Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: June 4, 2020 **Team Manager:** Jeff Taylor

ACTION REQUESTED
Approve by resolution a request from Presidio County Water Improvement District #1 dba Redford Water Supply (Presidio County) for $300,000 in principal forgiveness from the Drinking Water State Revolving Fund (DWSRF) for: a) planning, design, and construction of a water system improvement project; and b) a waiver from the requirement to include funds to mitigate water loss as a part of this project.

STAFF RECOMMENDATION
☒ Approve ☐ No Action

BACKGROUND
Presidio County Water Improvement District #1 dba Redford Water Supply (District) is located 16 miles southeast of the City of Presidio. The District provides water and wastewater service to approximately 82 residents with 33 connections.

PROJECT NEED AND DESCRIPTION
The District is currently under enforcement with the Texas Commission on Environmental Quality (TCEQ) for exceeding the maximum contaminant level (MCL) for arsenic. The District has attempted blending water from its two existing wells but has been unsuccessful at consistently meeting the MCL.

The District proposes to plan, design, and construct an arsenic removal treatment plant to bring the District into compliance with the MCL for arsenic. An asset management plan will also be developed.

PROJECT SCHEDULE

Task	Schedule Date
Closing	October 31, 2020
Engineering Feasibility Report Completion (End of Planning Phase)	October 31, 2020
Design Phase	April 30, 2021
Start of Construction	August 31, 2021
Construction Completion	February 28, 2022

KEY ISSUES
The District qualifies for $300,000 in principal forgiveness as a disadvantaged community under the Very Small System/Urgent Need – Securing Safe Water Initiative.

COMMITMENT PERIOD: FOUR (4) MONTHS TO EXPIRE OCTOBER 31, 2020.

The District worked with Communities Unlimited in preparation of this funding request. Communities Unlimited is committed to continue providing technical assistance and board training to the District through the life of the DWSRF project.

The District and the TWDB received a letter from TCEQ with the capacity assessment report results. The TCEQ capacity assessment report states that the District has the financial, managerial and technical capacity to proceed with the proposed project.

In addition, the District's newly appointed board president has recently earned the Basic Water Works Operations certificate in an effort to add skill-based continuity and longevity to the board.

The District is requesting a waiver from mitigating its water loss in order to focus on this project for arsenic removal treatment. After completion of this project, the District would like to use any remaining funds to replace customer meters. While some customer meters have been reportedly replaced, many of the meters are old and have not been tested for accuracy or been calibrated. Meters at two production wells were replaced two years ago, improving accountability and providing better data as to system water input. The District has discussed a meter replacement project with the North American Development Bank (NADB) as part of a joint project with the City of Presidio and the Candelaria Water Supply Corporation as the efficiency of bidding and completing separate projects can be difficult for small and remote systems. Before this can happen the NADB recommended that other projects be completed first. After completion of this project, the District would like to use any remaining funds to replace customer meters. TWDB conservation staff recommends that the District submit a water loss audit for 2019 in order to continue to track any progress made. Staff believes that the District has started to take steps to improve accountability within its system with the replacement of its production meters.

LEGAL

Special Conditions

- Conversion and conveyance;
- Water loss waiver;
- Principal Forgiveness Agreement;
  and,
- Return of surplus of funds.

FINANCIAL

Risk Score: N/A

The Texas Water Development Board (TWDB) will provide funding in the form of 100 percent principal forgiveness; therefore, the District is not subject to a risk score analysis.

To determine the District's business practices and its ability to manage existing obligations, staff reviewed unaudited profit/loss statements, two years of bank statements, and the funding application information. The District does not have any debt and maintained consistent operational expenses from 2017 to 2019. For a very small District, it has demonstrated the ability to maintain detailed information on deposits and expenses.

Cost Savings

Based on 100 percent principal forgiveness, the Corporation will save $300,000 over the life of the commitment.

