

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: Dec. 14, 2015

TEAM MANAGER: Lee Huntoon

APPLICANT	Loop Water Supply Corporation
TYPE OF ASSISTANCE	\$170,000 Loan Forgiveness
LEGAL PLEDGE	N/A; 100% Loan Forgiveness

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve, by resolution, a request from the Loop Water Supply Corporation (Gaines County) for \$170,000 in loan forgiveness from the Drinking Water State Revolving Fund, to finance the planning, design, and construction of water treatment plant improvements; and a waiver of water loss requirement.

PROJECT

Water Treatment Plant Improvements
Project Number 62690

BACKGROUND

Loop Water Supply Corporation (Corporation) is currently under Environmental Protection Agency (EPA) and Texas Commission on Environmental Quality (TCEQ) enforcement for exceeding maximum contaminant levels for arsenic and fluoride. A reverse osmosis system and evaporation ponds will be installed at their existing water treatment plant to bring them back into acceptable compliance levels for arsenic and fluoride.

FINANCIAL

Key Issues

Concurrent with this application, the Corporation sought and obtained a \$350,000 grant for the project from the Community Development Block Grant (CDBG) program, administered by the Texas Department of Agriculture. The application was submitted by Gaines County on behalf of the Corporation and the grant was awarded on October 31, 2015. These funds would be used for construction costs. The total project cost is \$560,000 consisting of \$350,000 from CDBG, \$170,000 from TWDB, and a cash contribution of \$40,000.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE ON JUNE 30, 2016

Principal Forgiveness

The Corporation is eligible for 100% loan forgiveness not to exceed \$200,000 per project from the Very Small System funding provision of the Drinking Water State Revolving Fund (DWSRF). This eligibility is based on the Corporation's system having no more than 1,000 people served.

Cost Savings

Based on a 20-year maturity schedule, current market interest rates, and loan forgiveness of \$170,000, the Corporation would save \$199,618 over the life of the financing by utilizing the DWSRF funding.

LEGAL

Key Issues

None.

CONDITIONS

Standard Drinking Water State Revolving Fund Loan Forgiveness conditions and further conditioned as follows:

- Executed loan forgiveness agreement;
- Return surplus funds; and
- Pre-design

- Attachments:
1. Project Data Summary
 2. Engineering/Environmental Review
 3. Project Budget
 4. Resolution (15-)
 5. Water Conservation Review
 6. Water Loss Waiver Request Letter
 7. Location Map

Project Data Summary

Authority	Loop Water Supply Corporation
Program	Drinking Water State Revolving Fund
Commitment Code	LF1000482
Project Number	62690
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	N/A; 100% Loan Forgiveness
Revenue Pledge Level	N/A
Legal Description	\$170,000 Loan Forgiveness
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Population	243
Rural	Yes
Water Connections	102
Wastewater Connections	N/A
Qualifies as Disadvantaged	Yes
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Project Type	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
Water Rights Certification Required	Yes
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 System

Project Team

Team Manager	Lee Huntoon
Financial Analyst	James Horan
Engineering Reviewer	Jesse Milonovich
Environmental Reviewer	Chris Caran
Attorney	Alexis Lorick

Loop WSC
62690 Water Treatment Plant Improvements
Engineering and Environmental Review

Engineering:

Key Issues:

Loop Water Supply Corporation's (Corporation) 2014 Water Loss Audit shows that they exceed their threshold for apparent loss. A meter replacement program was undertaken during the years 2014-2015 to help mitigate water losses. Approximately 99% of the meters have been replaced during that time period.

Concurrent with this application, the Corporation sought and obtained a \$350,000 grant for the project from the Community Development Block Grant program, administered by the Texas Department of Agriculture. The application was submitted by Gaines County on behalf of the Corporation and the grant was awarded on October 31, 2015. These funds would be used for construction. The amount of funding sought from the TWDB for planning, design, and construction is \$170,000, to be committed as a loan with 100% forgiveness. The total amount of these funds is \$520,000. The Corporation will provide the \$40,000 balance of the estimated \$560,000 project budget.

Project Need/Description

Need: The Corporation is currently under EPA and TCEQ enforcement for exceeding maximum contaminant levels (MCL) for arsenic and fluoride.

Project Description: The Corporation proposes to install a small reverse osmosis system including evaporation ponds at their existing water treatment plant to meet the maximum contaminant levels for arsenic and fluoride.

