

# Texas Water Development Board

## PROJECT FUNDING REQUEST

**BOARD DATE:** November 9, 2023

**Team Manager:** Tom Barnett

### ACTION REQUESTED

Consider approving by resolution a request from the Barton Water Supply Corporation (Erath and Palo Pinto Counties) to authorize a \$1,140,000 increase in financial assistance from the Drinking Water State Revolving Fund for costs related to a water system improvement project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The Barton Water Supply Corporation (Corporation) provides water service to a primarily rural area in northern Erath County and southern Palo Pinto County, north of the City of Stephenville. The Corporation has 342 water connections and a service population of approximately 697.

### PROJECT NEED AND DESCRIPTION

The Corporation has been cited by the Texas Commission on Environmental Quality (TCEQ) for low pressure, capacity issues, and disinfection residuals within its distribution system. Aged electrical and control systems at existing pump stations have added to the difficulty in maintaining the distribution system. To help address pressure and capacity issues, the Corporation needs to reactivate Pump Station No. 5.

The Corporation is proposing to rehabilitate Pump Station No. 5, including replacing pumps, adding a 30,000-gallon storage tank, 3,000-gallon pressure tank, electrical upgrades, Supervisory Control and Data Acquisition (SCADA) improvements, and upgrades to the chloramine disinfection system to address the pressure, capacity, and disinfection residual issues in the service area near the pump station.

The Corporation previously received funding for this project from the Drinking Water State Revolving Fund (DWSRF) in 2018 and is now requesting additional funds to address a budget shortfall due to escalated construction costs.

<b>COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE NOVEMBER 30, 2024</b>
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## **PROJECT SCHEDULE**

<b>Task</b>	<b>Schedule Date</b>
Closing	February 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	March 15, 2024
Design Phase Completion	May 15, 2024
Start of Construction	August 15, 2024
Construction Completion	May 15, 2025

## **KEY ISSUES**

The Corporation is requesting funding from the 2023 DWSRF Project Reserve dedicated to existing projects with cost increases. The Corporation previously received a commitment in 2018 for \$300,000 in principal forgiveness. This request is for additional funds resulting from cost increases to the original project. The Corporation procured a new consulting engineering firm in 2022 and has requested additional planning and design funding to prepare a new engineering feasibility report and plans & specifications for the project.

## **LEGAL/SPECIAL CONDITIONS**

- Conversion and conveyance

### Attachments:

1. Financial Review
2. Project Budget
3. Resolution (23- )
4. Resolution No. 18-038
5. Water Conservation Review
6. Location Map

# Financial Review Barton WSC

Attachment 1

Risk Score: 2C

Audit Reviewed: FY 2022

## Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	Erath County: 0.11%	State: 1.49%
Top 10 Customers % of Total Revenue	7%	10-15%
Median Household Income as % of State	69%	100%
Days of Cash on Hand (3-year Average)	180 days	30-149 days
Net Fixed Assets/ Annual Depreciation	11 years	12-24 years
Debt Service Coverage Ratio	0.01x	1.0x
Debt-to-Operating Revenues	1.95	4.00-5.99x
Unemployment Rate (August, 2023)	Erath County: 4.00%	State: 4.50%
Working Capital Ratio	5.4	> 1.0

### Key Risk Score Strengths

- A high working capital ratio provides the Corporation with sufficient resources to cover short-term liabilities and shows a strong liquidity position.
- The Corporation has a low debt-to-operating revenues ratio due to having very little outstanding debt.
- The Corporation's days of cash on hand is above the benchmark, indicating it can cover any potential surges in expenses, if needed.

### Key Risk Score Concerns

- The Corporation has a 0.01 debt service coverage ratio based on their 2022 financial audit. However, this does not include a \$10.32 rate increase that the Corporation implemented in June 2023. To meet the 1.0 required coverage ratio, the Corporation will need to increase its water rates by an additional \$1.68 in 2025, and to a maximum of \$11.61 by 2028.
- The Corporation has a high projected household cost factor due to the existing high water rates and the need for additional rate increases. The majority of the projected rate increases will not be needed until 2026, when the project is expected to be completed and system capacity will be increased. The number of connections have increased by 25 since 2020, and are expected to continue to increase. Any new customers would lessen the impact of the projected rate increases on the existing customer base.

