

# Intended Use Plan

## Clean Water State Revolving Fund

[www.twdb.texas.gov/financial/programs/CWSRF](http://www.twdb.texas.gov/financial/programs/CWSRF)



SFY 2020

TEXAS WATER DEVELOPMENT BOARD  
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**Clean Water State Revolving Fund  
Amended SFY 2020 Intended Use Plan**

Effective Date: December 16, 2020

## Contents

I.	Overview .....	5
II.	Purpose .....	5
III.	Projects to Fund.....	6
	A. Eligible Applicants.....	6
	B. Eligible and Ineligible Use of Funds .....	6
IV.	Significant Program Changes.....	7
V.	Amount Available .....	8
VI.	Funding Options and Terms.....	11
VII.	Multi-year Commitments .....	20
VIII.	Goals .....	21
	A. Short-Term Goals .....	21
	B. Long-Term Goals.....	22
IX.	Participating in the CWSRF Program .....	22
	A. Solicitation of Project information.....	22
	B. Updating Projects from the Prior Intended Use Plan .....	23
	C. Evaluation of the Project Information Received and Priority Rating System .....	23
	D. Ranking and Creation of the Project Priority List and Initial Invited Projects List ....	25
	E. Bypassing Projects .....	26
	F. Phases for Invited Projects .....	26
	G. Invitations and Application Submissions .....	27
	H. Addressing Any Water Loss Mitigation within the Application.....	28
	I. Commitment Timeframes for Projects with Principal Forgiveness Component(s)...	28
	J. Closing Deadlines .....	28
	K. Limits .....	29
	L. Leveraging to Provide Additional Funding.....	29
	M. Funds from Prior Years.....	30
	N. Transfer of Funds .....	30
	O. Updates to the Intended Use Plan .....	30
X.	Financial Status .....	31
	A. Administration.....	31
	B. Sources of State Match.....	31
	C. Binding Commitment Requirement .....	31
	D. Cross-collateralization.....	31
	E. Inter-fund Loan / Investment.....	32
	F. Method of Cash Draw .....	33

G. Long-Term Financial Health of the Fund .....	33
H. Interest Rate Policy.....	33
I. Fees .....	34
J. EPA Program Evaluation Report and Audit.....	34
XI. TWDB Special Program Initiatives .....	34
XII. Navigating the Lists.....	38
Appendix A. Public Review and Comment.....	40
Appendix B. Projected Sources and Uses of Funds .....	42
Appendix C. Rating Criteria .....	43
Appendix D. Affordability Criteria to Determine Disadvantaged Community Eligibility.....	47
Appendix E. Federal Requirements and Assurances.....	51
Appendix F. Bypass Procedures .....	57

Texas Water Development Board rules governing the Clean Water State Revolving Fund program (Texas Administrative Code, Title 31, Part 10, Chapter 375) may be accessed online at [http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac\\_view=4&ti=31&pt=10&ch=375](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=4&ti=31&pt=10&ch=375)

## Clean Water State Revolving Fund Acronyms

<b>ACS</b>	American Community Survey
<b>ADF</b>	Average Daily Flow
<b>AIS</b>	American Iron & Steel
<b>AMHI</b>	Annual Median Household Income
<b>CWA</b>	Clean Water Act
<b>CWSRF</b>	Clean Water State Revolving Fund
<b>DWSRF</b>	Drinking Water State Revolving Fund
<b>EPA</b>	Environmental Protection Agency
<b>FFY</b>	Federal Fiscal Year
<b>GPR</b>	Green Project Reserve
<b>HCF</b>	Household Cost Factor
<b>IIP</b>	Initial Invited Projects List
<b>IUP</b>	Intended Use Plan
<b>MGD</b>	Million Gallons Per Day
<b>NEPA</b>	National Environmental Policy Act
<b>PIF</b>	Project Information Form
<b>POTW</b>	Publicly Owned Treatment Works
<b>PPL</b>	Project Priority List
<b>SFY</b>	State Fiscal Year
<b>SRF</b>	State Revolving Fund
<b>SSO</b>	Sanitary Sewer Overflow
<b>TCEQ</b>	Texas Commission on Environmental Quality
<b>TMDL</b>	Total Maximum Daily Load
<b>TWDB</b>	Texas Water Development Board
<b>WAP</b>	Watershed Action Planning
<b>WRRDA</b>	Water Resources Reform and Development Act of 2014

## I. Overview

The Clean Water State Revolving Fund (CWSRF) assists communities by providing below market-rate financing and various levels of principal forgiveness for a wide range of projects that facilitate compliance with the water pollution control requirements of the Clean Water Act (CWA). The program provides year-round funding of wastewater and other eligible projects after they have been included in the Intended Use Plan.

For State Fiscal Year (SFY) 2020, at least \$525 Million is available under the CWSRF for all financing options including \$28.6 Million in principal forgiveness. The total amount available is based on a 10-year average capacity of \$525 Million from SFY 2020 to SFY 2029. Of the total amount available, at least \$496.4 Million will be offered at subsidized interest rates or at zero percent for special funding categories. These savings directly lower the overall cost of complying with the water pollution control requirements that maintain healthy, clean water throughout the state.

The \$525,000,000 level for SFY 2020 will be allocated to the following funding options.

<b>Funding Option</b>	<b>Allocation</b>
Disadvantaged Community	\$17,000,000
Disadvantaged Community – Small / Rural only	\$2,000,000
Subsidized Green (incl. Reuse/Water Conservation)	\$4,600,000
Emergency Relief	\$5,000,000
Bonds/Loans	\$496,400,000
<b>Total</b>	<b>\$525,000,000</b>

## II. Purpose

In 1987 Congress passed federal amendments to the CWA that established the CWSRF program. The Texas Water Development Board (TWDB) is authorized by state law to administer this program for Texas. CWSRF is authorized by the CWA to provide financial assistance for the construction of publicly owned treatment works; the funding of nonpoint source projects; and the funding of estuary protection projects. Throughout this document we refer to these types of projects simply as publicly owned treatment works, nonpoint source, and estuary or estuary management projects. In addition, the Water Resources Reform and Development Act (WRRDA) of 2014 and the America's Water Infrastructure Act of 2018 increased the types of projects eligible under the CWSRF. The Water Infrastructure Improvements for the Nation Act made changes to eligibility for additional subsidization.

Annually, the State must prepare an Intended Use Plan (IUP) that describes how it intends to use CWSRF program funds to support the overall goals of the program. The IUP must contain a number of elements required by the Environmental Protection Agency (EPA) covering the operation of the CWSRF and is a central component of the TWDB's application to EPA for the capitalization grant.

The IUP contains the state's priority list of projects to receive funding under the CWSRF. This list is subdivided further into an Initial Invited Projects List (Appendix K), which represents the projects that will be invited to submit applications after Board approval of the IUP. After the initial invitation round, the remaining applications for funding under this SFY 2020 IUP will be accepted on a first-come, first-served basis throughout the year until the program reaches funding capacity.

### **III. Projects to Fund**

#### **A. Eligible Applicants**

Applicants eligible to apply for assistance include:

- Wastewater treatment management agencies, including interstate agencies and water supply corporations that have been designated and approved as a management agency in the Texas Water Quality Management Plan
- Cities, commissions, counties, districts, river authorities, or other public bodies created by or pursuant to state law that have authority to dispose of sewage, industrial waste, or other waste
- Intermunicipal, interstate, or State agencies
- Authorized Indian tribal organizations
- Private entities for nonpoint source projects or estuary projects only  
(A water supply corporation that has been designated and approved as a management agency in the Texas Water Quality Management Plan is considered a "municipality" and is therefore eligible for funding for Publicly Owned Treatment Works and other activities.)

#### **B. Eligible and Ineligible Use of Funds**

1. Examples of eligible project costs include planning, acquisition, design, and construction of projects to:
  - Create or improve wastewater treatment facilities, reuse/recycle facilities, and collection systems
  - Purchase existing wastewater treatment plants
  - Control nonpoint source pollution, including acquisition of conservation easements and permanent or long-term acquisition of water rights by entities eligible under state law that will result in a substantial public water quality benefit
  - Manage estuaries
  - Implement green projects (pursuant to EPA guidance)
  - Pay for other costs necessary to secure or issue debt
  - Purchase land necessary for construction on an eligible project
  - Manage, reduce, treat, or recapture stormwater or subsurface drainage water
  - Reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse (for a municipality or intermunicipal, interstate, or State agency only)



- Develop and implement watershed pilot projects
  - Reduce the energy consumption needs for publicly owned treatment works (for a municipality or intermunicipal, interstate, or State agency only)
  - Re-use or recycle wastewater, stormwater, or subsurface drainage water
  - Increase the security of publicly owned treatment works
  - Water meters as a water conservation measure (to address, for example, water loss if a utility's total water loss meets or exceeds the threshold established in TWDB rules.)
2. Examples of ineligible project costs include:
- Projects primarily intended to facilitate growth
  - Publicly Owned Treatment Works (POTW) (as defined in Section 212) projects for systems that are owned by a private entity or any other entity that is not considered a municipality or intermunicipal, interstate, or State agency
  - Treatment works owned or operated by a federal agency
  - Excavation, testing, remediation, or disposal of hazardous, contaminated, or potentially contaminated material

#### **IV. Significant Program Changes**

Significant program changes from the previous year's IUP are highlighted below.

1. Establishes a minimum interest rate (per maturity for bonds or for each interest payment for loans) for the Thomson Reuters Municipal Market Data (MMD) rating scale and for Non-rated securities. The minimum interest rate or floor applies to all commitments made after the effective date of the amended IUP. (Section V).
2. Under Emergency Relief funding, facilities being replaced or repaired for a disaster recovery project must be built to mitigate future damage and destruction, to the extent it is practical based on the nature of the project activities (Section VI).
3. Asset Management Program for Small Systems (AMPSS) Initiative - Subsequent Rounds - The TWDB anticipates awarding additional contracts under this initiative in SFY 2020 in a total amount to be determined during the year (Section XI).
4. Asset Management – Any eligible entity, not just small systems, may be eligible for up to \$75,000 with an interest rate of zero percent to prepare all of the Asset Management / Financial Planning tools required in the current AMPSS program's Scope of Work and deliverables (Sections VI and XI).
5. Beginning in SFY 2021, a small system eligible under AMPSS may receive an additional interest rate reduction for a portion of the TWDB funding for a project if it has implemented all of the Asset Management / Financial Planning tools required in the

current AMPSS initiative's Scope of Work and deliverables and the proposed project is included in its current plan (Section VI).

6. Multi-Year commitments are now available for projects that receive principal forgiveness under the Disadvantaged Communities funding (Section VII).
7. Goals – Continue to implement the AMPSS and CPA to Go initiatives (Section VIII).
8. A project must demonstrate to the TWDB that it is viable, feasible, and sustainable (Section IX).
9. The deadline to close a commitment that includes only principal forgiveness has been extended from three to four months (Section IX).
10. As announced in the SFY 2019 IUP, any survey being used for income determination must be completed within five years of the date the TWDB receives the Project Information Form (Section X).
11. The maximum amount that may be transferred under the ongoing cash flow transfer mechanism is increased from \$125 Million to \$150 Million (Section IX).
12. The IUP contains a detailed description of the TWDB's Asset Management Program for Small Systems and CPA to Go initiatives (Section XI).
13. Beginning with the SFY 2021 IUP, an entity that has adopted an Asset Management and Financial Planning tools within the past 5 years that contains the product deliverables under the AMPSS initiative will receive additional points (Appendix C).

## **V. Amount Available**

### **1. Allocations**

Texas is eligible for a capitalization grant from funds appropriated by Congress for Federal Fiscal Year (FFY) 2019. The TWDB will use the grant, along with other available sources of funds, to offer up to \$525,000,000 for projects in this SFY 2020 IUP. The sources of funds include the FFY 2019 capitalization grant, state match, principal and interest repayments from financial assistance, investment earnings, additional cash resources, and if demand warrants, the net proceeds from bond issues.

The CWSRF program offers subsidies in the form of below-market interest rates and additional subsidization. The additional subsidization is offered in the form of principal forgiveness to eligible disadvantaged communities, green projects, and Emergency Relief. Throughout the IUP, this principal forgiveness may be referred to as Additional

Subsidization, Disadvantaged Community funding, including Disadvantaged Community-Small/Rural only, or Subsidized Green funding.

Of the total amount made available for Additional Subsidization, an amount equal to 10 percent of the EPA capitalization grant of \$72,622,000, or \$7,262,200, may be offered to any eligible entity for any eligible activity. In accordance with WRRDA, any Additional Subsidization for the Disadvantaged Community, Disadvantaged Community – Small / Rural only, or Emergency Relief option provided in excess of this level may only be provided to a municipality or intermunicipal, interstate, or State agency. The Subsidized Green option for green projects as described above may be provided to any eligible entity.