Project Schedule:

Project Task	Schedule Date
Closing	3/1/2016
Engineering Feasibility Report Completion (End of Planning Phase)	7/1/2016
Design Phase Complete	8/1/2016
Start of Construction	9/1/2016
Construction Completion	4/1/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

Pursuant to the requirements of 31 Texas Administrative Code §371.41, all financial assistance shall be conditioned to read that funding for design and construction of a new reverse osmosis water treatment facility will not be released until the environmental review has been completed and a favorable environmental determination has been issued. A subsequent affirmation of commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

Loop WSC
62690 - Water Treatment Plant Improvements

Budget Items	TWDB Funds	TWDB Funding %	Local & Other Funds	Total Cost
Construction				
Construction	\$77,500		\$345,000	\$422,500
Construction Total	\$77,500	45.6%	\$345,000	\$422,500
Basic Engineering Services				
Construction Engineering	\$10,000		\$0	\$10,000
Design	\$40,000		\$0	\$40,000
Planning	\$5,000		\$0	\$5,000
Basic Engineering Services Total	\$55,000	32.4%	\$0	\$55,000
Special Services				
Application	\$10,000		\$0	\$10,000
Environmental	\$10,000		\$0	\$10,000
Inspection	\$2,500		\$0	\$2,500
Permits	\$5,000		\$0	\$5,000
Surveying	\$0		\$10,000	\$10,000
Testing	\$10,000		\$0	\$10,000
Special Services Total	\$37,500	22.1%	\$10,000	\$47,500
Other				
Other (Describe) - TDA Grant Administration	\$0		\$35,000	\$35,000
Other Total	\$0	0.0%	\$35,000	\$35,000
Grand Total	\$170,000	100.0%	\$390,000	\$560,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO LOOP WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH A LOAN IN THE AMOUNT OF \$170,000
WITH 100% LOAN FORGIVENESS

(15-)

WHEREAS, the Loop Water Supply Corporation (Corporation), located in Gaines County, has filed an application for financial assistance in the amount of \$170,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62690; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$170,000 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 Corporation's Water Loss Audit, completed and submitted in accordance with Texas Water Code § 16.0121 and 31 Texas Administrative Code (TAC) § 358.6, shows the Corporation has exceeded their threshold for apparent water loss, as is described in the Executive Administrator's October 2015 Water Conservation Review; and

WHEREAS, in accordance with TWC § 16.0121(g), a retail public utility providing potable water receiving financial assistance from the TWDB must use a portion of that financial assistance, or any additional financial assistance provided by the TWDB to mitigate system water loss; and

WHEREAS, prior to its current request for financial assistance from the TWDB, the Corporation has implemented a meter replacement program to mitigate its apparent water loss in the project area, replacing approximately 99 percent of the meters in the project area; and

WHEREAS, the Corporation is requesting a waiver from the TWDB of the requirement in TWC § 16.0121(g) that a portion of the financial assistance received from the TWDB in this commitment be used to mitigate apparent water loss of the Corporation's system because of the aforementioned mitigation measures the Corporation has undertaken; and

WHEREAS, the TWDB hereby finds:

1. that no debt obligations are to be assumed by the Corporation for the loan 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 based on the submissions of the Corporation related to mitigation of its apparent water loss, that the Corporation is satisfactorily addressing its system apparent water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the Corporations' system apparent water loss in accordance with Texas Water Code § 16.0121(g); and
7. that the Corporation meets the definition of a small water system in accordance with 31 TAC § 371.1(60) and the current Intended Use Plan, and is therefore eligible for subsidy through the DWSRF.

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

1. for the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g); and
2. a commitment is made by the TWDB to the Loop Water Supply Corporation for financial assistance in the amount of \$170,000 from the Drinking Water State Revolving Fund with 100% of the loan forgiven. This commitment will expire on June 30th, 2016.

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 Loan 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 Loan Forgiveness Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;

4. loan proceeds are public funds and, as such, the Loan 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. loan 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 Loan 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 Loan 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 Loan 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 Loan Forgiveness Agreement;
12. the Loan Forgiveness Agreement 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;
13. the Loan 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 the 2014 Federal Appropriations Act 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 Loan 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 loan is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC Chapter 371;
2. prior to closing, the Corporation shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
3. the Loan Forgiveness Agreement must include a provision stating that the Corporation shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator.

APPROVED and ordered of record this 14th day of December, 2015.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
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.

**Loop Water Corporation,
Gaines County**



CCN# 11092

Loop Water Corporation