Attachments:

1. Project Data Summary
2. Project Budget
3. Resolution (20-)
4. Water Conservation Review
5. Water Loss Waiver
6. Location Map

Texas Water Development Board

Project Data Summary

Attachment 1

Responsible Authority	Presidio County Water Improvement District #1 dba Redford Water Supply
Program	DWSRF
Commitment Number	LF1001126
Project Number	62885
List Year	2020
Type of Pledge	N/A
Pledge Level (if applicable)	N/A
Legal Description	$300,000 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
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	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Exempt ($500,000 or less)
Overall Risk Score	N/A

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
Jeff Taylor	Connie Lopez	Alyssa Azari	Chris Caran	Breann Hunter

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Project Budget Summary

Presidio County Water Improvement District #1 dba Redford Water Supply
62885 - Arsenic Removal Treatment

Budget Items	This Commitment	Total
Construction		
Construction	$222,000.00	$222,000.00
Subtotal for Construction	**$222,000.00**	**$222,000.00**
Basic Engineering Services		
Construction Engineering	$10,000.00	$10,000.00
Design	$23,000.00	$23,000.00
Planning	$8,400.00	$8,400.00
Subtotal for Basic Engineering Services	**$41,400.00**	**$41,400.00**
Special Services		
Environmental	$6,000.00	$6,000.00
Inspection	$5,000.00	$5,000.00
O&M Manual	$1,100.00	$1,100.00
Pilot Testing	$6,000.00	$6,000.00
Water Conservation Plan	$1,000.00	$1,000.00
Subtotal for Special Services	**$19,100.00**	**$19,100.00**
Fiscal Services		
Fiscal/Legal	$2,500.00	$2,500.00
Subtotal for Fiscal Services	**$2,500.00**	**$2,500.00**
Contingency		
Contingency	$15,000.00	$15,000.00
Subtotal for Contingency	**$15,000.00**	**$15,000.00**
Total	$300,000.00	$300,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO THE PRESIDIO COUNTY WATER IMPROVEMENT DISTRICT #1 DOING BUSINESS AS REDFORD WATER SUPPLY FROM THE DRINKING WATER STATE REVOLVING FUND THROUGH $300,000 IN PRINCIPAL FORGIVENESS

(20 -)

WHEREAS, the Presidio County Water Improvement District #1 doing business as Redford Water Supply, located in Presidio County (District) 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. 62885; and

WHEREAS, the District 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;

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 District is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the District's system water loss in order to focus on this project for arsenic removal treatment.

WHEREAS, the TWDB hereby finds:

1. that no debt obligations are to be assumed by the District for the financial assistance and no taxes or revenues are required to be pledged by the District;

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 District is exempt from requirements to adopt a water conservation program because the TWDB's financial assistance will be $500,000 or less;

4. that based on the conditions, as described above, that the District is satisfactorily addressing the District's system 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 District's system water loss in accordance with Texas Water Code § 16.0121(g); and

5. that the project qualifies as an Urgent Need project in accordance with the applicable Intended Use Plan and 31 TAC § 371.21(f) and is eligible for principal forgiveness in the amount of $300,000; and

6. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the District 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 Presidio County Water Improvement District #1 doing business as Redford Water Supply 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 October 31, 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 District's compliance with all applicable requirements contained in 31 TAC Chapter 371;

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

4. the District 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 District 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 District 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 District 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 District, 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 District 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 District 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;

<u>State Revolving Fund Conditions</u>

11. the District 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 District, 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 District 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 District 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 District will adhere to the approved project schedule; and

15. the Principal Forgiveness Agreement must contain a covenant that the District 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 District 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; and

17. prior to the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District 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:

18. the Obligations must include a provision requiring that the District will provide the TWDB with such additional information, reports, statements and certifications with respect to the Obligations that the TWDB may from time to time reasonably request;

19. The Principal Agreement must include a provision stating that the District shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and

20. during construction of the Project, the District 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 4th Day of June, 2020.