**2. Allocations and Terms Available Under Each Funding Option:**

Funding Option	Amount	Principal Forgiveness	Interest Rates		Origination Fee
			Equivalency	Non-Equivalency	
Disadvantaged Community	\$17,000,000	30%, 50%, or 70%*	165 basis points below market with a floor (minimum interest rate)**	N/A	1.75% ***
Disadvantaged Community – Small / Rural only Principal Forgiveness	\$2,000,000	Maximum amount per project/entity varies from \$300,000 to \$500,000	N/A	N/A	N/A
Subsidized Green Principal Forgiveness	\$4,600,000	Up to 15% of CWSRF-funded Green Costs – Maximum of \$1,000,000	N/A	N/A	N/A
Emergency Relief Principal Forgiveness	\$5,000,000	Maximum amount per project varies from \$500,000 to \$800,000	N/A	N/A	N/A
Emergency Relief Loans/Bonds	\$53,000,000	N/A	N/A	0%	1.75% ***
Disadvantaged Community – Small / Rural only– Bond/Loan	\$15,000,000			0%	1.75% ***
Asset Management Bonds/Loans (AMPSS)	\$2,025,000		0%	0%	1.75%
Bonds/Loans	\$426,375,000	N/A	165 basis points below market with a floor (minimum interest rate)**	130 basis points below market with a floor (minimum interest rate)**	1.75%
<p>* Percentage of CWSRF-funded project costs remaining after subtracting other CWSRF principal forgiveness</p> <p>** Based on a level debt service schedule</p> <p>*** Not assessed on the principal forgiveness portion</p>					

**Minimum interest rates or floor** – The minimum annual interest rate (per maturity for bonds or for each interest payment for loans) for the Thomson Reuters Municipal Market Data (MMD) rating scale and for Non-rated securities for both Equivalency and Non-Equivalency funding adjusted for yield to maturity is:

AAA	AA	A	Baa and Non-rated
0.45%	0.60%	0.80%	1.10%

Bonds - basis point reduction applies to the MMD rating category that most closely correlates with the borrower’s rating or if non-rated, as further described in 31 Texas Administrative Code Chapter 375.

The minimum interest rate or floor applies to all commitments made after the effective date of the amended IUP.

**Exclusions from minimum interest rates** - the minimum interest rates do not apply to any portion of financing that is offered at zero percent (0%) in the chart above. The full benefit of the 0% financing under the respective special funding option will be incorporated into the total of the maturities for bonds or the total loan payments for loans.

**3. Allocation of Principal Forgiveness:**

<b>CWSRF SFY 2020 - Grant of \$72,622,000</b>		<b>% of Grant</b>
<b>Maximum &amp; Minimum - Principal Forgiveness</b>		
Minimum	\$7,262,200	10%
Optional Additional Amount	\$21,786,600	30%
<b>Maximum</b>	<b>\$29,048,800</b>	<b>40%</b>
<b>Current Allocation of Principal Forgiveness</b>		
Disadvantaged Community	\$17,000,000	23%
Disadvantaged Community - for Small / Rural only	\$2,000,000	3%
Subsidized Green (incl. Reuse/Water Conservation)	\$4,600,000	6%
Emergency Relief	\$5,000,000	7%
<b>Total Currently Allocated</b>	<b>\$28,600,000</b>	<b>39%</b>
<i>Additional amount that could be allocated to principal forgiveness</i>	<i>\$448,800</i>	<i>0.6%</i>
<b>Total Breakdown</b>		
Total Principal Forgiveness Allocated to Projects	\$28,600,000	39%
TWDB Administration	\$4,325,651	6%
Loans/Bonds	\$39,696,349	55%
<b>Total</b>	<b>\$72,622,000</b>	<b>100%</b>

**VI. Funding Options and Terms**

The CWSRF has two tiers of funding: Equivalency projects and Non-Equivalency projects.

**Equivalency projects (Federal Requirements)** - A portion of the CWSRF funded projects must follow all federal requirements commonly known as “cross-cutters”. This type of financial assistance is referred to broadly as “Equivalency” and offers an interest rate of 165 basis points below the market rate based on a level debt service schedule, subject to a minimum interest rate. A portion of the available Equivalency funds may be reserved for projects receiving Additional Subsidization. More information on the federal cross-cutters may be found in Appendix E.

**Non-Equivalency projects (State Requirements)** - Non-Equivalency projects are not subject to federal cross-cutter requirements, with the exception of the federal anti-discrimination laws, also known as the “super cross-cutters”. This type of assistance offers an interest rate of 130 basis points below the market rate based on a level debt service schedule, subject to a minimum interest rate.

**1. Funding Options Available:**

Entities listed on the Initial Invited Projects List (IIPL) and subsequent Project Priority Lists (PPLs) may be invited to apply for one of the following funding options.

**a. Disadvantaged Community Funding (Equivalency only)**

For an entity to qualify as a disadvantaged community, the community must meet the CWSRF’s affordability criteria based on income, unemployment rates, and population trends. In addition, the entity must be eligible to receive Additional Subsidization. (See Appendix D for full details). In summary, the Annual Median Household Income (AMHI) of the entity’s area to be served must be less than or equal to 75 percent of the State’s AMHI and the Household Cost Factor (HCF) that considers income, unemployment rates, and population trends must be greater than or equal to 1 percent if only water or sewer service is provided or greater than or equal to 2 percent if both water and sewer service are provided. The percent of principal forgiveness is based on the difference between the calculated and minimum required household cost factors. The maximum principal forgiveness as a percentage of CWSRF-funded project costs remaining after subtracting other CWSRF principal forgiveness is provided in the following table:

Household Cost Factor Difference	Principal Forgiveness as a % of CWSRF-funded project costs remaining after subtracting other CWSRF principal forgiveness
≥ 0% and < 1.5%	30%
≥ 1.5% and < 3%	50%
≥ 3%	70%

This funding option offers a financial assistance component with the interest rate subsidy and 30 percent, 50 percent, or 70 percent of the CWSRF-funded project cost in principal forgiveness. TWDB will calculate the Disadvantaged Communities principal forgiveness amount based on the amount of State Revolving Fund (SRF)-funded project costs remaining after subtracting all other CWSRF principal forgiveness funding being provided in SFY 2020 to the proposed project. (As an option at TWDB's discretion, if the CWSRF loan portion would be less than \$100,000, the entity may reduce the amount of CWSRF funds requested by the amount of the loan portion and the Disadvantaged Communities percentage calculation will be based on the amount of CWSRF-funded costs before other CWSRF program principal forgiveness amounts are subtracted from the total requested.) The maximum repayment period is 30 years. The origination fee will not be applied to project costs that are funded with principal forgiveness. Additional information may be found in Appendix D.

### **Maximum Allocation to Any Entity in SFY 2020**

Not more than 25 percent of the total regular Disadvantaged Community allocation, or \$4,250,000, may be provided to any particular entity for their projects in the SFY 2020 IUP, with one exception. If the Household Cost Factor in excess of the base (i.e., the HCF difference) for an entity's project is greater than 5 percent, the maximum amount provided would be not more than 33 percent of the total regular Disadvantaged Community allocation, or \$5,610,000.

The Household Cost Factor will be established based on the PIF, and associated Disadvantaged Community worksheets and income information, submitted by the PIF deadline for inclusion in the IUP.

#### **b. Disadvantaged Community Funding - Small / Rural only (Equivalency only)**

An entity qualified as a disadvantaged community and that additionally meets the definition of either a small community or a rural project may receive funding under this option. The entity must submit to TWDB acceptable evidence that it meets the qualification criteria to be eligible for this funding option.

Small Community – an entity serving a population of not more than 10,000.

Rural project – a project that fits any of the following:

- i. An entity that provides services predominately in a rural area. Using the U.S. Bureau of the Census definitions of a rural area, not more than 20 percent of the residential service connections are in urbanized areas and not more than 50 percent are in urban clusters according to the most recent data available to TWDB. The calculation will be based on the utility service(s) associated with the proposed project;

- ii. A project from a political subdivision with a population of 10,000 or less and located outside the extraterritorial jurisdiction of a city with a population of 500,000 or greater; or
- iii. A project in a county in which no urban political subdivision exceeds 50,000 in population based upon the most current data available from the U.S. Bureau of the Census or TWDB-approved projections.

Amount of Funding available as Principal Forgiveness and a 0% Loan

Entities may be eligible to receive 100 percent of the total project cost in principal forgiveness up to the amount specified in the chart below. The maximum amount of principal forgiveness that an entity may receive per project is based on eligibility for Disadvantaged Community funding as described in Appendix D.

If eligible project costs that would have qualified for this option exceed the maximum principal forgiveness allowable or available for the project, the entity may receive funding with an interest rate of zero percent up to the limits established in the chart below.

Disadvantaged Community - Principal Forgiveness Eligibility Percentage Level	Maximum Amount of Principal Forgiveness per Project/ Entity	Maximum Amount of 0% Loan per Project/ Entity (excluding additional funds for rounded bond increment and the associated fee financed at 0%)
30%	\$300,000	\$1,000,000
50%	\$400,000	\$2,000,000
70%	\$500,000	\$3,000,000

The definition of a “project” includes the planning, acquisition, design and construction phases. In addition, a particular recipient may only receive the maximum eligible amounts in principal forgiveness or 0% loans under this funding option in a program year for all of its projects.

Amount of funding available in SFY 2020 with an Interest Rate of Zero Percent

To ensure the long-term viability of the program, the amount of funding with an interest rate of zero percent made available during SFY 2020 is \$15 Million. The TWDB Executive Administrator may establish a higher amount consistent with maintaining the DWSRF in perpetuity and any other appropriate factors.

An entity may receive funds that are a combination of rates. For example, a portion of the funding may be available at an interest rate of zero percent and the remainder required for the project may be available at the standard reduced interest rate.

An entity allocated program funding in SFY 2020 under the regular Disadvantaged Community Funding option that is less than the eligible project costs specified in the IUP and meets either the small community or rural definition is eligible to receive principal forgiveness and a 0% loan under this option up to the maximum amounts established in the chart above. The maximum principal forgiveness amount is based on the sum of the amount received under the regular Disadvantaged Community Funding option and the remaining allowable amount received this option.

This means that an entity/project that qualifies as a small or rural disadvantaged community and is allocated the maximum of principal forgiveness under the regular Disadvantaged Community funding option (i.e., \$4,250,000 or \$5,610,000 as applicable) may not receive an additional allocation of principal forgiveness under this funding option. Similarly, an entity/project that is allocated from the regular Disadvantaged Community funds an amount greater than the amount in the chart above, such as \$1,000,000, may not receive an additional allocation of principal forgiveness under this funding option. However, an entity/project that received less than \$300,000 to \$500,000 in regular Disadvantaged Community funding, as applicable based on their disadvantaged level in the chart on the previous page, may receive the shortfall under this funding option. For example, if the small or rural disadvantaged community was allocated only \$125,000 of principal forgiveness under the regular Disadvantaged Community option yet is eligible to receive \$500,000 based on the chart above, it would be eligible to receive the remainder of \$375,000 in principal forgiveness from this funding option.

Funds not allocated by March 1, 2020 for entities and projects that qualify for this option may be re-allocated to other funding options.

**c. Subsidized Green Funding (Equivalency or Non-Equivalency)**

Entities may be eligible to receive Subsidized Green principal forgiveness if their project has elements that are considered green and the cost of the green portion of their project is 30 percent or greater than the total project cost. The project may be eligible for Additional Subsidization by implementing a process, material, technique, or technology (i) to address water-efficiency goals; (ii) to address energy-efficiency goals; (iii) to mitigate stormwater runoff; or (iv) to encourage sustainable project planning, design, and construction. This funding option offers principal forgiveness for up to 15 percent of the total CWSRF-funded eligible green component costs and is available for Equivalency or Non-Equivalency projects.

Maximum allocation – A maximum of \$1,000,000 of subsidized green funding may be provided to any project. The definition of a “project” for SFY 2020 includes the planning, acquisition, design and construction phases. Subsidized green funding received by the project prior to SFY 2019 IUP funding will not count against this limit. Additional information may be found in Appendix E.



**d. Emergency Relief Projects - (Non-Equivalency)**

Emergency Relief funding

Emergency Relief funding, as defined in 31 Texas Administrative Code (TAC) §375, may be used to address an imminent threat to public health, safety, environment, or welfare resulting from a recent disaster, as long as the activity is eligible under the CWSRF program.

Emergency Relief funding is intended to finance projects to repair essential wastewater, stormwater, or other eligible man-made infrastructure, damaged or destroyed by a recent disaster. Emergency Relief funding will only be available if the actual damage or destruction occurred within the 18 months prior to TWDB's receipt of the entity's application or Project Information Form. The purpose of this funding is to respond to an identifiable disaster event that has already occurred in order to address an imminent threat to public health, safety, environment, or welfare by restoring essential services, systems, structures, and facilities that have either been damaged or destroyed by the recent disaster, or that are at imminent risk of near-term failure due to the recent disaster. Funds will not be provided for acquisition or construction in a Special Flood Hazard Area in a community that the Federal Emergency Management Agency (FEMA) considers a sanctioned jurisdiction or area.

Eligibility for Emergency Relief funding as Principal Forgiveness and at an Interest Rate of Zero Percent

Emergency Relief funding is available in SFY 2020 with a total of \$5,000,000 available in the form of principal forgiveness and a limited amount of funding available at an interest rate of zero percent. The additional savings offered through Emergency Relief funding are designed to provide further assistance to an entity recovering from a recent natural or man-made disaster, as defined in 31 TAC §375.

The proposed project must be in accordance with all agency program requirements including 31 TAC §375 and the posted CWSRF Intended Use Plan, including meeting at least one condition within each of the following two sets of criteria:

1. An emergency situation exists:

- a. The Governor has issued a disaster declaration in that location;
- b. The President has declared a disaster or emergency exists in that location; or
- c. The facility has experienced sudden total or partial catastrophic failure due to a well-documented disaster event.