### PLEDGE

Legal Pledge Name	Water System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

**RATES AND CHARGES**

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2028)	Current Household Cost Factor	Projected Household Cost Factor
Water	4,874	\$128.00	\$139.61	4.59	4.91

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the Corporation could save approximately \$319,401 over the life of the financing.

<b>Responsible Authority</b>	Barton WSC
<b>Program</b>	DWSRF
<b>Commitment Number</b>	L1001724
<b>Project Number</b>	62792
<b>List Year</b>	2023
<b>Type of Pledge</b>	Revenue Pledge
<b>Pledge Level (if applicable)</b>	First Lien
<b>Legal Description</b>	\$1,140,000 Barton Water Supply Corporation Taxable Loan 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>	No
<b>State Revolving Fund Type</b>	Non-Equivalency
<b>Financial Managerial &amp; Technical Complete</b>	Yes
<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>	Approvable
<b>Overall Risk Score</b>	2C

### PROJECT TEAM

<b>Team Manager</b>	<b>Financial Analyst</b>	<b>Engineering Reviewer</b>	<b>Environmental Reviewer</b>	<b>Attorney</b>
Tom Barnett	Jacob Berdoll	Roshan Pokhrel	Tim Harlow	Marshall Walters

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Barton WSC

\$1,140,000 Barton Water Supply Corporation Taxable Loan Agreement

<b>Dated Date:</b>	2/1/2024	<b>Source:</b>	DWSRF-NON-EQUIVALENCY
<b>Delivery Date:</b>	2/1/2024	<b>Rate:</b>	4.49%
<b>First Interest:</b>	8/1/2024	<b>IUP Year:</b>	2022
<b>First Principal:</b>	2/1/2026	<b>Case:</b>	Revenue
<b>Last Principal:</b>	2/1/2045	<b>Admin.Fee:</b>	\$22,353
<b>Fiscal Year End:</b>	12/31	<b>Admin. Fee Payment Date:</b>	2/1/2024
<b>Required Coverage:</b>	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$1,140,000 ISSUE				TOTAL DEBT SERVICE	TOTAL DEBT COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$27,731	\$2,654	\$0	-	\$25,077	\$25,077	\$27,731	1.00
2025	50,154	-	-	-	50,154	50,154	50,154	1.00
2026	89,330	-	40,000	4.12%	49,330	89,330	89,330	1.00
2027	89,330	-	40,000	4.16%	47,674	87,674	87,674	1.02
2028	90,933	-	45,000	4.04%	45,933	90,933	90,933	1.00
2029	90,933	-	45,000	4.10%	44,101	89,101	89,101	1.02
2030	90,933	-	45,000	4.12%	42,252	87,252	87,252	1.04
2031	90,933	-	50,000	4.13%	40,292	90,292	90,292	1.01
2032	90,933	-	50,000	4.10%	38,235	88,235	88,235	1.03
2033	90,933	-	50,000	4.19%	36,162	86,162	86,162	1.06
2034	90,933	-	55,000	4.31%	33,929	88,929	88,929	1.02
2035	90,933	-	55,000	4.33%	31,553	86,553	86,553	1.05
2036	90,933	-	55,000	4.38%	29,158	84,158	84,158	1.08
2037	90,933	-	60,000	4.40%	26,634	86,634	86,634	1.05
2038	90,933	-	60,000	4.44%	23,982	83,982	83,982	1.08
2039	90,933	-	65,000	4.59%	21,158	86,158	86,158	1.06
2040	90,933	-	65,000	4.61%	18,168	83,168	83,168	1.09
2041	90,933	-	70,000	4.61%	15,056	85,056	85,056	1.07
2042	90,933	-	70,000	4.62%	11,826	81,826	81,826	1.11
2043	90,933	-	70,000	4.63%	8,588	78,588	78,588	1.16
2044	90,933	-	75,000	4.64%	5,228	80,228	80,228	1.13
2045	90,933	-	75,000	4.65%	1,744	76,744	76,744	1.18
		\$2,654	\$1,140,000		\$646,229	\$1,786,229	\$1,788,883	