TEXAS WATER DEVELOPMENT BOARD

_____
Peter M. Lake, Chairman

DATE SIGNED: _____

ATTEST:

_____
Jeff Walker Executive Administrator

☑ Water
☐ Wastewater
☐ Other

Attachment 4

WATER CONSERVATION REVIEW

Entity: Redford Water Supply

Review date: May 2020

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

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

WATER LOSS AUDIT YEAR: 2018

Total water loss (GPCD): 29
Total no. of connections: 40
Total water loss (percent): 13
Length of mains (miles): 3
Wholesale Water ☐
Connections per mile: 13

If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (*ILI*): NA

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 :	45	176	NA	23	1,600	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	NA	NA	NA	NA	NA	NA

Does the applicant meet Water Loss Threshold requirements? Yes ○ No ● NA ○

ADDITIONAL INFORMATION:

The water supply is above its threshold for apparent water loss. Its 2018 Water Loss Audit reports a customer meter accuracy of 90 percent. It is a very small rural system of only 40 connections. The water supply has requested a waiver from including funds to mitigate its water loss as part of this project. While some customer meters have been reported to be replaced, many of the meters are old and have not been tested for accuracy or been calibrated. Meters at two production wells were replaced two years ago, improving accountability and providing better data as to system water input. The water supply has discussed a meter replacement project with the North American Development Bank (NADB) as part of a joint project with the City of Presidio and the Candelaria Water Supply Corporation as the efficiency of bidding and completing separate projects can be difficult for small and remote systems. Before this can happen the NADB recommended that other projects be completed first.

STAFF NOTES AND RECOMMENDATIONS:

The water supply's request for financial assistance is less than $500,000; therefore, a water conservation plan is not required.

The water supply is requesting a waiver from mitigating its water loss in order to focus on this project for arsenic removal treatment. After completion of this project, the water supply would like to use any remaining funds to replace customer meters. TWDB conservation staff recommends that the water supply submit a water loss audit for 2019 in order to continue to track any progress made. Staff believes that the water supply has started to take steps to improve accountability within its system with the replacement of its production meters.

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 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.

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.

Redford Water Supply

PO Box 136, Redford, TX 79846

Mr. Jeff Walker, Executive Administrator
Texas Water Development Board
Water Supply & Infrastructure - Regional Water Planning and Development
Stephen F. Austin Building
1700 N. Congress Avenue, 5th Floor
Austin, Texas 78711-3231

Dear Mr. Walker:

We are writing to formally **request a water loss waiver** for our Drinking Water State Revolving Fund application to the Texas Water Development Board (TWDB) for the Arsenic removal treatment system for our community drinking water system to meet the TCEQ Agreed Order of August 2015 to meet Safe Drinking Water Act standards for the arsenic maximum contaminant level.

With assistance of Communities Unlimited, we compiled monthly well production reports and customer meter usage for the required three years of water use surveys and water loss audits for the TWDB application. In July 2017, the two well master meters were replaced providing improved accuracy of well production data. While some customer meters have been replaced, most are very older and have not had meters calibrated. The cause for this waiver request is that Redford Water exceeds the limit for "normalized apparent losses." This appears to derive from the 90.0% accuracy assumption for the older (but not recently calibrated/measured) customer meters.