2. An imminent threat to health and safety exists:

- a. There is an existing situation or condition directly resulting from a previous disaster (associated with Item 1 above) that involves partial or total failure of eligible man-made infrastructure that threatens public health or safety; or
- b. A situation exists where, as a result of a previous disaster event (associated with Item 1 above), there is significant, new damage to eligible infrastructure that, if left uncorrected, may contribute to the complete or partial failure of a publicly owned treatment works or other eligible man-made infrastructure thereby resulting in a threat to public health or safety.

Amount of Emergency Relief Funding available as Principal Forgiveness

Entities may be eligible to receive 100 percent of the total project cost in principal forgiveness up to the amount specified in the chart below. The maximum amount of principal forgiveness that an entity may receive per project is based on eligibility for Disadvantaged Community funding as described in Appendix D.

Maximum Amount of Principal Forgiveness per Project/Entity	Disadvantaged Community - Principal Forgiveness Eligibility Percentage Level
\$500,000	0% - Project Not Eligible for Disadvantaged Community Criteria.
\$600,000	30%
\$700,000	50%
\$800,000	70%

In addition, a particular recipient may only receive the maximum eligible amount in principal forgiveness under Emergency Relief in a program year for all of its projects. If eligible project costs that would have qualified for Emergency Relief exceed the maximum principal forgiveness allowable or available for the project, the entity may receive funding for the remainder with an interest rate of zero percent for the term of the financing. The definition of a “project” includes the planning, acquisition, design and construction phases. The proposed project must not be for replacement of facilities that have failed because they exceeded their useful life or failed due to lack of adequate maintenance. Any commitment receiving Emergency Relief funds will be considered non-equivalency funds, even if the project concurrently receives Disadvantaged Community funds.

### Amount of Emergency Relief funding available with an Interest Rate of Zero Percent

To ensure the long-term viability of the program, the amount of funding made available for Emergency Relief projects with an interest rate of zero percent for SFY 2020 is \$53 Million, or such other higher amount as the TWDB Executive Administrator may establish consistent with maintaining the CWSRF in perpetuity and any other appropriate factors.

An entity may receive funds that are a combination of rates. For example, a portion of the funding may be available at an interest rate of zero percent and the remainder required for the project may be available at the standard reduced interest rate. Special terms and conditions on loan/bond financing, including the repayment terms, may be available that are not offered under other funding options.

### Emergency Relief - Disadvantaged / Small / Rural Set-aside

A portion of the total amount available under the Emergency Relief funding will be reserved for entities and projects that qualify for the Disadvantaged/Small/Rural set-aside. Entities that qualify for two out of the three criteria will be eligible for this set-aside funding. A total of 50 percent of the principal forgiveness and 20 percent of the funds with an interest rate of zero percent made available for Emergency Relief funding will be reserved for this set-aside.

Set-aside criteria:

- a. Disadvantaged Community – a entity/project eligible as described in Appendix D.
- b. Small Community – an entity serving a population of not more than 10,000.
- c. Rural project – a project that fits any of the following:
  - i. An entity that provides services predominately in a rural area. Using the U.S. Bureau of the Census definitions of a rural area, not more than 20 percent of the residential service connections are in urbanized areas and not more than 50 percent are in urban clusters according to the most recent data available to TWDB. The calculation will be based on the utility service(s) associated with the proposed project;
  - ii. A project from a political subdivision with a population of 10,000 or less and located outside the extraterritorial jurisdiction of a city with a population of 500,000 or greater; or
  - iii. A project in a county in which no urban political subdivision exceeds 50,000 in population based upon the most current data available from the U.S. Bureau of the Census or TWDB-approved projections.

Reserved funds not allocated by July 1, 2020 for entities and projects that qualify for this set-aside may be re-allocated to other projects that met the Emergency Relief funding criteria.

### Single-year commitments only

Multi-year funding commitments are not offered for Emergency Relief funding.

### Process

The applicant must identify and describe the nature of the disaster event, existing threat and provide a complete description of the proposed emergency relief project. Projects will be rated by the TWDB and added to the PPL as "Emergency Relief" projects. Emergency Relief projects submitted after the March 1, 2019 project information form submission deadline may be invited in the first round of invitations for SFY 2020 funding. To recover from a disaster, an entity may change the scope of an existing project in the IUP by simply providing the proposed new scope and budget to the TWDB without the need to submit a new Project Information Form. The Executive Administrator may bypass projects to provide funding to Emergency Relief projects. An Emergency Relief project may qualify and receive Disadvantaged Community and Subsidized Green funding concurrently, provided funding is available.

### Mitigation

Facilities being replaced or repaired for an Emergency Relief disaster recovery project must be built to mitigate future damage and destruction, to the extent it is practical based on the nature of the project activities.

### Co-funding

CWSRF funds may only be used for project costs that are reasonable and necessary and must not result in the entity receiving a duplication of benefits from other sources, including the U.S. Housing and Urban Development Community Development Block Grant (CDBG) Disaster Recovery or FEMA grant funds. A duplication of benefits occurs when an entity receives and permanently retains funding to cover the same cost from more than one entity or source. Reimbursement of interim financing is not a duplication of benefits. Entities that anticipate being reimbursed for a portion of their project with a federal source such as the Federal Emergency Management Agency's Public Assistance funding must follow the federal procurement rules found in 2 CFR Part 200 and other federal requirements.

**e. Asset Management – Bonds/Loans (AMPSS Scope of Work) (Equivalency or Non-Equivalency)**

An eligible entity, not just small system, may be eligible for up to \$75,000 with an interest rate of zero percent to prepare all of the Asset Management / Financial Planning tools required in the current AMPSS program's Scope of Work and deliverables as described in Section XII. The entity's asset management program may include enhancements or tools that extend beyond the minimum requirements of the AMPSS program's Scope of Work. Any zero percent funding would be blended with any other repayable SRF financial assistance to create one interest rate on the bond or

loan. The maximum amount available for this option in SFY 2020 is \$2,025,000 (excluding the additional funds for the rounded bond increment and associated fee that may also be financed at zero percent). Allocation of any available funding at an interest rate of zero percent for this option would occur concurrently with the allocation of any other funding for the project.

**f. AMPSS – Additional Interest Rate Reduction**

Beginning in SFY 2021, a small system eligible under AMPSS may receive an additional interest rate reduction for a portion of the TWDB funding for a project if it has implemented all of the Asset Management / Financial Planning tools required in the current AMPSS initiative's Scope of Work and deliverables as described in Section XII and the proposed project is included in its current plan. The small system's asset management program may include enhancements or tools that extend beyond the minimum requirements of the AMPSS initiative's Scope of Work. The total amount of funding available in SFY 2021 with an additional interest rate reduction may be limited.

**g. Bond/Loan Funding (Equivalency or Non-Equivalency)**

All entities listed on a PPL that are invited to submit an application are eligible for funding Equivalency or Non-Equivalency projects through the TWDB's purchase of the entity's bonds or through a loan agreement.

An origination fee of 1.75 percent is assessed at closing on the portion of a commitment that requires repayment. The origination fee does not apply to any principal forgiveness amounts. The financial assistance recipient has the option of financing the origination fee or paying this fee up front at closing.

An entity may receive Disadvantaged Community, Disadvantaged Community – Small/Rural only, and Subsidized Green principal forgiveness concurrently with a bond or loan.

**2. Terms of Financial Assistance**

Financing may be offered for a term of up to 30 years for the planning, acquisition, design, and/or construction phases according to TWDB determined guidelines and in accordance with the CWA. The term of financial assistance offered may not exceed the projected useful life of an eligible project.

**3. Federal Requirements on Available Funds**

All funds are subject to certain federal requirements such as the (a) Davis-Bacon Act prevailing wage provision, (b) National Environmental Policy Act (NEPA)-like environmental review, (c) Generally Accepted Accounting Principles, (d) Cost and Effectiveness Analysis (for municipality or intermunicipal, interstate, or State agencies only) and (e) American Iron and Steel requirements.

A portion of the CWSRF funds, in an amount at least equal to the federal capitalization grant, must follow all federal cross-cutters. These CWSRF-funded projects are referred to as Equivalency projects. The federal cross cutters that apply to Equivalency projects include compliance with EPA's Disadvantaged Business Enterprise program administered by TWDB. Equivalency projects receive an additional interest rate reduction of 35 basis points over the 130-basis point reduction for non-equivalency projects, subject to a minimum interest rate. Equivalency projects must also follow the requirements associated with Architectural and Engineering contracts funded directly with CWSRF and the EPA signage requirements. Furthermore, a recipient of a loan through a loan agreement for a project that involves the repair, replacement, or expansion of a POTW must develop and implement a fiscal sustainability plan or certify that it has already developed and implemented a fiscal sustainability plan. This applies to a recipient of a loan only through a loan agreement and does not apply to financial assistance involving the TWDB's purchase of the recipient's bonds. (see Appendix E for details of Federal Requirements)

## **VII. Multi-year Commitments**

In SFY 2020, the CWSRF will offer multi-year commitments up to five years to assist entities that need to fund projects over a period of time. This option will provide a reliable source of capital based on a commitment structure that meets the annual capital requirements of the project. To assist in providing for long-term financial planning, the minimum interest rate reduction (e.g. 130 or 165 basis points) for the multi-year commitments will be established and locked for the five-year period based on the interest rate reduction prescribed in the IUP for the first year's commitment. If the interest rate reduction is increased for a particular year during the multi-year commitment period, the entity will receive the benefit of the increased reduction for that year. Similarly, if the loan origination fee is reduced for a particular year during the multi-year commitment period, the entity will receive the benefit of the lower loan origination fee for that year.

This option is available for projects that receive Additional Subsidization in the form of principal forgiveness except for those projects that receive Emergency Relief funding.

Multi-year commitments made after the effective date of the amended SFY 2020 IUP would use the terms in the amended IUP, including the minimum interest rate or floor, regardless of the closing date.

If an entity receives regular Disadvantaged Community funding then the TWDB would generally close on the funding for each year on a pro rata basis to retain the applicable 30%, 50% or 70% level. However, because there is a limit on the total amount of Disadvantaged Community principal forgiveness than may be received, the Executive Administrator may approve closing on a higher amount of principal forgiveness during the first and subsequent closing years. For each year, the calculation would compare the calculated principal forgiveness amount based on the applicable 30%, 50% or 70% level to the pro rata amount based on the limit for each of the five years. If the calculated amount without the limit for a particular year is greater, then that would be the maximum principal forgiveness that may close in the year. This will ensure

that the limit on the amount of Disadvantaged Community principal forgiveness does not reduce the amount of principal forgiveness that an entity selecting the multi-year option would otherwise be able to receive in a given year.

Principal forgiveness awarded as Green subsidy will be allocated on a pro rata basis over the total number of years selected. All Disadvantaged Community – Small/Rural principal forgiveness may be received in the first closing year that funds are received.

For multi-year commitments, any zero-interest funding will be closed pro-rata with any regular loan/bond funding.

Annually, prior to the development of each year's IUP, any entity receiving a multi-year commitment will be required to re-confirm their anticipated funding needs established with the initial commitment.

## **VIII.Goals**

The primary goal of the Texas CWSRF program is to restore and maintain the chemical, physical, and biological integrity of the state's waters by preventing the discharge of pollutants. In addition, the overall goals of the CWSRF program are to prevent the discharge of pollutants from point and nonpoint sources; identify and provide funding for maintaining and/or bringing publicly owned treatment works into compliance with EPA clean water standards; to support affordable and sustainable wastewater treatment processes; and to maintain the long-term financial health of the program. Specific goals to achieve those ends are listed below.

### **A. Short-Term Goals**

1. Encourage the use of green infrastructure and technologies by offering principal forgiveness for green projects that address water efficiency, energy efficiency, mitigation of stormwater runoff; or encourage sustainable project planning, design, and construction.
2. Offer terms of up to 30 years for planning, acquisition, design, and/or construction in accordance with TWDB determined guidelines and the CWA.
3. Provide financing to communities listed in the IUP that are under enforcement orders to meet the deadlines for compliance with the CWA.
4. Continue to utilize the strength of the CWSRF to enhance the Drinking Water State Revolving Fund (DWSRF) by cross-collateralizing the programs in accordance with state and federal law.
5. Enhance our current level of outreach on the SRF programs by hosting regional financial assistance workshops in conjunction with the continued use of social media.
6. Offer financial assistance with an interest rate of zero percent to projects that qualify for Emergency Relief funding.

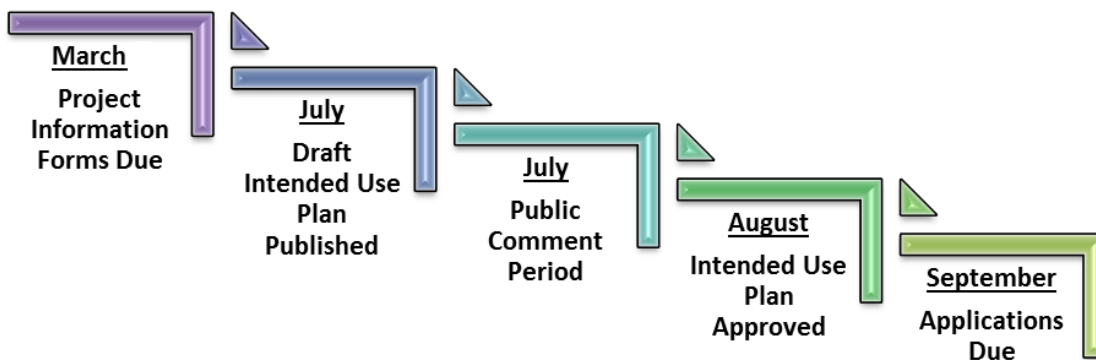
7. Continue to implement the TWDB's AMPSS and CPA to Go initiatives.

