



## PROJECT FUNDING REQUEST

**BOARD DATE:** August 15, 2024

**Team Manager:** Bill Blaik

### ACTION REQUESTED

Consider approving by resolution a request from the Angelina and Neches River Authority (Angelina County) for \$7,705,000 in grant from the Rural Water Assistance Fund for planning, acquisition, design, and construction of a water system project.

### STAFF RECOMMENDATION

☒ Approve ☐ No Action

### BACKGROUND

The Angelina and Neches River Authority (Authority) is located in Angelina County approximately 80 miles southeast of Tyler. The Authority, via Prairie Grove Utilities (PGU), provides water services to a population of approximately 578 residents.

In 2020, the Authority entered into an operations and management agreement with Prairie Grove Water Supply Corporation (Corporation) culminating in the formal acquisition of the Corporation in 2022. The system is now referred to as PGU.

### PROJECT NEED AND DESCRIPTION

The PGU water system was originally constructed in 1965 and is deficient in raw water supply, water treatment, and water line capacity. Additional capacity of water storage, pumping, and pressurization are needed to meet the Texas Commission on Environmental Quality's (TCEQ) minimum capacity requirements. The system's water treatment plant will need additional treatment components since it has been out of compliance with treatment parameters for over a decade. Many of the water lines are undersized, severely deteriorated, and in need of replacement.

The Authority recently entered into a wholesale water supply contract with the City of Diboll (City) to obtain the necessary water supply for PGU. The Authority intends to expand the system's existing pump station and water treatment plant to allow for the adequate use of the purchased raw water. The Authority proposes to construct a new ground storage tank, aeration tower, equipment building, two 5,000-gallon hydropneumatic tanks, and two 500 gallon per minute high service pumps. The Authority also intends to replace approximately 35,000 linear feet of undersized water line, construct 25,000 linear feet of new water main to loop the system to the purchased water from the City, and install approximately 250 new automatic meters to mitigate against future water loss.

<b>COMMITMENT PERIOD:</b> SIX (6) MONTHS TO EXPIRE FEBRUARY 28, 2025
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**PROJECT SCHEDULE**

Task	Schedule Date
Closing	November 3, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	November 4, 2025
Design Phase Completion	July 1, 2026
Start of Construction	October 1, 2026
Construction Completion	June 1, 2027

**KEY ISSUE**

The project qualifies as high risk as outlined in the July 23, 2024, memorandum on the Texas Water Fund Implementation Plan and is eligible for 100 percent grant funding. The funding is therefore not subject to a risk score analysis.

**LEGAL/SPECIAL CONDITIONS**

- Water rights certification
- Grant agreement

## Attachments

1. Financial Review
2. Project Budget
3. Resolution (24- )
4. Water Conservation Review
5. Location Map

<b>Responsible Authority</b>	Angelina & Neches RA
<b>Program</b>	RWAF
<b>Commitment Number</b>	G1001881
<b>Project Number</b>	62936
<b>List Year</b>	4
<b>Type of Pledge</b>	N/A
<b>Pledge Level (if applicable)</b>	N/A
<b>Legal Description</b>	\$7,705,000 Grant Agreement
<b>Tax-exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Phases Funded</b>	Planning, Acquisition, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Overall Risk Score</b>	N/A

PROJECT TEAM				
Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Bill Blaik	Rand Zeolla	Cody Cockayne	Gayla Duaine	Michael Perez



**Project Budget Summary**  
**Angelina & Neches RA**  
**62936 - Prairie Grove Utilities (FKA: Prairie**  
**Grove WSC) Water System Improvements**

Budget Items	TWDB Funds	Total
<b>Construction</b>		
Construction	\$5,202,827	\$5,202,827
<b>Subtotal for Construction</b>	<b>\$5,202,827</b>	<b>\$5,202,827</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$268,000	\$268,000
Design	\$412,000	\$412,000
Planning	\$174,000	\$174,000
<b>Subtotal for Basic Engineering Services</b>	<b>\$854,000</b>	<b>\$854,000</b>
<b>Special Services</b>		
Environmental	\$35,000	\$35,000
Surveying	\$25,000	\$25,000
<b>Subtotal for Special Services</b>	<b>\$60,000</b>	<b>\$60,000</b>
<b>Fiscal Services</b>		
Bond Counsel	\$40,000	\$40,000
Financial Advisor	\$44,273	\$44,273
Fiscal/Legal	\$9,500	\$9,500
<b>Subtotal for Fiscal Services</b>	<b>\$93,773</b>	<b>\$93,773</b>
<b>Other</b>		
Land/Easements Acquisition	\$75,000	\$75,000
Other (ANRA Construction Management)	\$520,283	\$520,283
<b>Subtotal for Other</b>	<b>\$595,283</b>	<b>\$595,283</b>
<b>Contingency</b>		
Contingency	\$899,117	\$899,117
<b>Subtotal for Contingency</b>	<b>\$899,117</b>	<b>\$899,117</b>
<b>Total</b>	<b>\$7,705,000</b>	<b>\$7,705,000</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO  
ANGELINA AND NECHES RIVER AUTHORITY  
FROM THE RURAL WATER ASSISTANCE FUND  
IN AN AMOUNT OF \$7,705,000 THROUGH THE EXECUTION OF A GRANT  
AGREEMENT IN THE AMOUNT OF \$7,705,000

