 30, 2026
End of Planning	June 1, 2026
End of Design Phase	December 31, 2026
Start of Construction Phase	April 12, 2027
End of Construction Phase	May 1, 2028

KEY ISSUES

The proposed project is eligible for \$2,282,000 in principal forgiveness as a disadvantaged community and \$978,000 in principal forgiveness for disadvantaged rural/small system.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE APRIL 30, 2026

The Corporation qualifies for 100 percent principal forgiveness through the Drinking Water State Revolving Fund Program. Therefore, this funding is not subject to the Texas Water Development Board's (TWDB) internal risk score analysis. For this request, the TWDB reviewed the Corporation's compiled financial statements and financial assistance application information to assess the Corporation's ability to manage existing obligations and business practices. Based on this analysis, the TWDB believes the Corporation has adequate capabilities to manage its obligations.

LEGAL/SPECIAL CONDITIONS

- Adopted water conservation plan
- Water rights certification
- Notice of change in legal status

Attachments:

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

Responsible Authority	Welch WSC
Program	DWSRF
Commitment Number	LF1002224
Project Number	63084
List Year	2025
Type of Pledge	N/A
Pledge Level (if applicable)	N/A
Legal Description	\$3,260,000 Welch WSC Principal Forgiveness Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Construction
Pre-Design	No
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Approvable
Overall Risk Score	NA

PROJECT TEAM				
Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Theresa Finch	Raul Flores	Alyssa Garza-Medina	Chris Caran	Marshall Walters



Current Budget Summary
Welch WSC
63084 - Welch WSC - Water Treatment Plant

Budget Items	TWDB Funds	Local Funds	Total
Construction			
Construction	\$2,654,775	\$0	\$2,654,775
Subtotal for Construction	\$2,654,775	\$0	\$2,654,775
Basic Engineering Services			
Construction Engineering	\$53,500	\$0	\$53,500
Design	\$0	\$76,000	\$76,000
Subtotal for Basic Engineering	\$53,500	\$76,000	\$129,500
Special Services			
Application	\$0	\$15,000	\$15,000
Environmental	\$0	\$25,000	\$25,000
Inspection	\$30,000	\$0	\$30,000
Permits	\$6,500	\$0	\$6,500
Surveying	\$10,000	\$15,000	\$25,000
Testing	\$5,000	\$10,000	\$15,000
Water Conservation Plan	\$0	\$5,000	\$5,000
Subtotal for Special Services	\$51,500	\$70,000	\$121,500
Fiscal Services			
Bond Counsel	\$27,500	\$0	\$27,500
Financial Advisor	\$27,500	\$0	\$27,500
Fiscal/Legal	\$5,000	\$0	\$5,000
Subtotal for Fiscal Services	\$60,000	\$0	\$60,000
Contingency			
Contingency	\$440,225	\$0	\$440,225
Subtotal for Contingency	\$440,225	\$0	\$440,225
Total	\$3,260,000	\$146,000	\$3,406,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO THE WELCH WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH \$3,260,000 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The Welch Water Supply Corporation (Corporation), located in Dawson County, has filed an application for financial assistance in the amount of \$3,260,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 63084.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$3,260,000 with 100 percent to be forgiven, as is more specifically set forth in the application and in recommendations of the TWDB's staff.

Findings:

1. 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 § 15.607.
2. 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. The Corporation has submitted a proposed program of water conservation for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules.
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. The Corporation has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it 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(24) and is therefore eligible for principal forgiveness in the amount of \$2,282,000.

7. The Corporation meets the definition of a “small” or “rural” disadvantaged community in the applicable IUP and is therefore eligible for principal forgiveness in the amount of \$978,000.

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

A commitment is made by the TWDB to the Welch Water Supply Corporation for financial assistance in the amount of \$3,260,000 from the Drinking Water State Revolving Fund with 100 percent to be forgiven. This commitment will expire on February 28, 2026.

The 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 as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.
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 form and substance acceptable to the Executive Administrator.
4. The Corporation shall return any principal forgiveness funds 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 that incorporates those conditions.
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 be held at a designated state depository institution or other properly chartered 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 shall not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the project site except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines OR for an EC

project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must include a provision that states the Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage, sludge, contaminated sediments, or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials, or 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 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 or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit the executed agreement to the TWDB.
11. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
12. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

State Revolving Fund Conditions:

13. The Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
14. 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 in this commitment shall insert in full, in any contract in excess of \$2,000, the contract clauses as provided by the TWDB.
15. 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 Unique Entity Identification Number and shall register with System for Award

Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.

16. The Obligations 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.
17. 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.
18. The Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.
19. The Principal Forgiveness Agreement must contain a covenant that the Corporation shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

Drinking Water State Revolving Fund Conditions:

20. Before 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 Obligations.
21. Before 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.

Water Supply Corporation Conditions:

22. 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 that the Corporation has the legal authority necessary to complete the acquisitions.

Special Conditions:

23. Before closing, the Corporation shall adopt and implement the water conservation program approved by the TWDB.
24. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must issue

a written finding that the Corporation has the right to use the water that the project financed by the TWDB will provide.

25. The Corporation must notify the Executive Administrator in writing, thirty (30) days before taking any actions to alter its legal status in any manner.
26. The Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing before taking any action 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 2nd day of October 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**

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

WATER LOSS AUDIT YEAR:

Validation Required:

Validation Performed:

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:

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold

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.

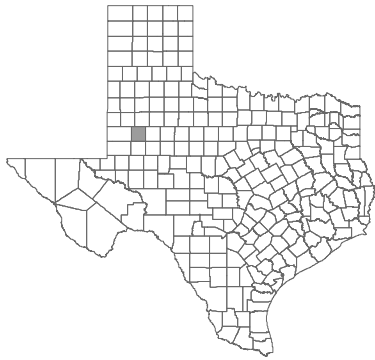
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



Welch WSC Dawson County