## B. Long-Term Goals

1. Maintain the fiscal integrity of the CWSRF in perpetuity.
2. Employ the resources of the CWSRF in the most effective and efficient manner to prevent the discharge of pollutants into the state's waters, assist communities in maintaining compliance with EPA's clean water standards, and maintain a strong financial assistance program that is responsive to changes in the state's priorities and needs.
3. Assist borrowers in complying with the requirements of the CWA by meeting the demands for funding eligible projects by providing financial assistance with interest rates below current market levels and with Additional Subsidization in the form of principal forgiveness.
4. Support the development of POTW and other systems that employ effective utility management practices to build and maintain the level of financial, managerial and technical (FMT) capacity necessary to ensure long-term sustainability.

## IX. Participating in the CWSRF Program

Below are the major steps in the production of the initial IUP for SFY 2020.



### A. Solicitation of Project information

Project information was solicited from eligible entities across the state using direct emails, notices posted on the TWDB website, and regional financial assistance workshops held



throughout the State. Potential applicants submitted Project Information Forms (PIFs) by the response deadline of March 1, 2019.

The required information submitted on a PIF consisted of:

- A detailed description of the proposed project.
- A map(s) showing the location of the service area.
- An estimated total project cost that is certified by a registered professional engineer if project costs are greater than \$100,000.
- A checklist and schedule of milestones to determine a project's readiness to proceed to construction.
- The population currently served by the applicant.
- Green project information, if applicable.
- Signature of the applicant's authorized representative.
- Additional information detailed within the solicitation for projects as needed to establish the priority rating.

Any survey being used for income determination must be conducted within five years of the date the TWDB receives the PIF.

## **B. Updating Projects from the Prior Intended Use Plan**

For SFY 2020, a potential applicant must update, at a minimum, the readiness to proceed information, and if seeking disadvantaged community eligibility, the socioeconomic economic census data and utility rate information. The requirement to update the readiness to proceed information will apply to an entity that previously received a commitment for Planning, Acquisition and/or Design only and desires to be considered for the construction portion of the project.

## **C. Evaluation of the Project Information Received and Priority Rating System**

All PIFs were evaluated by the TWDB and projects determined to be eligible for funding were scored and ranked according to the established rating criteria. The scores are based on information received by any established PIF deadline. The TWDB also evaluated the eligibility of projects for Disadvantaged Community funding, following the affordability criteria used for determining eligibility as presented in Appendix D. Throughout the evaluation process, entities were contacted by staff if additional information was needed for clarifying their eligibility for disadvantaged status or effective management points.

The TWDB performed the priority rating of projects by assigning points for projects that addressed factors as briefly described below, with details provided in Appendices C and D.

For information on scoring for specific projects, a report detailing the scoring for each project will be posted on the TWDB's website.

**1. Rating Criteria for Publicly Owned Treatment Works Projects (§212 projects)**

- Enforcement action imposed by judicial or regulatory authorities.
- Water quality impacts that protect stream segments and groundwater from pollution.
- Serving unserved areas by bringing individual systems into a centralized system or addressing unsatisfactory on-site systems.
- Innovative or alternative technology or approaches to treatment.
- Regionalization of treatment works that will consolidate and eliminate systems.
- Reduction or prevention of sewer system overflows and inflow and infiltration.
- Reduction in demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse.

**2. Rating Criteria for Nonpoint Source (§319 projects) /Estuary Management Projects (§320 projects)**

- Nonpoint source projects must be an identified practice within a water quality management plan or a best management practice described or referenced in the Texas Nonpoint Source Management Program.
- Improving public health by addressing conditions that a public health official has determined are a nuisance and/or are dangerous to public health and safety. The conditions must result from water supply and sanitation problems in the area to be served by the proposed project.
- Protecting groundwater by minimization of the impact of pollutants to an aquifer or groundwater.
- Impaired water body improvements in any water body that does not meet applicable water quality standards or is threatened by one or more pollutants.

**3. Additional Rating Criteria for All Eligible Projects**

All projects may receive additional points for the following:

- The majority of the funds being requested from the SRF for the project are to be used to implement innovative approaches to manage, reduce, treat, or recapture stormwater or subsurface drainage water.

- The majority of the funds being requested from the SRF for the project are to be used to implement reuse or recycling wastewater, stormwater, or subsurface drainage water.
- Employ effective management strategies by adopting or planning to prepare an Asset Management Plan, providing training to the applicant's governing body and employees, addressing water conservation and energy efficiency, and implementing a project that is part of a state, regional, or conservation water plan.
- Serving a disadvantaged community / TWDB Planning, Acquisition, and Design (PAD) financing for the project.

#### **D. Ranking and Creation of the Project Priority List and Initial Invited Projects List**

Each project submitted by the initial deadline and determined to be eligible is ranked from highest to lowest by the combined rating factors and included on the PPL. In the event of ties in the rating, priority is given to the project serving the smaller total population. Project information submitted after the March 1<sup>st</sup> deadline was not considered for rating purposes prior to adoption of the initial PPL. Following approval of the IUP, changes to a ranked project that result in a project no longer addressing the issues for which it was rated will require the project to be re-rated and re-ranked. Changes in the project that do not trigger re-rating and re-ranking are:

1. The applicant for a proposed project changes but the project does not change;
2. The number of participants in a regional project changes and the change does not result in a change to the rating; or
3. The fundable amount of a proposed project does not increase by more than 10 percent of the amount listed in the approved IUP. The Executive Administrator may waive the 10 percent limit to incorporate additional elements to the project; however, any Additional Subsidization awarded may not exceed the original IUP amount's allocation.

The IIPL presented in the IUP (Appendix K) refers to a subset of projects from the PPL and includes only the projects to be invited to apply for funding during the initial invitation round following the Board's approval of the IUP. The IIPL includes the type and amount of funding necessary to meet requirements and goals of the CWSRF, such as Additional Subsidization and Reserve requirements. Based on a review of readiness to proceed to construction, the TWDB determined which phases would be eligible to receive funding during SFY 2020. The phases indicated on the IIPL represent the phases deemed eligible based on that review. Projects that were determined to be ready to proceed to construction were included on the IIPL. If an entity is interested in applying for additional phases of the project not listed on the IIPL or not mentioned in the invitation letter, an updated Readiness to Proceed to Construction form must be submitted and an eligibility determination will be made by TWDB prior to the pre-application meeting. For SFY 2020, all projects requesting only loan funds, without any principal forgiveness, will be included on the IIPL.

An entity that previously received a commitment for Planning, Acquisition and/or Design only and desires to be considered for the construction portion of the project must update, at a minimum, the readiness to proceed information. It will then be added to the PPL for construction phase funding based on the same number of points, or higher, they received in the year they were rated. Any invitation for construction phase funding is contingent upon the project having met the required ready to proceed milestones.

A project submitted for the SFY 2020 IUP that received a commitment for all requested phases from TWDB prior to creation of the initial PPL has not been included on the initial PPL. Those projects that already received the commitment are shown as being ineligible for funding in SFY 2020. A project that previously received a commitment from TWDB for only the initial phase of the project, such as planning, acquisition, and/or design, and also provided an update of the project's readiness to proceed to the construction phase has been listed on the initial PPL.

For SFY 2020, the IIPL represents projects with costs exceeding the available amount of funds allocated for Equivalency projects. Once the amount of funds allocated to Equivalency projects has been reached, funds will be allocated to Non-Equivalency projects.

#### **E. Bypassing Projects**

The TWDB's Executive Administrator may decide to bypass, or skip, higher ranked projects in favor of lower ranked projects to ensure that funds available are utilized in a timely manner and that statutory and capitalization grant requirements are met. In addition, if an entity is offered funding for any project that has an interrelated project ranked lower on the list, the Executive Administrator has discretion to also offer funding for the interrelated project. Reasons for bypassing projects are discussed in Appendix F.

#### **F. Phases for Invited Projects**

##### **1. Pre-Design Funding Option (or Planning, Acquisition, Design and Construction Funding)**

The pre-design funding option allows an applicant to receive a single commitment for all phases of a project. The construction portion of the project must be deemed ready to proceed before funds for the construction phase will be released.

##### **2. Construction Funding Only**

All projects that were determined to be ready to proceed to construction based on the current status of their planning, acquisition, and design activities were included on the IIPL and will receive an invitation to fund the construction portion of the project.

##### **3. Planning, Acquisition, and Design Funding**

A project that was not deemed ready to proceed to construction may receive an invitation to fund only the Planning, Acquisition, and/or Design portion of the project.

#### 4. Viability and Feasibility of Projects

A project must demonstrate to the TWDB that it is viable, feasible, and sustainable prior to being invited to submit an application and prior to receiving a commitment for any funding option, including principal forgiveness, for the acquisition, design or construction phases of the project. A project may receive funds for the planning phase to assess the viability and feasibility of a project, including funds to prepare an asset management plan.

#### G. Invitations and Application Submissions

Entities with projects on the IIPPL will be informed of the opportunity to submit an application for the project phases shown on the list using the funding options in the next section. **The projects listed on the IIPPL that are interested in pursuing funding are encouraged to begin working on their applications upon publication of the draft IUP in order to have a complete application ready to submit after the IUP is approved.** Prior to submitting an application, entities are required to participate in a pre-application meeting to discuss the application process and project requirements. Invited applications from projects on the IIPPL that are received during the initial invitation round after Board approval of the IUP will be allotted available Additional Subsidization (principal forgiveness) based on rank order. All projects must be determined administratively complete as submitted or within 14 days from the date the applicant receives a notice to correct deficiencies or any Additional Subsidization may be re-allotted on a first-come, first-served basis.

Each application received by the TWDB will be reviewed to ensure that the required milestones have been met to allow funding of the phase(s) being requested. If the application review determines that a project is not ready to proceed for funding for the phase(s) being requested, the project may be bypassed for any additional subsidy amounts or receive limited phases of funding.

Entities invited for only planning, acquisition and/or design phases but wish to pursue Construction phase funding, may provide an updated Readiness to Proceed to Construction form for review.

Projects may be bypassed if an applicant fails to timely submit a complete application or additional requested information. After the initial invitation period, all other projects on the PPL will be invited and applications will be processed on a first-come, first-served basis, with funding allocations based on the date the application is considered administratively complete. Under the first come, first served processing, for a brief, initial period of time TWDB will first consider for allocation of funds those projects listed in the initial IUP.

Applicants may submit a PIF at any time to be considered for inclusion on the amended PPL. Eligible projects will be rated and ranked and added to the project lists. Amendments to the project lists will undergo a 14-day public review period that will be advertised on the agency website. Projects requesting Emergency Relief funding may undergo a 7-day public review period if the TWDB determines it is necessary to protect public health and safety. Once the project has been added to the amended PPL, the TWDB will send out an

invitation to apply on a first-come, first-served basis provided funding is available.

#### **H. Addressing Any Water Loss Mitigation within the Application**

If an applicant that is a retail public utility providing potable water has a water loss that meets or exceeds the threshold for that utility in accordance with 31 Texas Administrative Code §358.6 the retail public utility must use a portion of any new CWSRF financial assistance, or any other financial assistance provided by TWDB, for eligible project costs to mitigate the utility's water loss. However, at the request of a retail public utility, the TWDB may waive this requirement if the TWDB finds that the utility is satisfactorily addressing the utility's system water loss. Mitigation, if necessary, will be in a manner determined by the retail public utility and the TWDB's Executive Administrator in conjunction with the project proposed by the utility and funded by TWDB.

#### **I. Commitment Timeframes for Projects with Principal Forgiveness Component(s)**

Due to the high demand and limited availability of subsidized funding, it is imperative that applicants offered these funds proceed in a timely manner. Therefore, the TWDB has established commitment timeframes for projects that qualify and have been designated to receive Additional Subsidization in the form of principal forgiveness. If an applicant does not proceed through the application process and obtain a funding commitment within the timeframes listed below, the Additional Subsidization may be re-allocated to another eligible project. In extenuating circumstances, TWDB may grant an extension of time for obtaining a commitment if an applicant demonstrates sufficient reason for a delay.

<b>Principal Forgiveness Type</b>	<b>Commitment Deadline</b>
Disadvantaged Community / Disadvantaged Community – Small / Rural only	4 months
Subsidized Green	4 months
Emergency Relief	3 months

#### **J. Closing Deadlines**

The deadline to close a commitment is dependent on whether the commitment includes Additional Subsidization in the form of principal forgiveness. All commitments that include principal forgiveness funding concurrently with bonds/loan funding must close within six months from the date of the commitment. All commitments for bonds/loan funding without any principal forgiveness funding must close within one year from the date of the commitment. For multi-year commitments described in the next section, the closing deadline for the initial year will follow the chart below. For each subsequent year, the commitment must close within the dates established by the TWDB at commitment. In extenuating circumstances, the Board may grant extensions of time to close if an applicant demonstrates sufficient reason for a delay.

Type of Financial Assistance	Closing Deadline
Commitments that include only principal forgiveness	4 months
All commitments that include principal forgiveness and bonds/loan	6 months
All commitments for bonds/loan without any principal forgiveness	12 months

**K. Limits**

**1. Proportionate Share/Capacity**

The TWDB may limit the amount of funding available to an individual entity or project based on a proportionate share of total funds available. The TWDB may elect to provide financing in excess of the initial capacity level if the Board approves the increase consistent with maintaining the CWSRF in perpetuity and after consideration of other relevant factors. TWDB may limit the interest rate reduction for the amount being provided to a project in a single year that exceeds \$525 Million. This single-year threshold does not affect the total multi-year commitment amount under the multi-year funding option.

