



PROJECT FUNDING REQUEST

BOARD DATE: December 16, 2025

Team Manager: Bill Blaik

ACTION REQUESTED

Consider approving by resolution a) a request from the Paxton Water Supply Corporation (Shelby County) for \$2,262,970 in principal forgiveness from the Drinking Water State Revolving Fund for planning, acquisition, design, and construction of a water system project; and b) a waiver from the requirement to include funds to mitigate water loss as part of this project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The Paxton Water Supply Corporation (Corporation) is located 80 miles southeast of Tyler. The Corporation provides water services to a population of approximately 870 residents and 336 connections.

PROJECT NEED AND DESCRIPTION

The Corporation needs additional water supply capacity to meet the Texas Commission on Environmental Quality's minimum water supply capacity requirements.

The Corporation is proposing to plan, acquire, design, and construct three new water well sites. Each site includes a well, electrical service, access road, site fencing, and backup generator. The proposed project also includes approximately 11,300 linear feet of water lines to connect the wells to the associated water treatment plants. The project also includes the development of an asset management plan.

PROJECT SCHEDULE

Task	Schedule Date
Closing	April 13, 2026
Engineering Feasibility Report Completion (End of Planning Phase)	June 1, 2026
Design Phase Completion	October 1, 2026
Start of Construction	January 1, 2027
Construction Completion	August 1, 2027

KEY ISSUES

The Corporation qualifies for \$1,572,970 in principal forgiveness for being a disadvantaged community and \$690,000 for being disadvantaged small/rural community through the Drinking Water State Revolving Fund.

COMMITMENT PERIOD: FOUR (4) MONTHS TO EXPIRE APRIL 30, 2026

The Corporation qualifies for 100 percent principal forgiveness through the Drinking Water State Revolving Fund. Therefore, this funding is not subject to the Texas Water Development Board's (TWDB) internal risk score analysis. For this request, the TWDB reviewed the Corporation's annual audit and funding application information to assess the Corporation's ability to manage existing obligations and business practices. Based on this analysis, the TWDB believes the Corporation has adequate capabilities to manage its obligations.

The Corporation is requesting a waiver from having to include funds to mitigate water loss as part of the project. The Corporation is above its threshold for real loss. The Corporation is currently implementing a meter replacement program to replace all retail water meters and a leak detection program. The Corporation is also developing an Asset Management Plan. These actions will help mitigate the Corporation's real water loss, which justifies the water loss waiver.

LEGAL/SPECIAL CONDITIONS

- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds
- Notice of conveyance
- Water rights certification

Attachments:

1. Project Data Summary
2. Project Budget
3. Resolution (25-)
4. Water Conservation Review
5. Water Loss Waiver Request
6. Location Map

Responsible Authority	Paxton WSC
Program	DWSRF
Commitment Number	LF1002199
Project Number	63101
List Year	2025
Type of Pledge	N/A
Pledge Level (if applicable)	N/A
Legal Description	\$2,262,970 Principal Forgiveness Agreement
Tax-exempt or Taxable	N/A
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, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	NA

PROJECT TEAM

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



Project Budget Summary
Paxton Water Supply Corporation
63101 - Paxton Water Well Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$1,734,000	\$1,734,000
Subtotal for Construction	\$1,734,000	\$1,734,000
Basic Engineering Services		
Construction Engineering	\$15,000	\$15,000
Design	\$67,200	\$67,200
Planning	\$54,800	\$54,800
Subtotal for Basic Engineering Services	\$137,000	\$137,000
Special Services		
Application	\$17,500	\$17,500
Environmental	\$15,000	\$15,000
Inspection	\$26,400	\$26,400
Special Service Other (Corrosion Study)	\$7,500	\$7,500
Surveying	\$10,000	\$10,000
Subtotal for Special Services	\$76,400	\$76,400
Other		
Land/Easements Acquisition	\$75,000	\$75,000
Other (Asset Management Plan)	\$10,000	\$10,000
Project Legal Expenses	\$41,300	\$41,300
Subtotal for Other	\$126,300	\$126,300
Contingency		
Contingency	\$189,270	\$189,270
Subtotal for Contingency	\$189,270	\$189,270
Total	\$2,262,970	\$2,262,970

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO THE PAXTON WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH \$2,262,970 IN PRINCIPAL FORGIVENESS

(25 -)

Recitals:

The Paxton Water Supply Corporation (Corporation), located in Shelby County, has filed an application for financial assistance in the amount of \$2,262,970 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design and construction of certain water system improvements identified as Project No. 63101.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$2,262,970 with 100 percent to be forgiven, 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 § 371.13.

