

**Clean Water State Revolving Fund**  
**SFY 2025 Intended Use Plan**  
**General Activities**

Draft Dated 2024

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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>BABA</b>	Build America, Buy America Act, 2021
<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>IIJA</b>	Infrastructure Investment and Jobs Act, 2021
<b>IIPL</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 additional subsidization for a wide range of projects that facilitate compliance with the water pollution control requirements of the Clean Water Act (CWA). This Intended Use Plan covers the CWSRF capitalization grant funds provided from the Federal Fiscal Year (FFY) 2024 annual appropriations of \$37,313,000 and the General Supplemental FFY 2024 appropriations from the Infrastructure Investment and Jobs Act of 2021 (IIJA) of \$103,943,000. The combined capitalization grants from both appropriations covered in this IUP is \$141,256,000. The additional FFY 2024 CWSRF allotment to Texas under the IIJA for addressing emerging contaminants is covered in a separate IUP specific to that program.

For State Fiscal Year (SFY) 2025, \$481,832,070 could be made available under the CWSRF for all financing options including \$61,832,070 in additional subsidization. Of the total amount available, \$405,000,000 could be available 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 TWDB uses loan repayments and borrowed funds to provide the additional capacity above the grant amounts.

## **II. Background**

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. 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.

The IIJA appropriated five years of supplemental capitalization grant funding to the CWSRF program for general activities, along with a separate amount to address emerging contaminants.

For FFY 2024 funds, the IIJA provided \$103,943,000 of capitalization grant funding to the CWSRF for general activities. It required that 49 percent (\$50,932,070) of this supplemental funding be provided as additional subsidization.

The annual FFY 2024 appropriations of capitalization grant funding to the CWSRF was slightly increased by 9 percent from \$34,286,000 in FFY 2023 to \$37,313,000 in FFY 2024, but results in a total reduction over the last three years of 48 percent. Of that amount, the appropriations required 10 percent of the grant be provided as additional subsidization (\$3,731,300). In addition, the IIJA increased the required minimum amount of the annually appropriated funding

that must be provided as additional subsidization from 0 percent (in FFY 2022) to 10 percent (therefore, another \$3,731,300 as additional subsidization).

Overall, capitalization grants to the CWSRF for general activities increased from \$129,556,000 last year (FFY 2023) to \$141,256,000 this year (FFY 2024). However, of the total provided for general activities, 41 percent or \$58,394,670 of the grants must be provided as additional subsidization, typically principal forgiveness.

### **Purpose of IUP**

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. Applications for funding under this SFY 2025 IUP will be accepted based on invitation only until the program reaches funding capacity or the SFY 2026 IUP covering general activities is approved.

## **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.

These changes address the CWSRF program requirements while striving to ensure the programs continue to offer financial assistance to all categories of eligible systems within the constraints on the program. It is designed to allocate the required additional subsidization levels while freeing up loan funds for other projects. These adjustments are intended to allow the TWDB to continue to meet the needs of its customers while addressing the new allocation and programmatic requirements.

1. The maximum loan/bond commitment amount a project may receive under the SFY 2025 IUP is \$60 million (approximately 15% of loan/bond capacity). (Section VIII)
2. Reserves additional accumulated CWSRF fees for the following initiatives (Section XI):
  - a. \$1,000,000 for the Asset Management Program for Small Systems (AMPSS) initiative
  - b. \$1,000,000 for the Water Utilities Technical Assistance Program (WUTAP) initiative
  - c. and \$1,000,000 for the CFO to Go initiative
3. Adds two additional subsidization (principal forgiveness) funding options for Very Disadvantaged Communities and First-Time Service projects (Section VI)
4. Updated the allocation process for the Disadvantaged Community Funding - Small / Rural funding option to allow this funding option to be allocated in addition to, instead of in lieu of, the 70% Disadvantaged Community principal forgiveness funding. (Section VI)
5. Included Set-Aside for the TCEQ to create the Wastewater Optimization Program to assist wastewater utilities maximize the optimization of their treatment systems and implement best practices. (Section IX)
6. Clarified the Disadvantaged Community criteria to state that Non-Point Source projects may use the project area, instead of the service area, to determine if the project is eligible for Disadvantaged Community funding options. (Appendix D)

## **V. Amount Available**

### **1. Allocations**

Texas is eligible for capitalization grants from the annual appropriations by Congress for FFY 2024 and the supplemental appropriations under IIJA for FFY 2024 covering general activities. The TWDB will use the grants, along with other available sources of funds, to make available up to \$481,832,070 for projects in this SFY 2025 IUP. The sources of funds include the FFY 2024 annual appropriations and IIJA capitalization grants, 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 subsidized interest rates and additional subsidization typically in the form of principal forgiveness. Principal forgiveness funds are not considered “grant” funds under Title 2 Code of Federal Regulations Part 200 nor the Texas Grant Management Standards found at Texas Government Code Title 17 Chapter 783.

Of the total amount made available for Additional Subsidization, an amount equal to 10 percent of the EPA capitalization grant of \$37,313,000, or \$3,731,300, 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 Urgent Need 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/ Add. Subsidization	Interest Rates		Origination Fee
			Equivalency	Non-Equivalency	
<b><u>Principal Forgiveness:</u></b>					
Disadvantaged Community – Principal Forgiveness	\$37,500,000	70%*	Interest rate reduction of 40%**	N/A	1.75% ***
Disadvantaged Community – Small / Rural only Principal Forgiveness	\$12,932,070	Up to per project/entity \$1,500,000	N/A	N/A	N/A
Very Disadvantaged Community Principal Forgiveness	\$1,000,000	100%*	N/A	N/A	N/A
Subsidized Green Principal Forgiveness	\$3,600,000	Up to 15% of CWSRF-funded Green Costs –	N/A	N/A	N/A
Urgent Need Principal Forgiveness	\$2,800,000	Up to per project/entity \$800,000	N/A	N/A	N/A
Very Small Systems	\$3,000,000	Up to \$500,000 per project	N/A	N/A	N/A
First-Time Service	\$1,000,000	Up to \$200,000 per project	N/A	N/A	N/A
<b><u>Loans/Bonds:</u></b>					
Urgent Need Loans/Bonds	\$3,000,000	N/A	N/A	0%	1.75% ***
Disadvantaged Community – Small / Rural only– Bond/Loan	\$10,000,000	N/A	0%	N/A	1.75% ***
Asset Management Bonds/Loans (AMPSS) – for preparation of asset management plans and implementation of plans	\$2,000,000	N/A	0%	0%	1.75%
Bonds/Loans	<b>\$405,000,000</b>	N/A	Interest rate reduction of 40%**	Interest rate reduction of 35%**	1.75%
<b>TOTAL</b>	<b>\$481,832,070</b>				
<p>* Percentage of CWSRF-funded project costs remaining after subtracting other CWSRF principal forgiveness/additional subsidization (excluding Disadvantaged Community Funding to Small / Rural entities)</p> <p>** Based on a level debt service schedule</p> <p>*** Not assessed on the principal forgiveness/additional subsidization portion of project funding</p> <p>**** An amount equal to additional subsidization and zero interest loan funds from any funding category not allocated may be used for regular bond/loan funding.</p> <p>The maximum amount of principal forgiveness that may be committed to a project under the SFY 2025 IUP from <u>all</u> funding options is \$10,000,000.</p> <p>The maximum loan/bond commitment amount a project may receive under the SFY 2025 IUP is \$60 million.</p>					

### 3. Interest rate reduction methodology:

The interest rate will be a percentage reduction from the Thomson Reuters Municipal Market Data (MMD) rate adjusted for yield to maturity that is applicable to the entity's rating, with non-rated entities using the Baa rate, as follows:

- (a) Equivalency projects: 40% reduction
- (b) Non-Equivalency projects: 35% reduction

**Exclusions from the interest rate reduction methodology** - the interest rate reduction methodology does not apply to any portion of financing that is offered at zero percent. The full benefit of the zero percent 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.