**2. Additional Project Funding Before Closing**

The total project costs may be increased if the entity shows that additional funds are necessary to implement the project. If the project includes Additional Subsidization the total amount of Additional Subsidization in the form of principal forgiveness allocated to the project may not increase from the amount listed in the IUP unless Additional Subsidization funding is available.

**3. Cost Overruns After Closing**

In the event of cost overruns on projects funded from a previous commitment, additional funding may be considered on a case by case basis.

**4. Reduction in Closing Amount**

For commitments that consist of both principal forgiveness and loans/bonds, if the closing amount is reduced from the commitment amount, then the principal forgiveness amount for the closing will be reduced on a pro rata basis. Any remaining principal forgiveness may be applied to subsequent closings of the remaining commitment amount, subject to the closing requirements of paragraph K of this section.

**L. Leveraging to Provide Additional Funding**

The TWDB sells bonds to obtain additional funds that leverage the CWSRF program as necessary to meet the demand for funding additional clean water projects.

## **M. Funds from Prior Years**

Additional funds that may become available through unobligated previous grant funds, or deobligation or closure of previous commitments will be available for eligible projects.

## **N. Transfer of Funds**

### **1. Reserving Transfer Authority for Future Use**

Section 302 of the Safe Drinking Water Act (SDWA) Amendments of 1996 provides states the authority to reserve and transfer funds between the CWSRF and Drinking Water State Revolving Fund (DWSRF) programs. In accordance with Section 302, the TWDB hereby reserves the authority to transfer an amount up to thirty-three percent (33 percent) of the DWSRF program capitalization grant(s) to the CWSRF program or an equivalent amount from the CWSRF program to the DWSRF program.

### **2. Ongoing cash flow transfer mechanism**

The TWDB may transfer in accordance with the authority in Section 302 of the SDWA up to \$150,000,000 of funds derived from repayments between the CWSRF and DWSRF. No grant funds would be transferred under this standing transfer mechanism. Funds derived from repayments from each SRF may flow from one SRF to the other SRF in both directions throughout the year. This mechanism will use surplus funds in one SRF to temporarily meet loan demand in the other SRF. It will achieve savings by eliminating issuance costs from bond sales that would otherwise be necessary to meet cash flow demands in a particular SRF. The actual amount TWDB transfers at any time throughout the year will be based on the cash flows needs of the each SRF program. TWDB will track the transfers on an absolute basis for reporting purposes and also a net basis to ensure the net amount of transfer does not exceed the limit under law of thirty-three percent of the respective program's capitalization grants. This will result in a positive impact on funds being available to finance projects in both SRFs. The SRF that receives the funds will be able to fund projects more efficiently and rapidly. The transferred funds will be returned to the originating SRF so it will be able to meet its project funding needs. In addition, because both SRFs are leveraged they may borrow funds to finance projects if necessary. The long-term impact on both SRFs is positive because of the improved operational efficiencies and ability to achieve program savings. The TWDB will include any amount that was transferred in SFY 2020 in the CWSRF program's SFY 2020 Annual Report. (See Appendix E for the calculation demonstrating that \$150,000,000 may be transferred in accordance with Section 302 of the SDWA Amendments of 1996.)

## **O. Updates to the Intended Use Plan**

Substantive changes to the IUP may be made through an amendment after a 14-day public review and comment period. Non-substantive changes may be made by the TWDB without public notification.



## **X. Financial Status**

The base amount of funding available for SFY 2020 is set at \$525,000,000. The total amount available is based on a 10-year average capacity of \$525 Million from SFY 2020 to SFY 2029. The amount of the FFY 2019 capitalization grant allotment for the CWSRF is \$72,622,000, with a match of \$14,524,400 to be provided by the state. The TWDB will comply with the requirements associated with the FFY 2019 allotment in SFY 2020.

### **A. Administration**

The maximum annual amount of CWSRF money (not including any origination fees) that may be used to cover the reasonable costs of administering the fund is the greatest of the following:

1. an amount equal to four percent of all grant awards received by a State CWSRF less any amounts that have been used in previous years to cover administrative expenses;
2. \$400,000; or
3. one-fifth of one percent of the current valuation of the fund.

For SFY 2020, the TWDB has allocated funds in accordance with the third option listed above. One-fifth of one percent of the equity in the CWSRF of \$2,754,652,466 is \$5,509,305. TWDB has allocated \$4,325,651 for SFY 2020, which is less than the calculated maximum level under option three. The annual and cumulative amounts used for administrative costs are reported in the CWSRF Annual Report.

### **B. Sources of State Match**

The deposit of required state match will occur in advance or at the time of the scheduled grant payment and the source of funding for the match, which may include the proceeds from bond sales, varies based upon availability.

### **C. Binding Commitment Requirement**

The TWDB will enter into binding commitments with entities during SFY 2020 that total 120 percent of the amount of a FFY 2019 grant payment allocated to projects within one year after receipt of the grant payment. A binding commitment occurs when the TWDB's Board adopts a resolution to commit funds to a project.

### **D. Cross-collateralization**

On March 1, 2018, the TWDB has cross-collateralized the CWSRF and the DWSRF as a source of revenue and security for the payment of the principal and interest on bonds for the DWSRF and CWSRF programs. State authority is provided under Section 15.6042 of the Texas Water Code. The TWDB has received a certification from the state Attorney General that state law permits the TWDB to cross-collateralize the assets of the CWSRF and the DWSRF.

1. Summary of the cross-collateralization structure:
  - a. The type of moneys which will be used as security – Pledged Political Subdivision Bonds and certain other funds included in the Master Resolution (program account, portfolio account, and revenue account) will secure the bonds.
  - b. How moneys will be used in the event of a default - In the cross-collateralized scenario, Political Subdivision Bonds from the non-defaulting program will be used to cover the debt service delinquency on the defaulting program. If, for any reason, insufficient Political Subdivision Bonds exist in both programs, then program equity will be utilized.
  - c. Whether or not moneys used for a default in the other program will be repaid; and, if it will not be repaid, what will be the cumulative impact on the funds - While a decision to repay or not repay would be made at the time of default, the TWDB would either require repayment when funds are available or transfer repayment funds.
2. Proportionality – The proceeds generated by the issuance of bonds will be allocated to the purposes of the CWSRF and the DWSRF in the same proportion as the assets from the two funds that are used as security for the bonds.
3. State Match – In accordance with Texas Water Code §§ 17.853(c)(1) and 17.859, the TWDB intends to provide state match through the issuance of one or more revenue bonds in a program series that will fund the two SRF programs. Supplemental bond resolutions for the issuance of each series will provide detail on what specific money is pledged as security for each program (CWSRF or DWSRF) within the series. As required, the CWSRF and DWSRF will continue to be operated separately. The cash flows for the DWSRF program and the CWSRF program will be accounted for separately. Repayments on loans in the CWSRF program will be paid to the CWSRF and repayments on loans made in the DWSRF program will be paid to the DWSRF.

Similar to other states' financing methods where state match is not provided by appropriation and is instead generated through debt issuance, the TWDB cross-collateralization structure allows the TWDB to retire bonds for the State Match with interest earnings payments only, not principal, earned from each SRF in accordance with 40 CFR § 35.3135(b)(2).

#### **E. Inter-fund Loan / Investment**

During SFY 2020, the TWDB may invest CWSRF funds in the DWSRF in an amount not to exceed \$150 million. If the TWDB elects this option, it will execute an inter-fund loan agreement between the CWSRF and the DWSRF with a term that will not exceed three years. Any CWSRF recycled funds deposited in accordance with the inter-fund loan agreement would be used exclusively for DWSRF eligible purposes. The TWDB would also issue a reimbursement resolution providing for repayment of funds to the CWSRF using the proceeds of a DWSRF bond issuance once the DWSRF program is leveraged. The TWDB

received EPA approval for this option on March 8, 2017.

**F. Method of Cash Draw**

The method of cash draw for the FFY 2019 capitalization grant is to expend the required state match first, and then federal funds will be drawn at a rate of 100 percent.

**G. Long-Term Financial Health of the Fund**

The long-term financial health of the CWSRF is monitored through ongoing cash flow and capacity modeling. The TWDB lending rate policy has been established to preserve the corpus of the capitalization grants and state match funds, excluding the amount of principal forgiveness and administration from each grant. The TWDB will continue to manage the CWSRF to ensure funds will be available in perpetuity for activities under the CWA.

**H. Interest Rate Policy**

The TWDB has established an interest rate policy that provides for fixed rates. The program is designed to provide borrowers with a reduction from the market based on a level debt service payment schedule. For SFY 2020, Equivalency financial assistance will be offered at 165 basis points below the market rate and Non-Equivalency financial assistance will be offered at 130 basis points below the market rate based on a level debt service payment schedule, subject to a minimum interest rate or floor.

**Minimum interest rates or floor** – The minimum annual interest rate (per maturity for bonds or for each interest payment for loans) for the Thomson Reuters Municipal Market Data (MMD) rating scale and for Non-rated securities for both Equivalency and Non-Equivalency funding is:

AAA	AA	A	Baa and Non-rated
0.45%	0.60%	0.80%	1.10%

Bonds - basis point reduction applies to the MMD rating category that most closely correlates with the borrower’s rating or if non-rated, as further described in 31 Texas Administrative Code Chapter 375.

The minimum interest rate or floor applies to all commitments made after the effective date of the amended IUP.

**Exclusions from minimum interest rates** - the minimum interest rates do not apply to any portion of financing that is offered at zero percent (0%) in the chart above. The full benefit of the 0% financing under the respective special funding option will be incorporated into the total of the maturities for bonds or the total loan payments for loans.

Rates are set five business days prior to the adoption of the political subdivision’s bond ordinance or resolution or the execution of the financial assistance agreement, but may be based on interest rate levels determined as of an earlier date, and are in effect for forty-five days.

## **I. Fees**

The only fee is an origination fee of 1.75 percent that is assessed at closing. Fees are not deposited into the CWSRF. The fees may be used for administrative costs, including, but not limited to, project oversight, long-term financial monitoring, and to assist smaller wastewater systems create a sustainable plan for system replacements and to prepare these entities for applying for and implementing financial assistance under the CWSRF program.

## **J. EPA Program Evaluation Report and Audit**

EPA conducted an annual program review of the CWSRF for SFY 2018 through an onsite review occurring from April 29, 2019 to May 3, 2019. EPA will send their final report to TWDB upon completion.

The Texas State Auditor's Office published the results of the SFY 2018 Federal Portion Single Audit of the CWSRF on February 21, 2019 (Report 19-315). There were no findings as a result of the review.

## **XI. TWDB Special Program Initiatives**

### **Asset Management Program for Small Systems (AMPSS)**

#### **Purpose and Overview:**

Smaller water and wastewater utilities often operate reactively rather than proactively, usually due to a lack of resources and planning tools. For some of the smaller utilities, system components are replaced only after failure, while system expansion occurs only as requested by users or mandated by regulatory agencies. The TWDB has developed and implemented an initiative to assist these water and wastewater utilities in creating a plan for managing their systems in a financially and technically sustainable manner by delivering management tools developed by the Texas Commission on Environmental Quality (TCEQ). TWDB will contract with qualified entities to evaluate the existing system and create an asset management plan in accordance with the guidelines created by TCEQ's Small Business and Governmental Assistance Section. This plan will become the basis for planning for system sustainability by identifying replacement dates and estimated costs, developing best practices for operation and maintenance, and developing financial plans for obtaining funding for future needs.

The system will receive the following tangible assistance:

- a. Asset Management Plan.
- b. Sustainability Plan.
- c. System Operations and Maintenance Manual.
- d. Training for system management and staff.
- e. A Compliance Manual.
- f. Installation of all tools that were developed on the system's computer system.

### Funding – Administrative Costs

The funds to cover the contracted services for these smaller systems come from origination fees from the CWSRF and DWSRF. The TWDB considers the planned activities to be administrative activities under the CWSRF program and administration / technical assistance under the DWSRF program. The benefit to wastewater systems would be covered through CWSRF origination fees while projects that benefit water systems would be covered through DWSRF origination fees.

- a. The TWDB will pay not more than \$75,000 per project.
- b. Match - There is no match requirement for the system; however, the system will be required to contribute 80 hours of staff participation to the development of the plan. (TWDB may waive the required contribution requirement if the TWDB determines it would constitute a serious hardship on the operations of a system with only a few or no full-time staff.)

### Systems to be Assisted

The target systems are defined as (a) having 5,000 service connections or less or (b) an entity that has a population of less than 10,000 and one that is not located within the borders of any municipality with a population over 10,000, including its extra-territorial jurisdiction.

### Selection of Contractors

The TWDB may select multiple contractors according to qualifications that are specified in a RFQ. The procurement process will follow all state procurement laws and requirements, including use of Historically Underutilized Businesses.

### Scope of Work to be Performed by Contractors for Selected Systems

The work must meet the following requirements:

- a. Asset Management – (1) Conduct a system evaluation (asset identification, location, and date of service or approximate age), as needed, resulting in an inventory of the system and prioritization of assets, (2) develop a comprehensive plan for managing system assets, (3) develop a budget for managing system assets, (4) develop an implementation plan, including a time schedule, for implementing and updating the asset management plan, and (5) determine whether a rate study is necessary.

The resulting asset management plan must fulfill the general requirements of a Fiscal Sustainability Plan as outlined in the Federal Water Pollution Control Act.