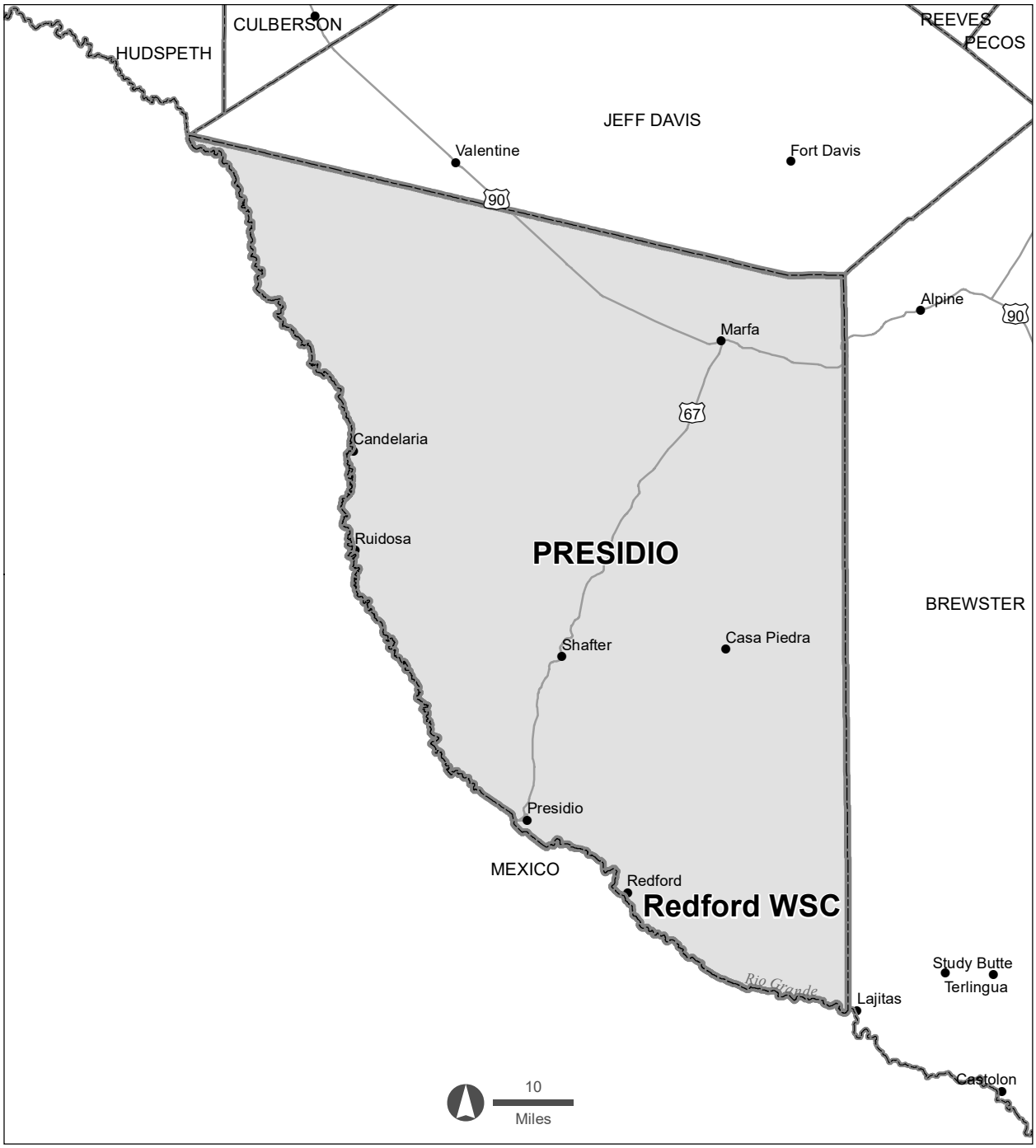
We have had discussions with staff for the North American Development Bank, and a project is proposed that would jointly work on a meter replacement project for Redford Water System, Candelaria WSC, and the portion of City of Presidio meters that have not yet been updated. This project is not yet applied for or funded, but seems a strong option for financing replacement of customer meters. Redford Water requests a waiver of the Water Loss requirements in order to focus the DWSRF funding on the arsenic removal treatment. If funds did remain available after completion of the arsenic removal treatment, then replacement of any customer meters would be an excellent idea for remaining funds if TWDB could allow this.

Redford Water Supply is working on several fronts to decrease the water loss in our system. This is an important issue and we have made it one of our top objectives. Some of the most significant things we are currently doing include:

Replacement of the well master meters completed in 2017 and in the near future of customer meters to help us to gain a better understanding of where the water is going in the water system, provide accurate reports to the TWDB, and help reduce any water loss. Redford Water Supply also makes efforts to identify actual leaks and repair them when found.

The Redford Water Supply Board and community appreciate TWDB's efforts to help the water suppliers in Texas continue to meet the needs of their citizens. Please feel free to contact our office if you have any questions.

Charles Angell
Board President
Redford Water Supply

Redford Water Supply

Presidio County