#### 4. Allocation of Additional Subsidization:

Entities that meet the affordability criteria in Appendix D are shown as “disadvantaged” in the chart below for consistency with the language used in the Drinking Water SRF IUP. A total of 10 percent of the grant must be used for special criteria; municipalities that meet the affordability criteria in Appendix D or entities that implement green and certain other activities.

		Regular/Base Appropriations		IJA's Supplemental Appropriations		Total for IUP
		\$	% of Grant	\$	% of Grant	\$
<b>Clean Water SRF SFY 2025</b>						
		\$37,313,000		\$103,943,000		\$141,256,000
<b>Minimum &amp; Maximum - Principal Forgiveness</b>						
Minimum (Special criteria)		\$3,731,300	10%	\$50,932,070	49%	\$54,663,370
Minimum (Any CWSRF-eligible recipient)		\$3,731,300	10%	\$0	0%	\$3,731,300
<b>Minimum (Total)</b>		<b>\$7,462,600</b>	<b>20%</b>	<b>\$50,932,070</b>	<b>49%</b>	<b>\$58,394,670</b>
Optional Additional Amount		\$7,462,600	20%	\$0	0%	\$7,462,600
Maximum		\$14,925,200	40%	\$50,932,070	49%	\$65,857,270
<b>Current Allocation of Principal Forgiveness</b>						
	<b>Eligibility</b>					
Disadvantaged Community:	Disadv.	\$3,500,000	9%	\$34,000,000	33%	\$37,500,000
Disadvantaged Community-Small / Rural only:	Disadv.	\$1,000,000	3%	\$11,932,070	11%	\$12,932,070
Very Disadvantaged Community	Disadv.	\$1,000,000	3%	\$0	0%	\$1,000,000
Subsidized Green:	All	\$2,600,000	7%	\$0	0%	\$2,600,000
	Spec.	\$1,000,000	3%	\$0	0%	\$1,000,000
Urgent Need:	All	\$800,000	2%	\$0	0%	\$800,000
	Disadv.	\$0	0%	\$2,000,000	2%	\$2,000,000
Very Small Systems:	Disadv.	\$0	0%	\$3,000,000	3%	\$3,000,000
First-Time Service	All	\$1,000,000	2.7%	\$0	0%	\$1,000,000
<b>Total Currently Allocated</b>		<b>\$10,900,000</b>	<b>29%</b>	<b>\$50,932,070</b>	<b>49%</b>	<b>\$61,832,070</b>
Additional amount of grant that could be allocated to principal forgiveness		\$4,025,200	10.8%	\$0	0.0%	\$4,025,200
<b>Total Breakdown</b>						
Total Principal Forgiveness Allocated to Projects		\$10,900,000	29%	\$50,932,070	49%	\$61,832,070
TWDB Admin. Set-aside (incl. Project Manag. System)		\$1,371,440	4%	\$3,810,800	4%	\$5,182,240
TCEQ Set-aside		\$746,260	2%	\$0	0%	\$746,260
Loans/Bonds		\$24,295,300	65%	\$49,200,130	47%	\$73,495,430
<b>Total</b>		<b>\$37,313,000</b>	<b>100%</b>	<b>\$103,943,000</b>	<b>100%</b>	<b>\$141,256,000</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”. 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”.

**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 or more 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 (excluding Disadvantaged Community Funding to Small / Rural entities) is provided in the following table:

Household Cost Factor Difference	Principal Forgiveness as a % of CWSRF-funded project costs remaining after subtracting other applicable CWSRF principal forgiveness
≥ 0%	70%

This funding option offers a financial assistance component with the interest rate subsidy and 70 percent of the CWSRF-funded project cost in principal forgiveness for all disadvantaged communities. The 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 2025 to the proposed project (excluding Disadvantaged Community Funding to Small / Rural entities). 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 reduced application amount of CWSRF-funded costs before other CWSRF program additional subsidization 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.

The HCF 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 from a rural political subdivision.

Rural political subdivision means:

(A) a nonprofit water supply or sewer service corporation created and operating under Chapter 67 of the Texas Water Code or a district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, no part of the service area of which is located in an urban area with a population of more than 50,000;

(B) a municipality:

(i) with a population of 10,000 or less no part of the service area of which is located in an urban area with a population of 50,000 or more; or

(ii) located wholly in a county in which no urban area has a population of more than 50,000;

(C) a county in which no urban area has a population of more than 50,000; or

(D) an entity that:

(i) is a nonprofit water supply or sewer service corporation created and operating under Chapter 67 of the Texas Water Code, a district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, a municipality, county, or other political subdivision of the state, or an interstate compact commission to which the state is a party; and

(ii) demonstrates in a manner satisfactory to the board that the entity is rural or the area to be served by the project is a wholly rural area despite not otherwise qualifying under Paragraph (A), (B), or (C).

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. This principal forgiveness is offered in addition to the 70% principal forgiveness offered to Disadvantaged Communities, provided funds are available.

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%)
70%	\$1,500,000	\$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 2025 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 2025 is \$10 million. The TWDB Executive Administrator may establish a higher amount consistent with maintaining the CWSRF in perpetuity and any other appropriate factors. Any unallocated zero interest rate funding may be allocated to another funding option offering zero percent funding.

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 2025 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 under this option.

Funds not allocated by March 1, 2025 for entities and projects that qualify for this option may be reallocated 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.

The definition of a “project” for SFY 2025 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. Funds not allocated for projects that qualify for this option may be reallocated to other funding options.

**d. Very Small Systems Funding (Equivalency or Non-Equivalency)**

The TWDB recognizes the difficulty for very small systems to secure financial assistance. In an effort to extend resources to address critical issues with these systems, the TWDB will allocate up to \$3,000,000 in principal forgiveness to target systems with populations of 1,000 or fewer.

To be eligible to receive Very Small Systems funding systems must not exceed 150 percent of the state’s AMHI. To lessen the need for the applicant to conduct income surveys, the TWDB will consider on a case-by-case basis making the presumption that the average (mean) of the AMHI of all U.S. Census Bureau Block Groups containing any portion of the project service area is the AMHI for the project. The applicant has the option of proving otherwise by submitting more information on the number of customers in each Block Group or conducting an income survey. Applicants must provide a detailed map of the proposed service area to be considered for this option and the TWDB will determine the associated Block Groups. The Executive Administrator will then determine whether this option would result in a reasonable estimate of the AMHI for the project service area and may be used for the AMHI threshold calculation. The income data used in the calculation will be the same data source as described in “Affordability Criteria to Determine Disadvantaged Community Eligibility, found in Appendix D. Entities may be eligible to receive 100 percent of the total project cost in



principal forgiveness up to a total of \$500,000 per project. A particular system may only receive a total of \$500,000 in principal forgiveness of Very Small Systems funds in a program year. The definition of a “project” for SFY 2025 includes the planning, acquisition, design and construction phases. In the event funding does not fully cover total project costs, the entity will need to secure additional financial assistance to complete the proposed project. Reserved funds not allocated by March 1, 2025, for projects that qualify may be reallocated to other funding options.