Further, in the section of the asset management plan that discusses funding sources, it must identify current TWDB financial assistance programs, including the CWSRF and DWSRF programs as applicable, that may be utilized to meet the system's needs. The asset management plan must include an analysis of whether current utility rates would provide adequate revenue to meet future system needs but it does not have to include a full rate study that establishes a new rate structure.

b. For Water Systems: Source Assessment and Planning - Identify the utility's drinking water source, develop any appropriate best management practices for sustaining the source (at a minimum develop or update the system's conservation and drought contingency plans), and, if needed, identify options for alternative sources. It will discuss plans for water conservation and detecting and minimizing water loss.

For Wastewater Systems: Sustainable Systems - Create a plan to manage the system more efficiently by conducting an energy assessment of the system and including recommendations for energy-efficiency improvements, and potential public-participation programs.

c. Operations and Maintenance - Create an operations and maintenance manual for the utility that includes a plan for scheduling and performing preventative and general maintenance. The plan may identify other resources available to the system such as TCEQ's financial, managerial, and technical assistance.

d. Compliance - Train the utility's management and staff on monitoring, reporting, and record-keeping requirements, the TCEQ's investigation and enforcement process (including an enforcement scenario), and develop a compliance manual that includes copies of all required reports, compliance checklists and tables for keeping track of State and/or Federal requirements. The compliance manual may be incorporated into the Operations and Maintenance manual.

e. Other Requirements - As part of the project, all tools that are developed, such as spreadsheets and manuals, shall be nonproprietary and will be installed on the system's computer system and key staff members will be trained sufficiently to implement the plan. The TWDB-procured contractor must coordinate development activities, including the training of key system staff members, with the utility's management. The utility's management and the TWDB must be kept informed quarterly of the status of the project while it is under development and be provided an opportunity to provide ample input on the development of plans.

The project activities conducted by the TWDB-procured contractor must include at least one presentation to the system's governing body or owner that provides an overview of the developed plans, the benefits to the system of implementing the plans, and any recommendations.

The TWDB-procured contractor must return to the system between 12 months and 18 months after delivery of the final plans to assess the system's implementation progress and provide TWDB and the system's governing body or owner a written analysis of the system's implementation of the plans.

The TWDB-procured contractor and the smaller system will negotiate and execute a contract in a form acceptable to TWDB covering the development of the project prior to the contractor initiating any work. The contractor must complete the project within 9 months after the date of the contract between the contractor and the system.

### Initial Round:

In the fall of 2018, a total of \$450,000 was made available for six small systems in the initial round. Three projects addressed water systems and three projects addressed wastewater systems. The work is scheduled to be completed in the summer of 2019.

### Subsequent Rounds:

The TWDB anticipates awarding additional contracts under this initiative in SFY 2020 in a total amount to be determined during the year.

### Reporting:

The TWDB will report on the amount of fees allocated, recipients assisted, and outcomes under this initiative in its Annual Report.

### **CPA to Go Initiative**

Similar in concept to the AMPSS program, the TWDB has developed and implemented a pilot program called “CPA to Go” using origination fees collected under the Clean and Drinking Water State Revolving Fund programs. Under this program, the TWDB will contract with Certified Public Accountants (CPAs) to provide technical assistance services to designated recipients of TWDB funding under the State Revolving Fund (SRF) programs. The TWDB will select recipients determined to be in need of special assistance from a CPA to maintain adequate compliance with the requirements of the SRF programs.

The contracted CPA’s anticipated work activities would fall into two broad categories of services for the designated recipients.

First, the contracted CPA would evaluate regulatory and financial assistance covenant compliance procedures in the following areas for designated recipients:

- Activities allowed/unallowed, including compliance with financial instrument covenants,
- Allowable costs/cost principles,
- Federal funding eligibility, and/or
- Financial Reporting.

Second, the CPAs will provide professional services in areas such as the following:

- Advising recipients on the design and implementation of internal control procedures, particularly those addressing Internal Controls Over Financial Reporting in response to control weaknesses identified in audits of Comprehensive Annual Financial Reports and/or in Single Audit Reports and Management Letters (or the equivalent),
- Assisting recipients in the design of procedures for preparing financial statements required by the covenants of loan and other financial commitment documents that require compliance with Generally Accepted Accounting Principles and Generally Accepted Government Accounting Standards. This assistance will not include actually performing the independent audit of the entity’s financial statement, or

- Assisting recipients in the identification and interpretation of funding commitment provisions and covenants and best practices related to compliance disclosure.

While these provide examples of the contracted CPA services contemplated at this time, the TWDB may alter the scope of services under this program to reflect the needs of the agency and the recipients.

The expenditures under the CPA contracts will be allocated to the respective SRF programs based on the initial amount provided under existing SRF loans with the designated recipient. The TWDB considers the planned activities to be administrative activities under the CWSRF program and administration / technical assistance under the DWSRF program.

The TWDB will report on the amount of fees allocated and the recipients assisted under this initiative in its Annual Report.

## **XII. Navigating the Lists**

Appendices G – L are a series of lists that detail the proposed project information for each project based upon the PIFs received.

- **Appendix G** - The alphabetical list is the PPL sorted alphabetically. It contains the project information; the name of the applying entity, their total number of points and associated priority order rank, a detailed description of the proposed project, all project phases requested by the entity, the estimated construction start date, total project cost, the percentage of principal forgiveness if the project is eligible to receive disadvantaged funding, information regarding included green components, and a reference to any other related PIFs from the current or previous IUPs. A grand total for all of the projects is listed on the last page of the appendix.
- **Appendix H** – Lists projects that were deemed ineligible to receive CWSRF funding with a brief description as to why they were deemed ineligible.
- **Appendix I** – Lists projects that were deemed ineligible to receive disadvantaged funding with a brief description as to why they were deemed ineligible. The project may still be eligible to receive other funding options.
- **Appendix J** – Lists projects in order of highest priority to receive funding. The content is the same as the alphabetical list in Appendix G.
- **Appendix K** – Is the list of projects that will be invited in the initial invitation round. The information provided in this list is similar to the alphabetical and priority order lists. The TWDB has determined which project phases are eligible to receive funding during this SFY, which is depicted in the Phase(s) column. Projects on this list will receive an invitation letter from the TWDB upon Board approval of the IUP. Pertinent notes and the definitions of acronyms and footnotes are listed on the last page of the appendix along with a grand total for the projects.



- **Appendix L** - The Initial Invited Green Projects List is a subset of the IIPL of only projects with green components. The information detailed includes a description of the green components, the categories of those green components, the eligible phases of the project, the total project cost, the total of the green component costs, the type of green project, and whether the proposed project is eligible to receive subsidized green funding. A grand total for the projects is listed on the last page of the appendix along with any pertinent notes and the definitions of acronyms and footnotes.

## Appendix A. Public Review and Comment

Public participation is an important and required component of the IUP development process. The TWDB takes seriously its responsibility in administering these funds and considers public input necessary and beneficial.

### A. Notice

To seek public comment on the proposed uses of funds, the draft amended IUP narrative was made available for a 14-day public comment period. The draft amended SFY 2020 CWSRF IUP was announced as follows:

- Public notification of the draft amended IUP and the public comment period was posted on the TWDB website at [www.twdb.texas.gov](http://www.twdb.texas.gov).
- The notice was sent via email to all entities that submitted projects for the draft amended SFY 2020 IUP and everyone who had signed up to receive TWDB email notifications.
- A copy of the draft amended IUP was sent to EPA.

### B. Comment

Comments were accepted via the following options from November 24, 2020, until 5:00 P.M. on December 10, 2020.

1. Attending a virtual public hearing that was held on December 8, 2020.
2. Emailing comments to the following electronic mail address and specifying in the subject line "*CWSRF comments*".

[iupcomments@twdb.texas.gov](mailto:iupcomments@twdb.texas.gov).

3. Mailing comments to the following postal mail address:

Mr. Mark Wyatt  
Director, Program Administration and Reporting  
Texas Water Development Board  
P.O. Box 13231  
Austin, TX 78711-3231

No official comments were received during the comment period.

**C. Approval**

The amended SFY 2020 CWSRF IUP is considered final on the effective date.

**D. Documentation**

The final amended IUP was submitted to the EPA and posted on the TWDB website.

**Appendix B. Projected Sources and Uses of Funds**  
 9/1/2019 to 8/31/2020  
 (As of May 31, 2019)

**SOURCES:**

FFY 2019 Federal Capitalization Grant	\$72,622,000
State Match - for FFY 2019 Federal Capitalization Grant	\$14,524,400
Undrawn previous grants (Administration)	\$3,267,144
Principal Repayments	\$117,695,900
Interest Repayments	\$49,664,478
Investment Earnings on Funds	\$12,454,272
Cash available	\$513,787,970
Additional net leveraging bond proceeds (based on "Projects to be Funded")	\$289,282,365

**TOTAL SOURCES:**

**\$1,073,298,529**

**USES:**

**Administration:**

Administration	\$4,325,651
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**Administration from prior grant:**

\$3,267,144

**Projects to be Funded:**

SFY 2020 IUP Commitments - Principal Forgiveness	\$28,600,000
SFY 2020 IUP Commitments - Bonds/Loans	\$496,400,000
Total Projects To Be Funded - SFY 2020:	\$525,000,000

**Projects Already Pledged**

Commitments <sup>1</sup>	\$226,072,495
Applications	\$277,363,200
Total Projects Already Pledged or being processed:	\$503,435,695

**Debt Service (Principal and Interest) on:**

Revenue Bonds - to Leverage the Fund:	
Senior Lien Revenue Bonds	\$19,043,300
Match General Obligation Bonds	\$18,226,739
Total Debt Service:	\$37,270,039

**TOTAL SOURCES:**

**\$1,073,298,529**

**NET SOURCES (USES)**

**\$0**

Fees are not deposited into the Fund; therefore, based on EPA guidance they are not included in the Sources and Uses for the Fund

1. Excludes multi-year commitments closing after SFY 2020

**Appendix C. Rating Criteria**

**Publicly Owned Treatment Works (§ 212) Rating Criteria**

- 30 pts. – Enforcement action (court, EPA, or Texas Commission of Environmental Quality (TCEQ) order) imposes a schedule.
- 20 pts. – Enforcement action: Participation in TCEQ’s Sanitary Sewer Overflow Initiative
- 11 pts. – Unserved area of an existing developed community is extended service.
- 30 pts. – Unserved area to be served has a nuisance documented by letter from the TCEQ or a Designated Agent licensed by the TCEQ. If the project is in an Economically Distressed Areas Program county, the letter may come from the State Health Department or a registered sanitarian.
- 10 pts. – Water body impacted by project is listed in a Watershed Protection Plan approved by the EPA.
- 5 pts. – Water body impacted by project is listed in a Watershed Protection Plan that is under development.
- 15 pts. – Innovative or alternative types of collection or treatment are proposed.
- 30 pts. – More stringent permit limits are to be met, or Conversion to a no-discharge or partial reuses facility to avoid higher level of treatment.
- 10 pts. – Regional project removes or prevents plant outfalls, or Regional project results in delivery of flow to, or receipt of flow at, a regional facility, thereby avoiding construction of a separate waste water treatment plant facility.

For projects that involve a facility that requires expansion of its hydraulic capacity or removal of extraneous flow, use EPA self-reporting data to determine the percentage of permitted capacity.

For existing plants permitted for ≥ 1 MGD, use the past 12 months of reported data.	$(12 \text{ months ADF})(100) / (\text{permitted ADF}) = \underline{\hspace{2cm}}\%$
For existing plants permitted for < 1 MGD, use the highest 3-consecutive-month average of the past 12 months of reported data.	$(\text{max 3 months ADF})(100) / (\text{permitted ADF}) = \underline{\hspace{2cm}}\%$

ADF =Average Daily Flow  
 MGD =Million Gallons per Day

Choose ONE of the considerations below, whichever results in the largest number of points.

- 30 pts. – Capacity ≥ 90% and project directly or indirectly improves a capacity problem.

- 20 pts. – Capacity  $\geq$  75% and  $<$  90%, and project directly or indirectly improves a capacity problem.
- 15 pts. – Capacity  $\geq$  65% and  $<$  75%, and project directly or indirectly improves a capacity problem.
- 15 pts. – Expansion of existing plant permitted for no-discharge where self-reporting flow data is not required.

If the project impacts a water body by directly or indirectly mitigating a problem identified in the latest approved State of Texas Watershed Action Planning (WAP) Strategy Table, choose the applicable score according to the category indicated on the List. Projects impacting water bodies in a priority area will be awarded additional points.

Priority Area*	Non-Priority Area	WAP Categories
50 pts.	40 pts.	Total Maximum Daily Loads (TMDL) study has been completed and approved by the EPA (Category 4a).
40 pts.	30 pts.	A TMDL study is underway, scheduled, or will be scheduled (Category 5a).
30 pts.	20 pts.	A review of the water quality standards for this water body will be conducted before a TMDL is scheduled (Category 5b).
20 pts.	10 pts.	Additional data and information will be collected before a TMDL is scheduled (Category 5c).

- 5 pts. – Whether a majority of the funds being requested from the CWSRF for the project be used to implement measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse.
- 5 pts. – If the Applicant is a qualified nonprofit entity that has federal tax-exempt status, whether a majority of the funds being requested from the SRF for the project will be used to implement assistance to owners and operators of small and medium publicly owned treatment works to either (a) plan, develop, and obtain financing for eligible CWSRF projects, including planning, design, and associated preconstruction activities; or (b) assist such treatment works in achieving compliance with the Act.