(24 - \_\_)

Recitals:

The Angelina and Neches River Authority (Authority), located in Angelina County, filed an application for financial assistance in the amount of \$7,705,000, to finance certain water system improvements, identified as Project No. 62936.

The Authority seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$7,705,000 through execution of a Grant Agreement, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

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 § 363.16, 363.43 and 365.23.

The Board is authorized to transfer \$7,705,000 from the Texas Water Fund to the Rural Water Assistance Fund, as authorized by Texas Water Code § 15.504(a), to finance the Project.

In accordance with Texas Water Code § 15.995, the TWDB has considered all matters required by law and in particular the following:

1. The needs of the area to be served by the project, the benefit of the project to the area, the relationship of the project to the overall statewide water needs, and the relationship of the project to the approved regional and state water plans.

Findings:

1. The public interest is served by state assistance for the project, in accordance with Texas Water Code § 15.995(d).
2. No debt obligations are to be assumed by the Authority for the financial assistance and no taxes or revenues are required to be pledged by the Authority in accordance with Texas Water Code § 15.995(d).
3. The Authority 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 TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and that 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. A current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Authority 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 Angelina and Neches River Authority for financial assistance in the amount of \$7,705,000 from the Rural Water Assistance Fund to be evidenced by a Grant Agreement that is funded by a transfer of \$7,705,000 from the Texas Water Fund. This commitment will expire February 28, 2025.

The commitment is conditioned as follows:

Standard Conditions:

1. The commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.
2. The commitment is contingent upon the Authority's continued compliance with all applicable laws, rules, policies, and guidance (as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement), including but not limited to 31 TAC Chapter 363 and 365.
3. The Authority must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

The Following Conditions Must Be Included in the Grant Agreement:

4. The Grant Agreement must provide that the Authority will comply with all applicable TWDB laws and rules related to the financial assistance.
5. The Grant Agreement must provide that the Authority 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.
6. The Grant Agreement must provide that the Authority will not begin construction for a portion of the Project until the environmental finding has been issued for that portion of the Project.
7. The Grant Agreement must contain a provision requiring the Authority to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

8. The Grant Agreement must include a provision requiring a final accounting to be made of the total sources and authorized use of Project funds within 60 days of the completion of the Project.
9. The Grant Agreement must include a provision stating that the Authority shall return any grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the grant funds in a manner approved by the executive administrator.
10. The Grant Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Grant Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
11. Financial assistance proceeds are public funds and, as such, the Grant 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.
12. Financial assistance proceeds shall not be used by the Authority when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The Grant Agreement shall include an environmental indemnification provision wherein the Authority 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, recycling, and disposition of any contaminated sewage sludge, contaminated sediments, and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
13. The Grant Agreement must contain a provision stating that the Authority shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G.
14. Prior to release of funds for the relevant services, and if required under the TWDB's financial assistance program and if not previously provided with the application, the Authority shall submit executed contracts for engineering and, if applicable, financial advisor and legal services, 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.
15. Prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

16. Prior to release of funds for construction, the Authority must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements and rights-of-way have been completed or, with prior approval by the executive administrator if all acquisitions have not been completed, evidence that the applicant has the legal authority necessary to complete the acquisitions.

Special Conditions:

17. Before closing, the Authority shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator.
18. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Authority has the right to use the water that the project financed by the TWDB will provide.

APPROVED and ordered of record this, the 15th day of August, 2024.

TEXAS WATER DEVELOPMENT BOARD

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Brooke T. Paup, Chairwoman

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

ATTEST:

\_\_\_\_\_  
Bryan McMath, Interim 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.



## Angelina & Neches River Authority Angelina County