**e. Very Disadvantaged Community Funding (Equivalency)**

The TWDB recognizes the financial burden of repaying a loan may pose to a system serving a population whose AMHI is significantly less than the state-wide average AMHI. In an effort to provide funding to these communities to address critical issues with their water system, TWDB is allocating \$1,000,000 in principal forgiveness to systems determined to be Very Disadvantaged. Systems are determined to be Very Disadvantaged under this funding option if their service area AMHI is below 50 percent of the state-wide average AMHI.

Funding offered under this option can be offered in addition and on top of funding offered under the other principal forgiveness funding options, to an amount that either results in the project being fully funded or the project receiving a total amount of \$10,000,000 in principal forgiveness, using up to \$1,000,000 of funding from this funding option.

**f. First-Time Service Funding (Equivalency)**

In an effort to encourage the connection of households that are currently not served by a wastewater utility to a centralized publicly owned wastewater treatment system, TWDB will allocate \$1,000,000 to projects that include first-time service to households not currently served by a centralized publicly-owned wastewater treatment system.

Individual projects serving first-time service are eligible to receive up to \$200,000 in principal forgiveness from this fund, in addition to and on top of funding offered from the other principal forgiveness funding options, as long as the total amount of principal forgiveness offered to the project from all funding options does not exceed \$10,000,000 in principal forgiveness.

**g. Urgent Need (Non-Equivalency)**

Urgent Need projects must address situations that require immediate attention to protect public health and safety. They may result from (1) a catastrophic natural event or accident resulting in the loss of service to over 20 percent of the wastewater service connections; (2) situations that require immediate attention to address a substantial, imminent public health issue affecting at least 20 percent of the wastewater service connections; (3) situations that require immediate attention to address a substantial,

imminent public health issue affecting at least 20 percent of the wastewater service provided to customers from severe flood damage that occurred during a Governor or Presidential declared natural disaster; and (4) other situations as established by TWDB guidelines. (Note: This is the same funding as Emergency Relief in the Texas Administrative Code, 31 TAC 375).

Urgent Need projects submitted after the March 1, 2024 project information form submission deadline may be invited in the first round of invitations for SFY 2025 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 Urgent Need projects. An Urgent Need project may qualify and receive funding concurrently as a Disadvantaged Community, Very Disadvantaged Community, Subsidized Green, Very Small Systems project, and First-Time Service provided funding is available. 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. The TWDB may request the applicant provide a sealed response from a licensed professional engineer to assist the TWDB in making its determination. 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.

Amount of Urgent Need 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 Under Disadvantaged Community Criteria.
\$800,000	70%

In addition, a particular recipient may only receive the maximum eligible amount in principal forgiveness under Urgent Need in a program year for all of its projects. Entities that previously received principal forgiveness under the Emergency Relief funding option for a particular project may not receive additional principal forgiveness for that project if the total amount of principal forgiveness provided under the Urgent Need funding option would exceed the amount specified in the chart above. The definition of a

“project” includes the planning, acquisition, design and construction phases.

If eligible project costs that would have qualified for Urgent Need 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. For disaster recovery, special terms and conditions on loan/bond financing, including the repayment terms, may be available that are not offered under other funding options.

Any commitment receiving Urgent Need funds will be considered non-equivalency funds, even if the project concurrently receives Disadvantaged Community funds.

#### Amount of Urgent Need 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 Urgent Need projects with an interest rate of zero percent for SFY 2025 is \$3,000,000, or such other higher amount as the TWDB Executive Administrator may establish consistent with maintaining the CWSRF in perpetuity and any other appropriate factors. The funds will be obligated only as the TWDB Board makes commitments. Any unallocated zero interest rate funding may be allocated to another funding option offering zero percent funding.

#### Mitigation

Facilities being replaced or repaired for an Urgent Need 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.

#### **h. Asset Management (Preparation of Asset Management tools) – Bonds/Loans (Equivalency or Non-Equivalency)**

An eligible entity, not just small system, may be eligible for up to \$100,000 with an interest rate of zero percent to prepare all of the Asset Management / Financial Planning tools required in the current Asset Management Program for Small Systems

(AMPSS) initiative's Scope of Work and deliverables as described in Section XI. The AMPSS initiative's scope of work now requires a section on emergency preparedness, weatherization, and resiliency. 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 and the zero percent funds for implementing AMPSS-like tools in SFY 2025 is \$2,000,000 (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. Any unallocated zero interest rate funding may be allocated to another funding option offering zero percent funding.

**i. Asset Management – (Implementation of Asset Management Plans) - Bonds/Loans (Equivalency or Non-Equivalency)**

A small system eligible under AMPSS may receive up to \$500,000 at zero percent (0%) for a portion of the total TWDB funding for a project if it has implemented substantially all of the Asset Management / Financial Planning tools required in the current AMPSS initiative's Scope of Work and deliverables as described in Section XI and the proposed project is included in its current plan. The AMPSS initiative's scope of work now requires a section on emergency preparedness, weatherization, and resiliency. 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 2025 at zero percent for implementation of asset management tools is included in the total of \$2,000,000 for asset management incentives. Any unallocated zero interest rate funding may be allocated to another funding option offering zero percent funding.

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

All entities listed on a PPL that are invited to submit an application are eligible for funding through the TWDB's purchase of the entity's bonds or through a loan agreement as allowed under the entity's governing law.

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 principal forgiveness concurrently with a bond or loan. An amount equal to the additional subsidization and zero interest loan funding from any category that was not allocated may be used for regular bond/loan funding.

**k. SRF-funded Projects with Project Cost Increases (Non-Equivalency)**

The TWDB will reserve \$25,000,000 in loan/bond funding for active CWSRF-funded projects with project cost increases. TWDB will allocate available funds on a case-by-case basis considering all relevant information. Only the amount necessary for a viable project will be considered under this option. Highest priority will be for active DWSRF projects that are in the construction phase versus the design phase and need additional funds to complete the approved project due to cost increases, including those projects actually under construction for a related portion of the overall project. Priority will be for those projects under have at least bid out a portion of the construction project to determine the cost and dollar amount needed. As a lower priority other factors such as characteristics of the project proposal or entity may be considered if necessary. The regular interest rate reduction methodology will apply to this financing. TWDB may limit the amount provided to an entity or project. Funds will be offered as Non-Equivalency regardless of the original type of CWSRF funding provided to the project.

**2. Loan Reserve for Project Impact/Health Issues only**

The TWDB may reserve up to \$100,000,000 of loan funding capacity based on project impact/health issues only (includes all scoring criteria related to enforcement, unserved areas, impact on bodies of water, treatment capacity and other POTW criteria, or nonpoint source, or estuary management as applicable to the type of project, along with criteria applicable to all eligible projects, but excludes Disadvantaged Community/affordability additional points). This will ensure that at least a portion of the total loan capacity for SFY 2025, but not additional subsidization/principal forgiveness capacity, is provided to all eligible types of entities. A project funded under this reserve may not have received fewer points for the project impact criteria than the lowest scoring disadvantaged community project that was offered principal forgiveness under the Disadvantaged Community option. This would ensure all types of entities have an opportunity to receive at least loan funding. At the same time it would ensure that a non-disadvantaged project with a lower project impact/health issues score would not receive funding over a disadvantaged project with a higher project impact/health issues score.

**3. 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.

**4. 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. CWSRF-funded projects must follow any applicable federal “cross-cutter” law and EPA grant agreement requirement as outlined in Appendix E.

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 BABA and EPA’s Disadvantaged Business Enterprise program administered by TWDB. Equivalency projects receive an additional interest rate reduction over the reduction for non-equivalency projects. 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. 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.