**Nonpoint Source Pollution (§ 319) Rating Criteria**

- 30 pts. – Area to be served has a nuisance documented by letter.
- 20 pts. – Aquifer or groundwater impacted by project is threatened.
- 10 pts. – Water body impacted by project is listed in a Watershed Protection Plan approved by the EPA.
- 5 pts. – Water body impacted by project is listed in a Watershed Protection Plan that is under development.

If the project impacts a water body by directly or indirectly mitigating a problem identified in the latest approved State of Texas WAP Strategy Table, choose the applicable score according to the category indicated on the List. Projects impacting water bodies in a priority area will be awarded additional points.

Priority Area*	Non-Priority Area	WAP Categories
50 pts.	40 pts.	TMDL study has been completed and approved by the EPA (Category 4a).
40 pts.	30 pts.	A TMDL study is underway, scheduled, or will be scheduled (Category 5a).
30 pts.	20 pts.	A review of the water quality standards for this water body will be conducted before a TMDL is scheduled (Category 5b).
20 pts.	10 pts.	Additional data and information will be collected before a TMDL is scheduled (Category 5c).

30 pts. – The project includes stream bank restoration or contain elements of Low Impact Development, such as vegetated filter strips, bio-retention, rain gardens, or porous pavement

\* If a segment is under a Watershed Protection Plan or Total Maximum Daily Load – Implementation Plan on the TCEQ Watershed Action Plan listing for bacteria or dissolved oxygen it is a priority in the chart above.

**Estuary Management (§ 320) Rating Criteria**

20 pts. – Project restores, protects, and enhances coastal natural resources.

20 pts. – Project improves water quality.

20 pts. – Project enhances public access.

20 pts. – Project improves onshore infrastructure and environmental management.

20 pts. – Project mitigates erosion and stabilizes shorelines.

20 pts. – Project educates the public on the importance of coastal natural resources.

**For all eligible projects:**

15 pts. – Whether a majority of the funds being requested from the SRF for the project will be used to implement innovative approaches to manage, reduce, treat, or recapture stormwater or subsurface drainage water.

- 5 pts. – Whether a majority of the funds being requested from the SRF for the project will be used to implement reuse or recycling wastewater, stormwater, or subsurface drainage water.

**Effective Management Rating Criteria**

- 5 pts. – Entity has adopted an asset management plan within the past 5 years that incorporates an inventory of all assets, an assessment of the criticality and condition of the assets, a prioritization of capital projects needed, and a budget.
- 5 pts. – Beginning in SFY 2021 - Entity has adopted an Asset Management / Financial Planning tools within the past 5 years that contains the product deliverables under the AMPSS initiative as described in Section XII.
- 1 pt. – Entity is planning to prepare an asset management plan as part of the proposed project.
- 1 pt. – Asset management training has been administered to the entity’s governing body and employees.
- 1 pt. – Proposed project addresses a specific goal in a water conservation plan created within the past 5 years.
- 1 pt. – Proposed project addresses a specific goal in an energy assessment, audit, or optimization study conducted within the past three years.
- 2 pts. – Project is consistent with a state or regional water plan, integrated water resource management plan, regional facility plan, regionalization or consolidation plan, or a TMDL implementation plan.

**Affordability - Disadvantaged Eligibility**

- 10 pts. – Entity qualifies as a disadvantaged community.

**Previously Received TWDB Planning, Acquisition or Design Funds for this Project**

10 pts. – The project is requesting construction financing and previously received a TWDB commitment for Planning, Acquisition, and/or Design (PAD) financing within the prior five years (60 months) of the PIF due date under the CWSRF program or the TWDB’s Economically Distressed Areas Program, the entity has completed and received TWDB completion approval for all of the PAD activities and is ready to proceed to the construction phase, TWDB has released from escrow at least eighty percent of the PAD funds, and the project has not received any TWDB funding for construction.

Tie Breaker - Equal combined rating factors will be ranked in descending order with priority given to the least population first.



## **Appendix D. Affordability Criteria to Determine Disadvantaged Community Eligibility**

A disadvantaged community is a community that meets the CWSRF's affordability criteria based on income, unemployment rates, and population trends. For the initial allocation round, the determination will be based on information received by the applicable PIF deadline. An eligible disadvantaged community consists of all of the following:

1. The service area of an eligible applicant, the service area of a community that is located outside the entity's service area, or a portion within the entity's service area if the proposed project is providing new service to existing residents in unserved areas; and
2. meets the following affordability criteria:
  - (a) Has an Annual Median Household Income (AMHI) that is no more than 75 percent of the state median household income using an acceptable source of socioeconomic data, and
  - (b) the Household Cost Factor (HCF) that considers income, unemployment rates, and population trends must be greater than or equal to 1 percent if only water or sewer service is provided or greater than or equal to 2 percent if both water and sewer service are provided.

### **Acceptable Source of Socioeconomic Data for SFY 2020**

For SFY 2020, the TWDB will utilize:

- (1) U.S. Census 2013-2017 American Community Survey (ACS) 5-year estimates, along with the 2009-2013 ACS 5-year estimates for determining whether there was a decline in population, or
- (2) Data from a survey approved by the Executive Administrator of a statistically acceptable sampling of customers in the service area completed in accordance with the most current Socioeconomic Surveys Guidelines (WRD-285) posted on the TWDB website. Any survey being used for income determination must be conducted within five years of the date the TWDB receives the PIF. An entity must submit documentation that substantiates the inadequate or absent Census data that led to the need to conduct a survey. All entities must obtain prior approval to use survey data instead of the most recently available American Community Survey data.

### **Affordability Calculation and Disadvantaged Community Eligibility**

#### **Step 1. Comparison to State annual median household income.**

The AMHI for the project service area (either entire or portion) must be 75 percent or less than the state's AMHI using an acceptable source of socioeconomic data for SFY 2020.

#### **Step 2. Determining the Household Cost Factor**

The total HCF is comprised of a household cost factor based on the AMHI, plus an additional household cost factor based on unemployment rates (if the unemployment rate for the service area is greater than the state average) plus an additional household cost factor based on population decline (if there has been a decline in the population of the service area over a period of time). The

total HCF used in the affordability criteria takes into consideration the potential burden that the cost of a proposed project will place on a household. The entity’s total HCF, which consists of the Income HCF (the percentage of annual household income that goes toward water, sewer,

fees/surcharges, and project financing costs) combined with the Unemployment Rate HCF (not to exceed 0.75 percent) and the Population Decline HCF (not to exceed 0.5 percent), must be:

- 1.0 percent or greater if the entity currently offers either water or sewer service, or
- 2.0 percent or greater if the entity currently offers both water and sewer service.

The 1.0 and 2.0 percentage levels are known as the “base” levels in determining the maximum allocation amount.

The Unemployment Rate HCF and Population Decline HCF can only increase the total HCF, not decrease it.

**Step 3. Principal Forgiveness Eligibility and Levels**

The eligible level of principal forgiveness for a project is based on the difference between the calculated total HCF under Step 2 and the minimum HCF of 1 percent (if only water or sewer service is provided) and 2 percent (if both water and sewer services are provided) as shown in the chart below:

Household Cost Factor Difference	Principal Forgiveness as a % of CWSRF-funded project costs remaining after subtracting other CWSRF principal forgiveness
≥ 0% and < 1.5%	30%
≥ 1.5% and < 3%	50%
≥ 3%	70%

Individual projects will be reviewed for disadvantaged community eligibility as stand-alone projects. However, if an entity submits an application covering multiple PIFs or multiple applications for multiple PIFs within the SFY prior to any receiving a funding commitment, the disadvantaged community eligibility may be re-evaluated based on the combined costs of all the projects.

In instances where the ACS data does not adequately reflect an entity’s service area (e.g. an entity serves a community outside of its Certificate of Convenience and Necessity, an entity serves another system, the entity is a system without a Census Bureau defined boundary, etc.), a prorated analysis of ACS block group data will be performed to calculate the AMHI. An example of this method follows:

County	Census Tract	Block Group	From Entity	Calculation	ACS 2013-2017	Calculation	ACS 2013-2017	Calculation	Calculation
			Total Number of Household Connections	% of TTL Connections	AMHI	Prorated AMHI	Average HH Size	Prorated Average HH Size	Entity's Population Served
Jefferson	69	1	198	34.49%	\$29,667	\$10,234	2.26	0.78	154
Jefferson	69	2	101	17.60%	\$34,781	\$6,120	2.26	0.40	40
Jefferson	69	3	275	47.91%	\$30,880	\$14,794	1.87	0.90	246
			574	100.00%		\$31,148		2.07	441

County	Census Tract	Block Group	ACS 2013-2017	Calculation	ACS 2013-2017	ACS 2009-2013	Calculation
			Unemployment Rate	Prorated Unemployment Rate	Population 2017	Population 2013	Prorated Pop. Change
Jefferson	69	1	5.29%	1.82%	2045	1,132	315
Jefferson	69	2	11.49%	2.02%	675	1,422	-131
Jefferson	69	3	11.70%	5.61%	343	563	-105
				9.45%	3,063	3,117	78

For entities that serve retail customers with differing rate structures, prorated rates are used, in some instances, to calculate each entity's household cost factor in SFY 2020. The following tables are an example of the method used. The TWDB will require use of prorated rates to determine an entity's water and/or sewer bills when applicable.

Prorated Average Monthly Water Bill

	A	B	C	D	E	F	G	H	I	J	K	L
	Number of Household Connections (HH)	Percentage of Total HH	Average Monthly Water Flow	Average Household Size	Average Mo. Water Flow / HH (Cx D)	First Tier	Initial Rate	Additional Use	Additional Rate	Other Changes	Average Mo. Water Bill (((E-F)/H)xI)+G)	Prorated Mo. Water Bill (BxK)
Entity A	1,823	33.95%	2,325	2.56	5,952	2,000	\$ 14.45	1,000	\$ 6.70	\$ 2.00	\$ 42.93	\$ 14.58
Entity B	1,135	21.14%	2,325	2.47	5,743	3,000	\$ 23.41	100	\$ 0.57	\$ -	\$ 39.04	\$ 8.25
Entity C	1,836	34.20%	2,325	2.78	6,464	3,000	\$ 29.85	1,000	\$ 6.81	\$ -	\$ 53.44	\$ 18.27
Entity D	575	10.71%	2,325	2.53	5,882	1,500	\$ 16.00	1,000	\$ 4.00	\$ -	\$ 33.53	\$ 3.59
<b>Totals</b>	<b>5,369</b>	<b>100.00%</b>							<b>Average Monthly Water Bill</b>		<b>\$ 44.69</b>	

Prorated Average Monthly Sewer Bill

	A	B	C	D	E	F	G	H	I	J	K	L
	Number of Household Connections (HH)	Percentage of Total HH	Average Monthly Water Flow	Average Household Size	Average Mo. Water Flow / HH (Cx D)	First Tier	Initial Rate	Additional Use	Additional Rate	Other Changes	Average Mo. Water Bill (((E-F)/H)xI)+G)	Prorated Mo. Water Bill (BxK)
Entity A	1,823	33.95%	1,279	2.56	3,274	3,000	\$ 10.95	1,000	\$ 2.25	\$ 2.00	\$ 13.57	\$ 4.61
Entity B	1,135	21.14%	1,279	2.47	3,159	3,000	\$ 17.00	100	\$ 0.83	\$ -	\$ 18.32	\$ 3.87
Entity C	1,836	34.20%	1,279	2.78	3,556	-	\$ 20.79	1	\$ -	\$ -	\$ 20.79	\$ 7.11
Entity D	575	10.71%	1,279	2.53	3,236	1,500	\$ 10.00	1,000	\$ 2.00	\$ -	\$ 13.47	\$ 1.44
<b>Totals</b>	<b>5,369</b>	<b>100.00%</b>							<b>Average Monthly Sewer Bill</b>		<b>\$ 17.03</b>	

If an entity is requesting disadvantaged community status for a portion of its service area, the combined household cost factor is calculated in the same manner as described above with the exception that the annual project financing cost per customer is calculated using the total household service connections in the full service area (not the portion).

If taxes, surcharges, or other fees are used to subsidize the water and/or sewer system, the average annual amount per household may be included in calculating the household cost factor or the combined household cost factor.

Systems owned and operated by a public school or school district will be evaluated for their annual median household income for their school district boundary. Since school districts typically do not have individual user costs, a household cost factor calculation cannot be performed. Therefore, districts with an AMHI less than or equal to 75 percent of the state's AMHI will automatically receive Disadvantaged Community status with the lowest available level of principal forgiveness.

If recent reliable data is unavailable for the school district to determine the AMHI, the TWDB will use information from the Texas Education Agency's Title I, Part A program to determine income eligibility. If more than 50 percent of the school districts campuses are eligible for the program, the district's AMHI will be assumed to be less than or equal to 75 percent of the State's AMHI.

## **Appendix E. Federal Requirements and Assurances**

### **A. Federal Requirements**

#### **1. Davis-Bacon Wage Rate Requirements**

A subrecipient must comply with the requirements of section 513 of the Federal Water Pollution Control Act (33 U.S.C. 1372) in all procurement contracts and must require contractors to include compliance with section 513 of the Federal Water Pollution Control Act in all subcontracts and other lower tiered transactions. All contracts and subcontracts for the treatment works construction project must contain in full in any contract in excess of \$2,000 the wage rate requirements contract clauses prescribed by TWDB. Section 513 requires compliance with 40 U.S. Code Sections 3141 to 3144, 3146, and 3147 covering wage rate requirements. TWDB guidance is available at <http://www.twdb.texas.gov/financial/instructions/doc/DB-0156.pdf>.

