

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 21, 2016

TEAM MANAGER: Clay Schultz

APPLICANT	La Salle Landing Water Supply Corporation
TYPE OF ASSISTANCE	\$200,000 Loan Forgiveness
LEGAL PLEDGE	N/A; 100% Loan Forgiveness

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the La Salle Landing Water Supply Corporation (Jackson County) for \$200,000 in loan forgiveness from the Drinking Water State Revolving Fund to finance the construction of a water treatment improvement project to address high levels of arsenic.

PROJECT

Arsenic Treatment and Distribution Rehabilitation
Project Number 62691

BACKGROUND

The La Salle Landing Water Supply Corporation (Corporation) is a small public water system serving a population of approximately 90 in Jackson County. The Corporation's water system is experiencing multiple problems including high arsenic levels, resulting in an Environmental Protection Agency (EPA) Administrative Order, iron and manganese levels that exceed the Texas Commission on Environmental Quality (TCEQ) standards, aging distribution lines and the lack of individual meters. The requested funding will be used toward construction of a project to address these issues. Some project planning and design activities have been provided either at a reduced rate or *pro-bono*.

FINANCIAL

Key Issues

None.

Principal Forgiveness

The Corporation serves a population of less than 1,000, and is therefore eligible for \$200,000 in loan forgiveness from the Drinking Water State Revolving Fund (DWSRF) Very Small Systems initiative.

COMMITMENT PERIOD: THREE (3) MONTHS TO EXPIRE JUNE 30, 2016

Cost Savings

The Corporation is saving \$200,000 in loan forgiveness.

Internal Risk Score

The funding being provided by the TWDB is in the form of 100% loan forgiveness and therefore, is not subject to the risk score. For loan forgiveness in the DWSRF, TWDB staff reviews financial information and other documentation to assess the entity's ability to manage existing obligations and business practices. Based on this analysis, staff believes the Corporation has adequate capabilities to manage its obligations.

LEGAL

Key Issues

None.

CONDITIONS

Standard DWSRF loan forgiveness conditions and further conditioned as follows:

- Notification regarding sale-transfer merger;
- Executed Loan Forgiveness Agreement;
- Return surplus funds; and,
- Standard emergency discovery.

- Attachments:
1. Project Data Summary
 2. Engineering/Environmental Review
 3. Project Budget
 4. Resolution (16-)
 5. Water Conservation Review
 6. Location Map

Project Data Summary

Authority	La Salle Landing Water Supply Corporation
Program	Drinking Water Revolving Fund
Commitment Code	LF1000521
Project Number	62691
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	N/A
Revenue Pledge Level	N/A
Legal Description	\$200,000 Loan Forgiveness
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	90
Rural	Yes
Water Connections	38
Wastewater Connections	0
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Exempt (<\$500,000)
Water Rights Certification Required	No
Internal Risk Score	N/A
External Ratings (for SRF rates)	
Standard and Poor's	Not rated
Moody's	Not rated
Fitch	Not rated
Special Issues	None

Project Team

Team Manager	Clay Schultz
Financial Analyst	Javier Pena
Engineering Reviewer	Nicki Hise
Environmental Reviewer	William Alfaro
Attorney	Alexis Lorick

**La Salle Landing WSC
62691 Arsenic Treatment and Distribution
Rehab
Engineering and Environmental Review**

Engineering:

Key Issues:

None known at this time.

Project Need/Description

Need: Since 2012, the La Salle Landing Water Supply Corporation (Corporation) has been under an Environmental Protection Agency Administrative Order to implement a compliance strategy due to arsenic levels in the water supply that exceed the maximum contaminant level. Well water also contains iron and manganese levels that exceed the Texas Commission on Environmental Quality's secondary standards. In addition, the system consists of aging infrastructure and lacks individual meters.

Description: In order to bring the system into compliance and address system deficiencies, the Corporation proposes the following: install an oxidation filter and ferric oxide removal media to remove arsenic, iron, and manganese from well water; replace water lines; install ground storage and backwash tanks, customer water meters, and booster pumps; and construct a new building to house filters and equipment.

Project Schedule:

Project Task	Schedule Date
Closing	6/17/2016
Design Phase Complete	5/15/2016
Engineering Feasibility Report Completion (End of Planning Phase)	3/21/2016
Start of Construction	6/1/2016
Construction Completion	12/15/2016

Environmental:

Key Issues:

None known at this time.

Environmental Summary:

As required by 31 Texas Administrative Code §371.41, environmental review of the proposed project has been completed. A Categorical Exclusion was issued on March 8, 2016. The proposed project is in compliance with the National Environmental Policy Act.



**Project Budget
Summary**
La Salle Landing WSC
62691 - Arsenic Treatment and
Distribution Rehab

Budget Items	This Commitment	TWDB Funds	Local Funds	Total
Construction				
Construction	\$200,000	\$200,000	\$245,435	\$445,435
Subtotal for Construction	\$200,000	\$200,000	\$245,435	\$445,435
Contingency	\$0.00	\$0.00	\$54,565	\$54,565
Subtotal for Contingency	\$0.00	\$0.00	\$54,565	\$54,565
Total	\$200,000	\$200,000	\$300,000	\$500,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO LA SALLE LANDING WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH A LOAN IN THE AMOUNT OF \$200,000
WITH 100% LOAN FORGIVENESS

(16-)

WHEREAS, the La Salle Landing Water Supply Corporation, located in Jackson County (Corporation) has filed an application for financial assistance in the amount of \$200,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62691; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$200,000 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 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 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; and
7. that the Executive Administrator issued a Categorical Exclusion on March 8, 2016, such findings being subject to the standard emergency discovery conditions for threatened and

endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

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

A commitment is made by the TWDB to the La Salle Landing Water Supply Corporation for financial assistance in the amount of \$200,000 from the Drinking Water State Revolving Fund with 100% of the loan forgiven. This commitment will expire on June 30, 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; and

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:

16. the Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by a sale-transfer-merger with another retail public utility;
17. prior to closing, the Corporation shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
18. 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; and
19. the Corporation must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator.

APPROVED and ordered of record this 21st day of March, 2016.

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.

La Salle Landing WSC, Jackson County