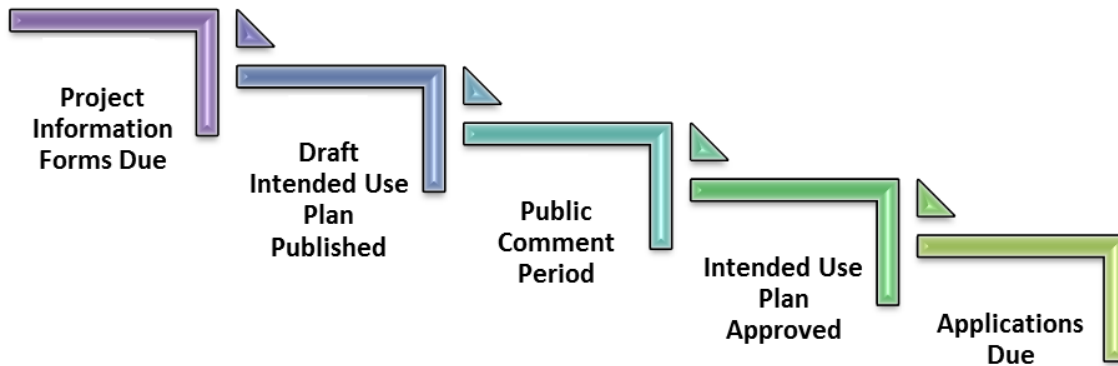
5. Continue our current level of outreach on the SRF programs by hosting virtual or in person regional financial assistance workshops in conjunction with the continued use of social media.
6. Offer financial assistance with an interest rate of zero percent to projects that qualify for Disadvantaged Community-Small/Rural and Urgent Need funding.
7. Continue to implement the TWDB's AMPSS, CFO to Go, Water Utilities Technical Assistance Program (WUTAP), and other 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.
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.

## **VIII. Participating in the CWSRF Program**

Below are the major steps in the production of the initial IUP for SFY 2025.



**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, 2024.

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 2025, 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, 2024, 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-raking 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, and the additional amount requested will be awarded as low interest loan, as funding availability allows.

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 2025. The phases indicated on the IIPL represent the phases deemed eligible based on that review.

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 and if seeking disadvantaged community eligibility, the socioeconomic economic census data and utility rate 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 2025 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 2025. 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 2025, 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, that statutory and capitalization grant requirements are met, including federal additional subsidization requirements, and there is an equitable distribution of loan funds. 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**

Projects that were determined to be ready to proceed to construction based on the current status of their planning, acquisition, and design activities.

### **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 additional subsidization/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 available funding options. An entity on the list may not submit an application until it receives an invitation from TWDB. TWDB will consider the need to meet the minimum federal additional subsidization and green project reserve requirements when deciding whether it needs to bypass projects on the IIPPL.

### Intent to Apply

As part of the invitation process, the TWDB requires the applicant to submit an intent to apply form or information by a specified deadline showing the applicant's intent to request up to the eligible amount of funding in the IUP. Failure to submit the requested intent to apply information by the established deadline will result in TWDB bypassing the project on the IUP list.

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 reallocated 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.

Projects may be bypassed if an applicant fails to timely submit a complete application or additional requested information.

#### Deadline for Receipt of Invitation

The TWDB will establish a deadline for receipt of the application. If the application is not received by the established deadline, the project will be bypassed.

#### Subsequent Invitations

After the initial invitation period, if any funds remain unallocated then other projects on the PPL will be invited in rank order. Applicants may submit a PIF at any time for a project to be considered for inclusion on the amended PPL. The new projects will be considered after those on the original PPL list have been invited. Amendments to the project lists will undergo a 14-day public review period that will be advertised on the agency website. Projects requesting Urgent Need funding may undergo a 7-day public review period if the TWDB determines it is necessary to protect public health and safety.

### **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 Additional Subsidization 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. If an applicant does not submit an application by the established deadline and then proceed through the application process and obtain a funding commitment within the timeframes listed below, the Additional Subsidization may be reallocated to another eligible project. In extenuating circumstances, if the application

was received by the established deadline then TWDB may grant an extension of time for obtaining a commitment if an applicant demonstrates sufficient reason for a delay.

<b>Additional Subsidization Type</b>	<b>Commitment Deadline</b>
Disadvantaged Community	4 months
Disadvantaged Community – Small / Rural only	4 months
Subsidized Green	4 months
Very Small Systems	4 months
Urgent Need	3 months

**J. Closing Deadlines**

The deadline to close a commitment is dependent on whether the commitment includes Additional Subsidization. Commitments that include only Additional Subsidization must close within four months from the date of commitment. All commitments that include additional subsidization 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 additional subsidization funding must close within one year from the date of the commitment. In extenuating circumstances, the Board may grant extensions of time to close if an applicant demonstrates sufficient reason for a delay. The TWDB may extend these closing deadlines if necessary to conform to the closing schedule for concurrent financing for the project from another TWDB financing program.

<b>Type of Financial Assistance</b>	<b>Closing Deadline</b>
Commitments that include only additional subsidization	4 months
All commitments that include additional subsidization and bonds/loan	6 months
All commitments for bonds/loan without any additional subsidization	12 months

**K. Limits**

**1. Principal Forgiveness per Project**

The maximum amount of principal forgiveness that may be committed to a project under the SFY 2025 IUP from all funding options is \$10,000,000. The definition of a “project” for SFY 2025 includes the planning, acquisition, design and construction phases. A project consists of all eligible activities directly linked in purpose, place, and time.

**2. Proportionate Share/Capacity**

The TWDB may limit the amount of total funding, loan/bond financing, or additional subsidization available to an individual entity or project based on a proportionate share of total funds available. The maximum loan/bond commitment amount a project may receive under the SFY 2025 IUP is \$60,000,000 (approximately 15% of loan/bond capacity). However, after the TWDB has met all additional subsidization and green project reserve requirements, if loan/bond capacity remains available then the TWDB may increase the maximum as the Executive Administrator determines is appropriate.

The TWDB may elect to provide financing in excess of the capacity levels if the Board approves the increase consistent with maintaining the CWSRF in perpetuity and after consideration of other relevant factors.

### **3. Equivalency funding limits**

For SFY 2025, the maximum initial amount of equivalency funds made available is \$364,000,000. The TWDB may elect to provide financing in excess of these initial capacity levels if the Board approves the increase consistent with maintaining the CWSRF in perpetuity and after consideration of other relevant factors.

### **4. 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 or the special disadvantaged community calculation is utilized.

### **5. Cost Overruns After Closing**

TWDB may use up to \$25,000,000 of loan/bond funding reserved for active CWSRF-funded projects with project cost increases. TWDB will allocate available funds on a case-by-case basis considering all relevant information as described in Section VI(1)(i) of the IUP.

### **5. 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. The TWDB also reserves the authority to transfer an amount up to thirty-three percent (33 percent) of the DWSRF program capitalization grant amounts provided under the IIJA.

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

The TWDB may transfer in accordance with the authority in Section 302 of the SDWA up to \$200,000,000 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 2025 in the CWSRF program's SFY 2025 Annual Report. (See Appendix E for the calculation demonstrating that \$200,000,000 may be transferred in accordance with Section 302 of the SDWA Amendments of 1996.) Similarly, the TWDB may transfer IIJA funds between the DWSRF and CWSRF programs in an amount up to thirty-three percent (33 percent) of the DWSRF program capitalization grant amounts provided under the IIJA.