AVERAGE (MATURITY) LIFE	12.61 YEARS
NET INTEREST RATE	4.494%
COST SAVINGS	\$319,401
AVERAGE ANNUAL REQUIREMENT	\$81,192

*Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.*



**Project Budget Summary**  
**Barton WSC**  
**62792 - Water System Improvements**  
**Additional Cost Overrun Commitment**

Budget Items	Previous Commitments	New Commitment	Total
<b>Construction</b>			
Construction	\$200,000.00	\$723,000.00	\$923,000.00
<b>Subtotal for Construction</b>	<b>\$200,000.00</b>	<b>\$723,000.00</b>	<b>\$923,000.00</b>
<b>Basic Engineering Services</b>			
Planning	\$13,500.00	\$20,000.00	\$33,500.00
Design	\$20,000.00	\$42,000.00	\$62,000.00
Construction Engineering	\$5,000.00	\$25,000.00	\$30,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$38,500.00</b>	<b>\$87,000.00</b>	<b>\$125,500.00</b>
<b>Special Services</b>			
Application	\$5,000.00	\$5,000.00	\$10,000.00
Surveying	\$0.00	\$10,000.00	\$10,000.00
Geotechnical	\$0.00	\$8,000.00	\$8,000.00
Testing	\$0.00	\$15,000.00	\$15,000.00
Permits, TCEQ Coordination	\$0.00	\$5,000.00	\$5,000.00
Inspection	\$10,000.00	\$86,000.00	\$96,000.00
O&M Manual	\$0.00	\$10,000.00	\$10,000.00
Project Management (by engineer)	\$0.00	\$20,000.00	\$20,000.00
Environmental	\$2,500.00	\$0.00	\$2,500.00
<b>Subtotal for Special Services</b>	<b>\$17,500.00</b>	<b>\$159,000.00</b>	<b>\$176,500.00</b>
<b>Fiscal Services</b>			
Fiscal/Legal	\$8,000.00	\$9,000.00	\$17,000.00
Bond Counsel	\$0.00	\$40,000.00	\$40,000.00
Financial Advisor	\$10,000.00	\$24,500.00	\$34,500.00
Issuance Costs	\$0.00	\$1,000.00	\$1,000.00
Loan Origination Fee	\$0.00	\$22,353.00	\$22,353.00
<b>Subtotal for Fiscal Services</b>	<b>\$18,000.00</b>	<b>\$96,853.00</b>	<b>\$114,853.00</b>
<b>Contingency</b>			
Contingency	\$26,000.00	\$74,147.00	\$100,147.00
<b>Subtotal for Contingency</b>	<b>\$26,000.00</b>	<b>\$74,147.00</b>	<b>\$100,147.00</b>
<b>Total</b>	<b>\$300,000.00</b>	<b>\$1,140,000.00</b>	<b>\$1,440,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$1,140,000 TO THE BARTON WATER SUPPLY CORPORATION  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
A PROMISSORY NOTE IN THE AMOUNT OF  
\$1,140,000 AND EXECUTION OF A LOAN AGREEMENT

(23 - )

Recitals:

The Barton Water Supply Corporation (Corporation) has filed an application for financial assistance in the amount of \$1,140,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62792.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of a Promissory Note in the amount of \$1,140,000 and execution of a Loan Agreement, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The Corporation has offered a pledge of a lien on the gross revenues of the Corporation and a first lien mortgage on the system of the Corporation as sufficient security for the repayment of the Obligations.

Findings:

1. The revenue pledged by the Corporation will be sufficient to meet all the Obligations assumed 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. that the Corporation has adopted and implemented a water conservation program 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 Corporation has completed 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 Barton Water Supply Corporation for financial assistance in the amount of \$1,140,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of a Promissory Note in the amount of \$1,140,000 and execution of a Loan Agreement. This commitment will expire on November 30, 2024.