The Corporation is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the Corporation's system water loss because the Corporation plans to replace customer meters and implement a leak detection program.

Findings:

1. 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 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. 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 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. The Corporation has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
6. Based on the conditions, as described above, the Corporation is satisfactorily addressing the Corporation'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 Corporation's system water loss in accordance with Texas Water Code § 16.0121(g).
7. The Corporation meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of \$1,572,970. The Corporation meets the definition of a "small" or "rural" disadvantaged community in the applicable IUP and is therefore eligible for principal forgiveness in the amount of \$690,000. The Corporation is therefore eligible for principal forgiveness through the DWSRF in a total amount not to exceed \$2,262,970.

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

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g).
2. A commitment is made by the TWDB to the Paxton Water Supply Corporation for financial assistance in the amount of \$2,262,970 from the Drinking Water State Revolving Fund with 100 percent to be forgiven. This commitment will expire on April 30, 2026.

The 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 as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.
2. This commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371.
3. This commitment is contingent on the Corporation executing a Principal Forgiveness Agreement in form and substance acceptable to the Executive Administrator.
4. The Corporation shall return any principal forgiveness funds determined to be surplus funds in a manner determined by the Executive Administrator.

5. The Principal Forgiveness Agreement must contain a provision that the Corporation agrees to comply with all of the conditions set forth in the TWDB Resolution that incorporates those conditions.
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 be held at a designated state depository institution or other properly chartered 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 shall not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the project site except for an LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines OR for an EC project to address PFAs or any contaminant listed on EPA's Contaminant Candidate Lists. The Obligations must include a provision that states the Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, 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 Corporation, its contractors, consultants, agents, officials, or employees as a result of activities relating to the Project to the extent permitted by law.
9. Before 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 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.
10. Before 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 the executed agreement to the TWDB.
11. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
12. The Corporation 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).
13. Before closing, the City shall submit to the escrow agent a closing memo signed by the Executive Administrator.

State Revolving Fund Conditions:

14. The Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
15. 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 in this commitment shall insert in full, in any contract in excess of \$2,000, the contract clauses as provided by the TWDB.
16. 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 Unique Entity Identification Number and shall register with System for Award Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.
17. 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.
18. 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.
19. The Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.
20. The Principal Forgiveness Agreement must contain a covenant that the Corporation shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

Drinking Water State Revolving Fund Conditions:

21. Before 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 Obligations.

22. Before 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.

Water Supply Corporation Conditions:

23. Before 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.

Special Conditions:

24. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the Corporation has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction.
25. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must issue a written finding that the Corporation has the right to use the water that the project financed by the TWDB will provide.
26. The Corporation must notify the Executive Administrator in writing, thirty (30) days before taking any actions to alter its legal status in any manner.
27. The Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing before taking any action 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.
28. 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 16th day of December, 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

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

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

WATER LOSS AUDIT YEAR:

Validation Required:

Validation Performed:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Apparent Loss GCD

Real Loss GCD

Threshold Type:

Reported

Threshold

Reported

Threshold

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.

GMD means gallons per mile 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 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.

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 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.

Paxton Water Supply Corporation

P.O. Box 188
Joaquin, TX 75954
(936) 269-3005

August 6, 2025

Mr. Bryan McMath, Executive Administrator

Texas Water Development Board

Stephen F. Austin Building

1700 N. Congress Avenue, 5th Floor

Austin, Texas 78711-3231

Re: Paxton WSC Water Loss Waiver

Dear Mr. McMath,

We are writing to request a waiver for the water loss audit requirement under Texas Administrative Code Section 358.6(f) for our upcoming Drinking Water State Revolving Fund (DWSRF) Application for the Paxton Water Supply Corporation (WSC), Paxton Water Well Improvements Application No. 63101. The retail public utility currently exceeds its real loss water threshold. As a result, the utility is submitting a request to waive the requirement of using a portion of any financial assistance received from TWDB for a water supply project to mitigate the utility's water loss.