## **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.

## **IX. Set-Asides**

### **A. Administration / Technical Assistance**

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 2025, 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 \$3,025,337,978 is \$6,050,676. TWDB has allocated \$5,182,240 for SFY 2025, 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. Texas Commission on Environmental Quality Activities**

For SFY 2025, the TCEQ will use an amount of two (2) percent of the capitalization grant of \$37,313,000, or \$746,260, to fund the implementation of a new program called the Wastewater Optimization Program (WWOP). WWOP will be implemented in a manner similar to the existing TCEQ Texas Optimization Program (TOP) for drinking water systems, to assist wastewater systems achieve maximum optimization of their treatment systems and implement best practices. A detailed description of SFY 2025 activities may be found in TCEQ's Two-Percent Technical Assistance Work Plan.

### **X. Financial Status**

As of August 31, 2023, the CWSRF had assets of \$4,308,593,602.89, liabilities of \$1,095,397,850.98, with a net position of \$3,213,195,751.91. The total amount of funding available for SFY 2025 through this IUP is set at \$481,832,070. The amount of capitalization grant provided from FFY 2024 annual appropriations is \$37,313,000 with a required state match of \$7,462,600 (20%) and amount of capitalization grant from FFY 2024 IJA appropriations is \$103,943,000 with a required state match of \$20,788,600 (20%). The combined capitalization grants from both appropriations covered in this IUP is \$141,256,000 with a combined required state match of \$28,251,200. The TWDB uses loan repayments and borrowed funds to provide the additional capacity above the grant amounts. The TWDB will comply with the requirements associated with the FFY 2024 allotments under this SFY 2025 IUP.

#### **A. 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 may be appropriated funds or proceeds from bond sales.

## **B. Binding Commitment Requirement**

For each respective grant and based on the required state match, the TWDB will enter into binding commitments with entities for the required percentage of the amount of a FFY 2024 grant payment allocated to projects within one year after the receipt of the grant payment. However, the excess balance of cumulative prior binding commitments are banked towards the binding commitment requirements associated with these grant payments. The excess binding commitments for the base program may be used to fulfill the binding commitment requirement for both the FFY 2024 annual appropriations grant and the supplemental IJJA General Activities grant. A binding commitment occurs when the TWDB's Board adopts a resolution to commit funds to a project.

## **C. 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).

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

During SFY 2025, 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. (This option is different than the ongoing cash flow transfer mechanism described earlier.)

#### **E. Method of Cash Draw**

EPA has revised its cash draw policy as described in "Class Exception from the Clean Water and Drinking Water State Revolving Fund Cash Draw Rules", dated November 18, 2022. Therefore, TWDB will draw federal funds using acceptable evidence of expenditures.

#### **F. 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 additional subsidization, administration from each grant, and net transfers. The TWDB will continue to manage the CWSRF to ensure funds will be available in perpetuity for activities under the CWA.

#### **G. Interest Rate Policy**

The interest rate will be a percentage reduction from the Thomson Reuters Municipal Market Data (MMD) rate adjusted for yield to maturity that is applicable to the entity's rating, with non-rated entities using the Baa rate, as follows:

(a) Equivalency projects: 40% reduction

(b) Non-Equivalency projects: 35% reduction

Exclusions from the interest rate reduction methodology - the interest rate reduction methodology does not apply to any portion of financing that is offered at zero percent (0%). 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.

## **H. 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 accumulated fees may be used for any eligible activity, including administrative costs, such as project initiation, implementation and oversight, long-term financial monitoring, and Special Program Initiatives described in Section XI. The balance of funds within the fee account as of August 31, 2023, was \$116,861,025.03.

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

EPA has conducted an annual program review of the CWSRF program for SFY 2023 and will send their final report to the TWDB upon completion. The annual program review report from EPA for SFY 2022 was delivered to the TWDB in July 2023. EPA made six recommendations: to continue hiring engineers; document BABA compliance; track BABA waivers; ensure compliance with Executive Order 14030 regarding the National Floodplain Risk Management Standard; meet the minimum additional subsidization requirements; and meet the binding commitments requirements following receipt of capitalization grants. The TWDB continues to implement strategies to address these recommendations and will provide status updates within the SFY 2024 Annual Report.

The Texas State Auditor's Office published the results of the SFY 2023 Federal Portion Single Audit of the CWSRF on February 22, 2024 (Report 24--318). There were no findings as a result of the review.

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

### **1. 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. System Operations and Maintenance Manual.
- c. Training for system management and staff.
- d. A Compliance Manual.
- e. Installation of all tools that were developed on the system's computer system.
- f. Presentation to system management and governing body

#### 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 \$100,000 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:

Eligible system(s) are defined for the purpose of this program as those (a) having 5,000 service connections or less, or (b) having a population of 10,000 or less and located outside the boundaries of any municipality with a population greater than 10,000 or its extraterritorial jurisdiction; and (c) eligible for funding from either the Drinking Water State Revolving Fund or Clean Water State Revolving Fund.

#### Selection of Contractors:

The TWDB may select multiple contractors according to qualifications that are specified in an RFQ. The procurement process will follow all state procurement laws and requirements, including use of Historically Underutilized Businesses. Participant systems will choose a contractor to work with from a list of pre-qualified contractors compiled by the TWDB.

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. A map of the system, showing service area, water or wastewater lines, and critical assets of the system should be created as part of the asset management plan. This map should be digital, allowing for updates to be made in the future, and a physical copy of the map should be printed and given to the system as well.

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, the section of the asset management plan that discusses funding sources 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.

Additional recommendations and guidance must be discussed and included in the asset management plan to assist utility staff in communicating to the System's governing body the importance of infrastructure investments and ongoing comprehensive maintenance System. The recommendation must include strategies for using the asset management plan and visual aids to communicate the System's short-term and long-term needs to an audience that is less technically versed in water and wastewater System operations

b. Emergency Preparedness/ Weatherization/ Resiliency – Identify assets critical to the operation of the System and determine their ability to remain functional in adverse weather and prolonged electrical grid outages. Identify recommendations related to emergency preparedness and operations. Update and include in the final report, Emergency Preparedness Plans for the System.

c. For Water Systems: Source Assessment and Planning - Identify the system'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, identify options for alternative sources, if they are needed. 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.

d. Operations and Maintenance - Create an operations and maintenance manual for the system 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 program.

As part of the operations and maintenance manual, two separate “quick-guides” for operators and utility staff must be developed. The first guide must include a concise list of the maintenance activities required on a daily, weekly, monthly, quarterly and annual basis to maximize the useful life of the assets and keep them in optimal working order. The second guide must include a concise list of the operational processes required on a daily, weekly, monthly, quarterly and annual basis to maintain required levels of service and ensure compliance with applicable rules and regulations. These guides must resemble checklists that can be easily used in the field.

An executive summary of the operations and maintenance of the water or wastewater system must also be included with the operations and maintenance manual. This executive summary should be a high-level summary of the operations and maintenance activities required to keep the system functioning properly. The target audience of this executive summary is a new employee needing to get up to speed on the operations and maintenance of the system as quickly as possible.

e. Compliance - Conduct a minimum of one training session for the system’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.

f. Other Requirements - As part of the project, all tools developed, including spreadsheets and manuals, must be nonproprietary and must be installed on the system’s computer system. Key staff members must 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 systems’ management. Any software used as an asset management tool must be provided to the system at no additional cost during the term of the contract, unless already in use by the system. Any new software that has an ongoing subscription cost must be discussed and agreed upon by the System within the first three months of the contract.