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. Prior to closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator.
3. This commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371.
4. The Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement.
5. The Corporation, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Corporation's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12.
6. The Obligations must contain a provision requiring the Corporation to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.

7. The Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the Corporation to submit a final accounting and disposition of any unused funds.
8. The Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved by the Executive Administrator.
9. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
10. Loan proceeds are public funds and, as such, the Obligations 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.
11. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must include a provision that states the City is solely responsible for liability resulting from acts or omissions of the City, 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 City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
12. Prior to closing, the Corporation shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
13. 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 under the contract, and acceptable to the Executive Administrator.

14. 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.
15. The Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
16. The TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.
17. The Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
18. The Obligations 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.
19. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

State Revolving Fund Conditions:

20. The Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
21. The Obligations 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.
22. The Obligations 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 which the Obligations are outstanding.

23. 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.
24. The Obligations 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.

Drinking Water State Revolving Fund Conditions:

25. Prior to or at closing, the Corporation shall pay an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

Water Supply Corporation Conditions:

26. The Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
  - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
  - b. a first or parity lien mortgage on the System.
27. Upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB.
28. Upon closing or within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office.

29. Prior to closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution.
30. Prior to closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary.
31. Prior to 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.
32. Prior to closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
  - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended, or repealed without the prior written consent of the Executive Administrator; and
  - b. the Corporation is a nonprofit corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.
33. Prior to closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator.
34. The Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval.

Pledge Conditions for the Loan:

35. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.
36. If the Corporation has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations.
37. The Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the Corporation certifies that the Corporation is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

Special Conditions:

38. The Corporation must notify the Executive Administrator in writing thirty (30) days prior to taking any actions to alter its legal status in any manner.
39. The Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing prior to any action by it 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 9th day of November 2023.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Brooke T. Paup, Chairwoman

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

ATTEST:

\_\_\_\_\_  
Jeff Walker, Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE  
TO BARTON WATER SUPPLY CORPORATION  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH \$300,000 IN PRINCIPAL FORGIVENESS**

**(18-038)**

WHEREAS, the Barton Water Supply Corporation, located in Palo Pinto and Erath Counties, (Corporation) 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. 62792; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$300,000 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 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 § 371.14; and

WHEREAS, the TWDB hereby finds:

1. that 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;
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 very small system in accordance with the applicable Intended Use Plan, and is therefore eligible for principal forgiveness through the DWSRF; and
7. that the Executive Administrator issued a Categorical Exclusion on October 18, 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 Barton Water Supply Corporation 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 June 30, 2018.

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 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;
4. 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;
5. financial assistance funds 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 Principal 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 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 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 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 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;
12. 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 Corporation will adhere to the approved project schedule;
13. 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;

**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 Principal 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:

16. the Corporation must notify the Executive Administrator prior to 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;
17. the Obligations must include a provision requiring that, prior to 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.
18. prior to closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
19. the Principal Forgiveness Agreement must include a provision stating that the Corporation shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and
20. the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

APPROVED and ordered of record this 21st day of March 2018.

TEXAS WATER DEVELOPMENT BOARD



\_\_\_\_\_  
Peter Lake, Chairman

DATE SIGNED: 3/21/18

ATTEST:



\_\_\_\_\_  
Jeff Walker  
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<sup>1</sup>:

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

**WATER LOSS THRESHOLDS**

Water Loss Project:

Wholesale Adjusted:

Threshold Type:

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day

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.

**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.

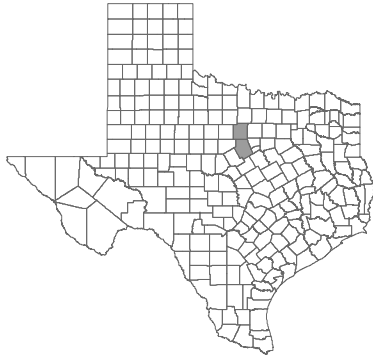
**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**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 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.

**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.



# Barton WSC Erath & Palo Pinto County