#### **2. American Iron and Steel (AIS)**

The TWDB and all CWSRF financial assistance recipients will comply with the American Iron and Steel (AIS) requirements in Section 608 of the Federal Water Pollution Control Act (33 U.S.C. 1388). The statute requires all of the iron and steel products used the construction, alteration, maintenance, or repair of treatment works funded by the CWSRF to be produced in the United States.

The term “iron and steel products” means the following products made primarily of iron or steel:

- lined or unlined pipes and fittings
- manhole covers and other municipal castings
- hydrants
- tanks
- flanges, pipe clamps and restraints
- valves
- structural steel
- reinforced precast concrete
- construction materials

EPA may waive the AIS requirement under certain circumstances.

Furthermore, if the original financial assistance agreement for the planning and/or design of a project closed prior to January 17, 2014, then the AIS provision would not apply to the construction phase of the same project. TWDB guidance is available at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1106.docx>.

#### **3. National Environmental Policy Act-like environmental review**

NEPA provisions apply to all CWSRF assistance for the construction of treatment works. These requirements are specified in Texas Administrative Code, Title 31, Part 10, Chapter 375.

#### 4. Generally Accepted Accounting Principles

Assistance recipients must maintain project accounts according to Generally Accepted Accounting Principles as issued by the Governmental Accounting Standards Board, including standards relating to the reporting of infrastructure assets.

#### 5. Cost and Effectiveness Analysis

A municipality or intermunicipal, interstate, or State agency that receives assistance from the CWSRF must certify that they have conducted a cost and effectiveness analysis. A cost and effectiveness analysis is an eligible cost under the CWSRF. The certification must be provided before CWSRF assistance is provided for final design or construction. TWDB guidance is available at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1107.pdf>.

#### 6. Architectural and Engineering contracts

For equivalency projects only, a contract to be carried out using CWSRF funds for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or architectural related services must be negotiated in the same manner as a contract for architectural and engineering services is negotiated under 40 U.S.C. 1101 et seq. This applies to new solicitations, significant contractual amendments, and contract renewals. TWDB guidance is available at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1108.pdf>.

#### 7. Fiscal Sustainability Plan

A recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works must develop and implement a fiscal sustainability plan or certify that it has already developed and implemented a fiscal sustainability plan. This applies to a recipient of a loan only and does **not apply** to financial assistance involving the TWDB's purchase of the recipient's bonds.

#### 8. Compliance with Cross-cutting Authorities

There are a number of federal laws, executive orders, and federal policies that apply to projects and activities receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as cross-cutting authorities or cross-cutters. All cross-cutters apply to Equivalency projects and only federal anti-discrimination laws, also known as the super cross-cutters, apply to Non-Equivalency projects.

The cross-cutters can be divided into three groups: environmental; social policies; and, economic and miscellaneous authorities.

- Environmental cross-cutters include federal laws and executive orders that relate to preservation of historical and archaeological sites, endangered species, wetlands,

agricultural land, etc. This cross-cutter requirement includes the NEPA compliant environmental review. For Equivalency projects, when conducting the NEPA-like review the TWDB will inform EPA when consultation or coordination by EPA with other federal agencies is necessary to resolve issues regarding compliance with applicable federal authorities.

- Social policy cross-cutters include requirements such as minority and women’s business enterprise participation goals, equal opportunity employment goals, and nondiscrimination laws. This cross-cutter requirement includes compliance with the EPA’s Disadvantaged Business Enterprise program administered by TWDB.
- Economic cross-cutters directly regulate the expenditure of federal funds such as the prohibition against entering into contracts with debarred or suspended firms.

The Equivalency projects that are considered federal are those entered into the Federal Funding Accountability and Transparency Act Subaward Reporting System.

### 9. Additional Subsidization

In accordance with the Consolidated Appropriations Act, 2019 (Public Law 116-6) and Section 603(i) of the CWA (33 U.S.C. 1383(i)), the TWDB is required to provide at least 10 percent of the capitalization grant of \$72,622,000, or \$7,262,200, in Additional Subsidization. The TWDB has allocated the Additional Subsidization for SFY 2020 as follows:

<b>Funding Option</b>	<b>Additional Subsidization Allocation</b>
Disadvantaged Community	\$17,000,000
Disadvantaged Community-Small/Rural only	\$2,000,000
Subsidized Green	\$4,600,000
Emergency Relief	\$5,000,000
<b>Total</b>	<b>\$28,600,000</b>

Of the total Additional Subsidization being made available for SFY 2020, an amount equal to \$7,262,200 may only be used where such funds would be for initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients where such debt was incurred on or after February 14, 2019. The TWDB may increase the allocations to provide the full eligible amount to a project. The TWDB may allocate up to the maximum of \$29,048,8000 as principal forgiveness in accordance with the CWA and the FFY 2019 capitalization grant appropriations. TWDB may consider projects receiving principal forgiveness under Emergency Relief that qualify as Disadvantaged Communities as part of the additional subsidization authorized for Disadvantaged Communities under the CWA.

## 10. Green Project Reserve

A minimum of 10 percent of the capitalization grant, or \$7,262,200, will be allocated as the Green Project Reserve (GPR) as required by federal appropriations. It must be used for green component costs associated with eligible CWSRF projects.

To encourage green infrastructure projects, a portion of the Additional Subsidization will be made available for projects that include water efficiency, energy efficiency, to mitigate stormwater runoff, and to encourage sustainable project planning, design, and construction. In order to be eligible to receive green subsidy, these projects eligible for Additional Subsidization must have approved green project elements with costs that exceed 30 percent of the total project costs.

Green components include green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. Eligibility for all green projects will be determined by the TWDB. In the event the TWDB does not receive enough completed applications to meet the 10 percent for GPR projects, the Executive Administrator may bypass higher ranked projects to invite projects with eligible green component costs.

Appendix L, "Initial Invited Green Projects", lists invited green projects with project descriptions that detail the green category associated with the project and how much of the project's total cost is applicable to the GPR.

TWDB information on green project eligibility is available at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.docm>.

## 11. Signage

CWSRF equivalency projects must comply with the EPA signage requirements implemented to enhance public awareness of the program. The entity may select from the following options to meet EPA's signage requirement:

- Standard signage
- Posters or wall signage in a public building or location
- Newspaper or periodical advertisement for project construction, groundbreaking ceremony, or operation of the new or improved facility
- Online signage placed on community website or social media outlet
- Press release

According to EPA's policy, to increase public awareness of projects serving communities where English is not the predominant language, entities are encouraged to translate the language used (excluding the EPA logo or seal) into the appropriate non-English language. TWDB guidance is available at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1109.pdf>.



## 12. Reserves Established from Available Funds

The following reserve amounts may be applied to the funding options.

### Funding Reserves

Reserve	Amount
Green Project Reserve (10% of capitalization grant) *	\$7,262,200
Small Communities (15% of capitalization grant)	\$10,893,300
Nonpoint Source/Estuary Management (7% of total funding available)	\$36,750,000
Emergency Relief Disadvantaged/Small/Rural (50% of principal forgiveness and 20% of loans with an interest rate of zero percent)	\$2,500,000 (principal forgiveness) and \$10.6 Million (0% loans)
*This amount includes the funds allocated for green subsidy.	

The TWDB is required to ensure that an amount equivalent to 10 percent of the capitalization grant is allocated to approved green project costs. To encourage green projects, a portion of the Additional Subsidization will be made available for projects that include green components. In order to be eligible to receive green subsidy, projects must have approved green project elements with costs that equal or exceed 30 percent of the total project cost.

A portion of the disadvantaged community and other Additional Subsidization, including subsidized green funding, is allocated to nonpoint source and estuary management projects. If they are not utilized, they may be offered to POTW projects.

## 13. Transfers – Amount Available

Federal Fiscal Year	Grant Award Number	Grant Amount	33% of Grant
FFY 2008	CS-48000208	\$61,564,429	\$20,316,262
FFY 2009	CS-48000209	\$31,103,000	\$10,263,990
FFY 2010	CS-48000210	\$31,101,800	\$10,263,594
FFY 2010	CS-48000210	\$93,126,000	\$30,731,580
FFY 2011	CS-48000211	\$67,492,000	\$22,272,360
FFY 2012	CS-48000212	\$64,597,000	\$21,317,010
FFY 2013	CS-48000213	\$61,021,000	\$20,136,930
FFY 2014	CS-48000214	\$64,084,000	\$21,147,720
FFY 2015	CS-48000215	\$63,756,000	\$21,039,480
FFY 2016	CS-48000216	\$61,068,000	\$20,152,440
FFY 2017	CS-48000217	\$60,598,000	\$19,997,340

FFY 2018	CS-48000218	\$73,361,000	\$24,209,130
FFY 2019	CS-48000219	\$72,622,000	\$23,965,260
<b>TOTAL</b>		<b>\$805,494,229</b>	<b>\$265,813,096</b>
CWSRF - Available from FFY 2008 to FFY 2019 grants			<b>\$265,813,096</b>
Ongoing cash flow transfer			<b>\$150,000,000</b>
Remaining Transfer Authority			<b>\$115,813,096</b>

**B. Assurances**

**1. Regulatory Assurances** (Citations refer to sections of Title VI of the Clean Water Act (CWA-33 U.S.C. §§1251 *et seq.*):

- a. 602(b)(2) – State Matching Funds - The TWDB agrees to deposit into the CWSRF from state monies an amount equal to 20 percent of the FFY 2018 federal capitalization grant on or before the date on which each quarterly grant payment is made to the TWDB.
- b. 602(b)(3) – Binding Commitments - The TWDB will enter into binding commitments for 120 percent of each quarterly payment within one year of receipt of that payment.
- c. 602(b)(4) – Expeditious and Timely Expenditures - The TWDB will expend all funds in the CWSRF in a timely and expeditious manner.
- d. 602(b)(5) – First Use for Enforceable Requirements - The TWDB has previously met this requirement.
- e. 602(b)(6) – Compliance with Title II Requirements - The TWDB will comply with 511(c)(1) and 513 of this Act in the same manner as treatment works constructed with assistance under title II of this Act.
- f. 602(b)(6) – Environmental Reviews –A NEPA-like review will be conducted on all projects for the construction of treatment works.

**2. Entry into the Federal Reporting Systems**

The TWDB will enter information into EPA's CWSRF Reporting System, the CWSRF National Information Management System, and the Federal Funding Accountability and Transparency Act Subaward Reporting System as required.

## **Appendix F. Bypass Procedures**

The Executive Administrator may decide to bypass, or skip, higher ranked projects in favor of lower ranked projects to ensure that funds available are utilized in a timely manner and that statutory and capitalization grant requirements are met. If an entity is offered funding for any project that has an interrelated project ranked lower on the list, the TWDB Executive Administrator will have discretion to also offer funding for the interrelated project.

Reasons for bypassing projects are listed below, but are not limited to:

### **1. Projects Previously Funded**

To fund the construction phase of a project that previously received funding for planning, acquisition and/or design.

### **2. Disadvantaged Community / Disadvantaged Community-Small / Rural only**

In the event that there are not enough projects with completed applications eligible to receive Disadvantaged Community funding, the Executive Administrator may bypass other projects to invite additional projects that are eligible for Additional Subsidization.

### **3. Green Project Reserve**

In the event that there are not enough projects with completed applications eligible to meet the green project reserve goal, the Executive Administrator may bypass other projects to invite additional projects that are eligible for review of their green components and possible funding.

### **4. Emergency Relief**

The Executive Administrator may bypass projects to provide Emergency Relief funding for essential wastewater, stormwater, or other eligible man-made infrastructure, damaged or destroyed by a recent disaster. Projects will be rated by the TWDB and added to the PPL as an "Emergency Relief" project.

### **5. Small Communities**

A minimum of 15 percent of the capitalization grant will be made available to systems serving populations of not more than 10,000. In the event that small community projects with completed applications do not equal 15 percent of the capitalization grant, the Executive Administrator may bypass other projects to include additional small community projects.

## **6. Readiness to Proceed**

The Executive Administrator may bypass projects to include those deemed ready to proceed to construction.

## **7. Past Project Performance**

If the applicant has failed to close a commitment or complete a project in a timely manner under a prior IUP, and it is determined that such failure to perform could jeopardize the timely use of funds for a project under this IUP, the Executive Administrator may bypass the project.

## **8. Financial Capacity**

A project may be bypassed if the Executive Administrator determines that the applicant will be unable to repay the SRF financial assistance for the project.

## **9. Loan Only Invitation – Initial Application Round**

A project may be bypassed in the initial application round to extend an invitation to projects requesting only loan funds without any principal forgiveness. The projects invited in the first round because they are requesting only loan/bond financing will not be eligible to receive additional subsidization during the initial application round. The Executive Administrator will ensure that sufficient capacity remains to provide at least loan/bond financing to all projects bypassed in the first application round to invite these loan-only projects.

## Key to EPA Cost Categories

I.	Secondary Wastewater Treatment
II.	Advanced Wastewater Treatment
III.A.	Infiltration/Inflow Correction
III.B.	Sewer System Replacement or Major Rehabilitation
IV.A.	New Collector Sewers and Appurtenances
IV.B.	New Interceptor Sewer and Appurtenances
V.	CSO Correction
VI.A.	Stormwater Conveyance Infrastructure
VII.(A-L)	NPS (Sec. 319)
VII.M.	Estuary Management (Sec. 320)
VIII.	Confined Animals – Point Source
X.	Recycled Water Distribution