A project kick-off meeting must be conducted, and the contractor must provide a written progress report to the system management and TWDB at least every two months while the project is under development.

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 contractor must also facilitate at least one "all-hands" training for staff responsible for the operations of the system, including an explanation of the basic principles of asset management and an overview of the deliverables of the project.

The TWDB-procured contractor must return to the system 12 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. After the 12-month follow-up assessment has been completed, the contractor must work with a representative from the system to create and present a presentation on the findings from the report to the governing body of the system. The system representative must conduct all or part of the presentation.

A contract will be prepared and executed between the TWDB and the contractor chosen by the participant system from the pre-qualified list covering the development of the project prior to the contractor initiating any work. The contractor must complete the deliverables of the project, to the satisfaction of the TWDB, within 12 months of the execution of the contract. A memorandum of understanding will be prepared and executed between the TWDB and the participant system prior to the contractor initiating any work, specifying the expectations of the participant system for the project.

#### Subsequent Rounds:

The TWDB will award additional contracts under this initiative up to the amount of funds available.

#### Reserve of Accumulated Fees:

For SFY 2025. The TWDB is reserving an additional \$1,000,000 of accumulated CWSRF fees for the AMPSS initiative, along with another \$1,000,000 of DWSRF program accumulated fees, for a total of \$2,000,000. In the SFY 2023 and 2024 IUPs, TWDB reserved \$1,000,000 of accumulated CWSRF fees for the AMPSS initiative, along with another \$1,000,000 of DWSRF program accumulated fees, for a total of \$2,000,000 in each SFY. The cumulative total fees reserved is \$6,000,000. This allocation of \$6,000,000 in accumulated fees does not expire with the IUP or state fiscal year. Funds will be used to contract for services to assist small systems develop asset management tools. Additional accumulated fees may be used by TWDB to manage the program, oversee implementation, and promote the benefits of the asset management tools being provided through AMPSS.

#### Reporting:

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



## **2. CFO to Go Initiative**

Similar in concept to the AMPSS program, the TWDB has developed and implemented a pilot program called “CFO 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 falls into two broad categories of services for the designated recipients.

First, the contracted CPA evaluates 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 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 preparing financial statements or performing the independent audit of the entity’s financial statements),
- 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 are allocated to the respective SRF programs based on the initial amounts 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.

#### Reserve of Accumulated Fees:

For SFY 2025, the TWDB is reserving an additional \$1,000,000 of accumulated CWSRF fees for the CFO to Go initiative, along with another \$1,000,000 of DWSRF program accumulated fees, for a total of \$2,000,000. The TWDB previously reserved \$500,000 of accumulated CWSRF program fees for the CFO to Go initiative, along with another \$500,000 of DWSRF program accumulated fees, in both the SFY 2023 and 2024 IUPs for a total of \$2,000,000. Cumulative total fees reserved for this program is \$4,000,000. This allocation of \$4,000,000 in accumulated fees does not expire with the IUP or state fiscal year. Additional accumulated fees may be used by TWDB to manage the program, oversee implementation, and promote the benefits of the technical assistance being provided through CFO to Go.

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

### **3. Water Utilities Technical Assistance Program (WUTAP) Initiative**

#### Purpose and Overview:

The WUTAP program has been implemented to provide water and wastewater utilities in Texas with financial, managerial and technical capabilities necessary to apply for financial assistance from the TWDB. The technical assistance will be provided, through contracts between the provider and TWDB, by experts in the field that have been pre-qualified by TWDB.

#### 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. The TWDB will not pay more than \$150,000 per project.

#### Systems to be Assisted:

Eligible system(s) are defined for the purpose of this program as those who are eligible for financial assistance from either the DWSRF or CWSRF program. Systems selected to receive assistance through WUTAP are based on ranking of applications using scoring criteria set by the TWDB to prioritize systems with the greatest need for these services.

#### Selection of Contractors:

The TWDB may select multiple contractors according to qualifications that are specified in an RFQ. The procurement process will follow all state procurement laws and requirements,

including use of Historically Underutilized Businesses. TWDB will pair contractors with participant systems based on the needs of the system and strengths of the contractor.

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

The WUTAP Scope of Work, detailed in the RFQ, includes several different tasks, which will be assigned to technical assistance providers based on the needs of the participant systems. These tasks, as applicable, include:

1. Determine entity support for the proposed project
2. Development of Water Conservation Plans
3. Completion of Project Information Forms
4. Completion of Financial Assistance Applications
5. Assistance with Disadvantaged Business Enterprise Requirements
6. Preparation of a Rate Study
7. Review of financial reporting and internal control procedures
8. Development of Organizational Operations Procedures
9. Development of Financial Statement / Budgeting Procedures

Reserve of Accumulated Fees:

For SFY 2025, TWDB is reserving an additional \$1,000,000 of accumulated DWSRF fees for the WUTAP initiative, along with another \$1,000,000 of CWSRF program accumulated fees, for a total of \$2,000,000. During SFY 2024, the TWDB reserved \$1,000,000 of accumulated DWSRF fees for the WUTAP initiative, along with another \$1,000,000 of CWSRF program accumulated fees, for a total of \$2,000,000 (Board Item # 11 from April 11, 2024, Board Meeting). The cumulative total of fees reserved is \$4,000,000. This allocation of \$4,000,000 in accumulated fees does not expire with the IUP or state fiscal year. Additional accumulated fees may be used by TWDB to manage the program, oversee implementation, and promote the benefits of WUTAP and sound financial operations and planning in general.

**4. Technical Assistance in Water Loss Control Initiative**

Using accumulated CWSRF fees, the TWDB has established a pilot Technical Assistance in Water Loss Control (TAWLC) Initiative.

Program Description:

The initiative targets public water systems required to submit annual water loss audits due to an existing or new active financial obligation to the TWDB. The initiative will allow TWDB staff to work with the public water systems one-on-one, providing hands on assistance using a phased approach to focus on:

1. Water loss data development,
2. Water loss data validation and identification of improvement areas, and
3. Implementation of water loss control programs and projects, including financial

assistance.

#### Phased Approach:

The program will phase-in over a three-year period to ensure adequate implementation. Over the three years, the program will increase by 150 public water systems each successive year. Each year, half of the participants will include public water systems with existing active SRF financial obligations, and the other half will include public water systems submitting SRF applications and receiving funds from TWDB requiring an annual water loss audit to be submitted. At the end of year three, approximately 475 public water systems will participate annually in validations once the program is fully phased-in.

#### Benefits:

The TAWLC program will expand TWDB's water loss program and aid public water systems in improving data quality, ensuring data validity, and making sound decisions and investments when determining how to mitigate water losses. The associated increase in understanding of water loss data will aid individual systems and ultimately the State of Texas. In support of the TWDB's mission, the TAWLC program goals are to:

- provide robust technical assistance,
- yield more accurate data collection and dissemination,
- conserve state water resources,
- promote affordable water service for public water system customers,
- guide public water systems on how to best address and fund water loss mitigation, and
- ensure that state financial resources are expended effectively.

#### Costs:

The TWDB has allocated a combined total of \$1,905,000 from accumulated DWSRF and CWSRF fees in the SFY 2024 IUP for the three-year initiative. No additional fees will be allocated for this initiative during SFY 2025.

#### Progress Tracking

The TAWLC program will target areas of improvement in water loss data, ensure water loss mitigation efforts were directed at the most beneficial measures, and support the effective and efficient use of the state's financial and water supply resources. To monitor program progress, staff will track metrics such as:

- number of public water systems assisted;
- number public water systems participating in the water loss audit validation program;
- validation scores before and after participating in the validation program;
- continued validation efforts for each public water system;

- areas in the water loss audit with the most significant changes in scores; and
- number of water loss projects funded by the board.