The Paxton WSC was developed primarily over the last forty years and is mostly constructed with older PVC pipe materials. Many portions of the system are reaching the end of their useful life and have started to present operational maintenance issues.

CURRENT AND PLANNED PROJECTS

Please find below Paxton WSC's current water loss mitigation activities being implemented as well as planned activities, along with their funding sources, that the Executive Administrator can consider when evaluating this water loss mitigation waiver request.

Paxton Water Supply Corporation

P.O. Box 188
Joaquin, TX 75954
(936) 269-3005

Current Projects

Customer Meter Replacement Program - The WSC has begun to implement a system wide meter replacement program. To date, the system has replaced 109 meters and plans to replace a total of 150 meters by the end of 2025. At the current rate, the WSC is scheduled to replace all the meters by 2030. As the meters are replaced the WSC should begin to see lower unaccounted for water loss from inoperable or inaccurate meters. The funding for these replacements is from private WSC funds. The amount that is allocated is approximately \$1,000 per meter. The board has approved these replacements.

Planned Projects

Leak Detection Program - In an attempt to identify the most problematic areas, the WSC intends to purchase audible leak detection equipment with private WSC funds within the next 90 days of this letter. This equipment will be in use by the end of 2025. The operators intend to prepare an inspection schedule of the WSC's waterline inventory and schedule detection surveys on several waterlines each month. As leaks are found, they will be documented, located, and scheduled for repairs. The board is working on a budgetary number to allocate towards these repairs. The board president is planning on presenting to the board a budget of \$215,000.00 to be approved for any water main leaks detected that require repairs in the September board meeting.

Asset Management Plan - The WSC plans to begin a more thorough asset management record keeping and will be funded with Texas Water Development loan funds which will be incorporated into the asset management plan. The asset management plan will cost Paxton WSC \$10,000. The asset management plan will track asset inventory, critical asset identification, financial strategy, and maintenance and renewal plan. The purpose is to document and track leak repairs in the hopes of identifying sections of water mains that are experiencing more frequent leaks. These mains will be moved to the top of the capital improvement program to be considered for private or state/federal funding projects. Between these two strategies the WSC hopes to significantly curtail frequent and unexpected water loss from leaks and catastrophic breaks. As previously stated, the board president is planning to bring to the board a budget to be approved for any leaks or water main maintenance during the fiscal year.

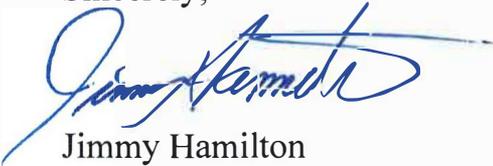
Paxton Water Supply Corporation

P.O. Box 188
Joaquin, TX 75954
(936) 269-3005

Note that per the 2024 Utility Profile, the WSC experienced an average water loss of 47 GCD from 2021 to 2023. Due to significant line leaks experienced in 2024, the WSC's water loss increased approximately 60%. Since the repairs of these leaks and prior to the meter replacement program, the water loss has returned to pre-2024 levels.

In summary, the WSC will continue to be proactive about reducing its unaccounted water loss by addressing line leaks, improving asset management, and replacing meters to reduce unaccounted water loss. The WSC values the new partnership between the TWDB and the Corporation and appreciates the funding available to finance these important water infrastructure projects. Should you require any additional information or have any questions, please give me a call at (903) 215-8990.

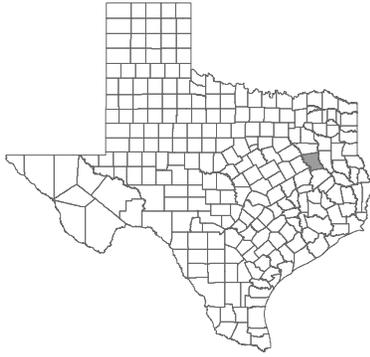
Sincerely,

A handwritten signature in blue ink, appearing to read "Jimmy Hamilton", with a long horizontal flourish extending to the right.

Jimmy Hamilton

Board President

CC: Stephens Engineering



Paxton WSC Shelby County