During the third year of the program, staff will evaluate progress and metrics. Following evaluation, staff will recommend improvements to support continuation of the program.

#### Anticipated Results:

Pre- and post-validation scores will better confirm data collection processes, which should result in improved data over time. Benefits to the state include 1) increased confidence in potential water loss mitigation activities and projects, 2) more effective use of both local and state funds to mitigate water loss, and 3) ultimately, more efficient water use.

## **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 input on the proposed uses of funds, the draft IUP, including the associated lists, will be made available for public comment. The draft SFY 2025 CWSRF IUP will be announced as follows:

- Public notification of the draft IUP and the public comment period will be posted on the TWDB website at [www.twdb.texas.gov](http://www.twdb.texas.gov).
- The notice will be sent via email to all entities that submitted projects for the SFY 2025 IUP and everyone who had signed up to receive TWDB email notifications.
- A copy of the draft IUP will be sent to EPA after published.

### **B. Comment**

Comments will be accepted via the following options from July 15, 2024, until 5:00 P.M. on August 2, 2024.

1. Submission of a comment online via a Microsoft Form submittal. The link to the online form will be provided within an official notice of the public comment period.
2. Emailing comments on the Clean Water SRF IUP to the following electronic mail address and specifying in the subject line "CWSRF IUP comments"  
[CWSRF@twdb.texas.gov](mailto:CWSRF@twdb.texas.gov).
3. Attending a public hearing on July 25, 2024, at 10:00 A.M. at the Stephen F. Austin State Office Building, Room 170, in Austin, Texas.

All comments on the proposed IUP will be responded to and made publicly available on the meeting documents for the TWDB Board meeting in which the IUP, in its entirety, is considered for Board approval.

### **C. Effective Date**

The SFY 2025 CWSRF IUP is considered final on the effective date.

### **D. Documentation**

The final IUP will be formally submitted to the EPA and posted on the TWDB website once approved by the Board.

## Appendix B. Projected Sources and Uses of Funds

From 6/1/2024 to 8/31/2025

(As of May 31, 2024)

### SOURCES:

FFY 2024 Federal Capitalization Grants	\$141,256,000.00
State Match - for FFY 2024 Federal Capitalization Grants	\$17,856,900.00
Undrawn previous grants	\$3,331,153.14
Principal Repayments	\$173,059,000.00
Interest Repayments	\$56,820,114.00
Investment Earnings on Funds	\$37,583,161.00
Cash available	\$620,597,092.00
Additional net leveraging bond proceeds (based on "Projects to be Funded")	\$173,861,271.00

### TOTAL SOURCES:

**\$1,224,364,691.14**

### USES:

#### Set-Asides from FFY 2024 Grants:

TWDB Administration	\$5,182,240.00
Total TWDB Set-Aside:	<b>\$5,182,240.00</b>
TCEQ Texas State Management Program Set-Aside	\$746,260.00
Total TCEQ Set-Asides	<b>\$746,260.00</b>

#### Administration from prior grant:

**\$3,289,977.00**

#### Projects to be Funded:

SFY 2025 IUP Commitments - Principal Forgiveness	\$61,832,070.00
SFY 2025 IUP Commitments - Bonds/Loans	\$420,000,000.00
Total Projects To Be Funded - SFY 2025:	<b>\$481,832,070.00</b>

#### Projects with Commitments/Applications

Commitments (excludes multi-year commitments closing after SFY 2025)	\$237,375,000.00
Applications	\$337,964,406.00
Total Projects with Commitments or Applications:	<b>\$575,339,406.00</b>

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

Revenue Bonds:	
Senior Lien Revenue Bonds, including Match	\$134,924,759.00
General Obligation Bonds for Match	\$23,049,979.00
Total Debt Service:	<b>\$157,974,738.00</b>

### TOTAL USES:

**\$1,224,364,691.00**

### NET SOURCES (USES)

**\$0.00**



**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 ≥ 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. – Entity has adopted an Asset Management / Financial Planning tool within the past 5 years that contains the product deliverables under the AMPSS initiative as described in Section XI.
- 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**

- 20 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**

Disadvantaged Community / Disadvantaged Community - Small/Rural – The determination will be based on information received by the initial PIF deadline or with a PIF subsequent submitted after the initial 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, a portion within the entity's service area if the proposed project is providing new service to existing residents in unserved areas, or the project area if a Non-Point Source project; 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 2025**

For SFY 2025, the TWDB will utilize:

- (1) U.S. Census 2022 American Community Survey (ACS) 5-year estimates (2018-2022), and, for determining a change in population, will compare it to the 2018 ACS 5-year estimates (2014-2018), 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 2025.

#### **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 Adjustment ( $[(\text{Unemployment Rate} - \text{State Rate}/\text{State Rate}) * 2]$ ) which is only used if a positive amount and may not exceed 0.75 percent) and the Population Decline HCF Adjustment ( $[(\text{Prior Population} - \text{Current Population})/\text{Prior Population}] * 6.7$ ) which is only used if a positive amount and may 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 applicable CWSRF principal forgiveness
≥ 0%	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 2018-2022	Calculation	ACS 2018-2022	Calculation	Calculation
			Total Number of Household Connections	% of TTL Connections	AMHI	Prorated AMHI	Average HH Size	Prorated Average HH Size	Entity's Population Served
Jones	202	1	848	62.26%	\$55,000	\$34,244	1.84	1.15	1,690
Jones	202	2	309	22.69%	\$47,893	\$10,866	2.45	0.56	616
Jones	202	3	205	15.05%	\$34,402	\$5,178	1.94	0.29	409
			1,362	100.00%		\$50,287		1.99	2,715

County	Census Tract	Block Group	ACS 2018-2022	Calculation	ACS 2018-2022	ACS 2014-2018	Calculation
			Unemployment Rate	Prorated Unemployment Rate	Population 2021 (for county)	Population 2017 (for county)	Prorated Pop. Change
Jones	202	1	2.08%	1.30%	19,721	19,969	-154
Jones	202	2	1.65%	0.37%	19,721	19,969	-56
Jones	202	3	0.0%	0.0%	19,721	19,969	-37
				1.67%	19,721	19,969	-248

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 2025. 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.

**Affordability Criteria for Urgent Need and Very Small Systems funding options:**

For the project service area, the AMHI must not exceed 150 percent of the state's AMHI and the unemployment rate be greater than the 33 percent of the state level or experienced a recent decline in population (based on the 2014-2018 ACS 5-year estimates compared to 2018-2022 ACS 5-year estimates). If the project service area is primarily agricultural or rural as determined by TWDB then the unemployment rate above need only be greater than 10 percent of the state level.

To lessen the need for the applicant to conduct income surveys, the TWDB will consider on a case-by-case basis making the presumption that the average (mean) of the AMHI of all U.S. Census Bureau Block Groups containing any portion of the project service area is the AMHI for the project. The applicant has the option of proving otherwise by submitting more information on the number of customers in each Block Group or conducting an income survey. Applicants must provide a detailed map of the proposed service area to be considered for this option and the TWDB will determine the associated Block Groups. The Executive Administrator will then determine whether this option would result in a reasonable estimate of the AMHI for the project service area and may be used for the AMHI threshold calculation. The data used in the calculation will be the same data source as described under Disadvantaged Community above.



## 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. Build America, Buy America Act, 2021

For equivalency projects only under the SFY 2025 IUP, the requirements of the Build America, Buy America Act, 2021 (P.L. 117-58), known as BABA, will apply. Information on BABA is available on the TWDB website at <https://www.twdb.texas.gov/financial/programs/BABA/index.asp>

An additional source of information on BABA is EPA’s website.

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

NEPA-like environmental review applies to all CWSRF program assistance for the construction of treatment works, not just equivalency projects. These requirements are specified in Texas Administrative Code, Title 31, Part 10, Chapter 375. When conducting its 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.

#### **5. 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.

#### **6. 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>.

#### **7. 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>.

#### **8. 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.

#### **9. 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. (Note – as described under Number 4 above, any project, whether considered equivalency or non-equivalency, that is considered a “treatment work” as defined in 33 U.S. Code § 1292 (2)CA), incorporated by reference in 33 U.S.C. § 1362 (26), must comply with 33 U.S.C. § 1371(c)(1). TWDB will apply to these projects its “NEPA-like” environmental review process found in Texas Administrative Code, Title 31, Part 10, Chapter 375.)
- 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.

## 10. Additional Subsidization

In accordance with the Consolidated Appropriations Act, 2023, (Public Law 117-328) and Section 603(i) of the CWA (33 U.S.C. 1383(i)), the TWDB is required to provide at least 20 percent of the capitalization grant of \$37,313,000, or \$7,462,600, in Additional Subsidization. In addition, the IJA appropriations for FFY 2024 required \$50,932,070 of the \$103,943,000 to be in the form of Additional Subsidization. The total required Additional Subsidization from both sources of appropriations covered in this IUP is \$58,394,670, or 41 percent of the capitalization grants. The TWDB has allocated the Additional Subsidization for SFY 2025 as follows:

<b>Funding Option</b>	<b>Additional Subsidization Allocation</b>
Disadvantaged Community:	\$37,500,000
Disadvantaged Community-Small / Rural:	\$12,932,070
Very Disadvantaged Community:	\$1,000,000
Subsidized Green:	\$3,600,000
Urgent Need:	\$2,800,000
Very Small Systems:	\$3,000,000
First-Time Service	\$1,000,000
<b>Total</b>	<b>\$61,832,070</b>

Of the total Additional Subsidization being made available for SFY 2025, an amount equal to \$3,827,900 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 December 29, 2022. The TWDB may increase the allocations to provide the full eligible amount to a project. The TWDB may allocate up to the maximum of \$65,857,270 as additional subsidization in accordance with the CWA and the FFY 2024 capitalization grant annual and IIJA appropriations.

## **11. Green Project Reserve**

A minimum of 10 percent of the capitalization grants, or \$14,125,600, 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>.

## **12. 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>.

The FFY 2024 / SFY 2025 IJJA equivalency projects may have a separate signage requirement.

### 13. Reserves and Allocations Established from Available Funds

The following reserve and allocation amounts will be applied to the funding options.

#### Funding Reserves

Reserve	Amount
Green Project Reserve (10% of capitalization grants) *	\$14,125,600
Small Communities (15% of capitalization grants)	\$21,188,400
Nonpoint Source/Estuary Management allocation (7% of total funding available)	\$33,728,245
*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.

### 14. Transfers – Amount Available

Calculation of amounts available to transfer between the DWSRF and CWSRF based on FFY 2008 through FFY 2024 (additional authority is available from prior years):

Federal Fiscal Year	Grant Award Number	Grant Amount	33% of Grant
FFY 2008	FS-99679512	\$67,112,000	\$22,146,960
FFY 2009	FS-99679513	\$67,112,000	\$22,146,960
FFY 2010	FS-99679514	\$86,254,000	\$28,463,820
FFY 2011	FS-99679515	\$59,854,000	\$19,751,820
FFY 2012	FS-99679516	\$57,041,000	\$18,823,530
FFY 2013	FS-99679517	\$53,517,000	\$17,660,610
FFY 2014	FS-99679518	\$63,953,000	\$21,104,490
FFY 2015	FS-99679519	\$63,532,000	\$20,965,560

FFY 2016	FS-99679520	\$60,104,000	\$19,834,320
FFY 2017	FS-99679521	\$59,590,000	\$19,664,700
FFY 2018	FS-99679522	\$87,040,000	\$28,723,200
FFY 2019	FS-99679523	\$86,225,000	\$28,454,250
FFY 2020	FS-99679524	\$86,280,000	\$28,472,400
FFY 2021	FS-99679525	\$87,015,000	\$28,714,950
FFY 2022	FS-99679525	\$54,911,000	\$18,120,630
FFY 2022	4D-02F23901	\$140,993,000	\$46,527,690
FFY 2023	FS-99679526	\$40,181,000	\$13,259,730
FFY 2023	4D-02F23902	\$167,867,000	\$55,396,110
FFY 2024	FS-99679527	\$37,157,000	\$12,261,810
FFY 2024	4D-02F23903	\$183,256,000	\$60,474,480
<b>TOTAL</b>		<b>\$1,608,994,000</b>	<b>\$530,968,020</b>
Available from FFY 2008 to FFY 2024 grants, including reallotted FFY 2019 grant funds included as part of FS-99679525 and reallotted FFY 2021 grant funds as part of FS-99679526			<b>\$530,968,020</b>
Ongoing cash flow transfer			<b>\$200,000,000</b>
Remaining Transfer Authority			<b>\$330,968,020</b>

Similar to the regular/base grants, the TWDB may transfer IIJA funds between the DWSRF general activities account and CWSRF general activities account, or vice versa, in an amount up to thirty-three percent (33 percent) of the DWSRF IIJA general activity grant amount, or \$60,474,480. This amount is shown in the table above.

## 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 the required match amount for the FFY 2024 federal capitalization grants on or before the date on which each respective quarterly grant payment is made to the TWDB.
- b. 602(b)(3) – Binding Commitments - For each respective grant and based on the required state match, the TWDB will enter into binding commitments with entities for the required percentage of the amount of a FFY 2024 grant payment allocated to projects within one year after the receipt of the grant payment. However, the excess balance of cumulative prior binding commitments are banked towards the binding commitment requirements associated with these grant payments. The excess binding commitments for the base program may be used to fulfill the binding commitment requirement for the FFY 2024 annual appropriations grant and supplemental IIJA General Activities grant.
- 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. Fulfill the Additional Subsidization Requirement**

A project on the PPL or IIPPL may be bypassed to fulfill the federal additional subsidization requirement or to make commitments of the amount of funds that remain unallocated.

### **2. Intent to Apply and Application Submission Deadlines**

A project may be bypassed if the applicant did not submit any intent to apply form or information by a specified deadline or the application is not received by the TWDB-established submission deadline and it is not administratively complete by the established deadline.

### **3. Projects Previously Funded**

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

### **4. 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.

### **5. 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.

### **6. Urgent Need**

The Executive Administrator may bypass projects to provide Urgent Need 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 "Urgent Need" project.



## **8. 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.

## **9. Readiness to Proceed**

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

## **10. 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.

## **11. 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.

## **12. Reserve for Project Impact/Health Issues only**

A project may be bypassed to fulfill the reserve of loan funding capacity for projects based on project impact/health issues only (includes all scoring criteria related to enforcement, unserved areas, impact on bodies of water, treatment capacity and other POTW criteria, or nonpoint source, or estuary management as applicable to the type of project, along with criteria applicable to all eligible projects, but excludes Disadvantaged Community/affordability additional points). TWDB may bypass projects to fulfill this reserve and ensure an equitable distribution of total loan capacity.

## 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