

STATE OF TEXAS

# Annual Report

## Drinking Water State Revolving Fund



[www.twdb.state.tx.us/assistance/financial/fin\\_infrastructure/dwsrf.asp](http://www.twdb.state.tx.us/assistance/financial/fin_infrastructure/dwsrf.asp)



**SFY 2009**

TEXAS WATER DEVELOPMENT BOARD  
PO BOX 13231 ■ AUSTIN, TX 78711



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**I. INTRODUCTION**

The State of Texas (State) through the Texas Water Development Board (TWDB) is submitting the Annual Report for State Fiscal Year 2009 (SFY 2009), September 1, 2008 - August 31, 2009. The report describes how the State has met the goals and objectives of the Drinking Water State Revolving Fund (DWSRF) program as identified in the grant agreements, the SFY 2009 Intended Use Plan (IUP), and the actual use of the DWSRF program funds.

In accordance with Chapter 371 of TWDB rules, TWDB and the Texas Commission of Environmental Quality (TCEQ) utilize the resources of the DWSRF to collectively administer the State's DWSRF program. TWDB administers the loan funds and TCEQ administers the use of the Small Systems Technical Assistance and State Program Management set-aside funds in accordance with the 40 CFR Subpart L §35.3510(b)(1) of the federal regulations. As the state primacy agency, TCEQ is required by the Safe Drinking Water Act (SDWA) to carry out regulatory supervision of public water systems and to enforce violations of the Act. The authority to establish assistance priorities and to carry out oversight and related activities of the DWSRF program, other than financial administration of the program and project oversight, resides with TCEQ.

TWDB and TCEQ provide this comprehensive annual report to the Environmental Protection Agency (EPA) Region 6 Office and the public to detail the activities undertaken to reach the goals and objectives set forth in the SFY 2009 IUP and the activities and obligations under the DWSRF program. The report describes the progress made toward long-term and short-term program goals, the sources and uses of all funds, financial status of the DWSRF, and compliance with federal DWSRF requirements. Although the American Recovery and Reinvestment Act of 2009 (ARRA) was passed and signed in the Spring of 2009, the specific report on ARRA projects will be in a separate ARRA DWSRF annual report. Only the activities associated with ARRA solicitation, the ARRA Intended Use Plan (IUP), and the public hearing held on the ARRA DWSRF IUP are included in this SFY 2009 report.

**II. EXECUTIVE SUMMARY**

The purpose of the DWSRF is to provide below-market rate loans to applicants to finance projects for public drinking water systems that facilitate compliance with primary drinking water regulations or otherwise significantly further the health protection objectives of the Act. Since the inception of the program in 1997, and continuing through August 31, 2009, the State's DWSRF program has received a total of \$752,856,350 in EPA Capitalization Grants. TWDB contributed \$13,422,400 in SFY 2009 bringing the total state match over 12 years to \$150,571,270. The State has made a total of 137 binding commitments to DWSRF projects for \$945,427,235. A summary of this data can be found in Tables 1 and 1b.

For SFY 2009, TWDB received project information forms (PIFs) from 78 potential applicants. One entity was deemed ineligible; resulting in 77 eligible projects totaling \$450,530,230. Using project details outlined in the 77 PIFs, TCEQ staff ranked the projects in accordance with TWDB rules. TWDB staff then prepared the SFY 2009 project priority list (PPL) for the IUP based on the ranking by TCEQ. In August 2008, TWDB approved the SFY 2009 PPL and IUP, and letters of invitation were sent in September 2008 to potential applicants (invitees) listed on the PPL. As the invitees were processed by either the receipt of an application by the identified deadline or a notification declining funding, a new set of invitation letters were mailed to the next potential applicants on the list to ensure the entire list of potential applicants, within funding limits, were offered the opportunity to access DWSRF funding. The disposition of each invitee is

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in Table 4.

In SFY 2009, TWDB made 13 binding commitments for a total of \$44,930,000. The total dollar amount of commitments made from the SFY 2009 DWSRF PPL was 9.97% of the total dollar amount of project costs listed (Exhibit 1).

**Exhibit 1 – SFY 2009 Commitments**

IUP YR	Total Commitments	PPL Total Demand	% \$ Comm. / \$ PPL	# Comm.	Potential Applicants on PPL	% # Comm. / # Potential
2009	\$44,930,000	\$450,530,230	9.97%	13	77	16.88%

Comm. = Committed

The amount of funds available to commit for projects on the SFY 2009 PPL was \$80,534,400. TWDB funded 9.97% of the PPL total demand dollars while the amount of available funds committed to projects represents 55.79% of the funds available (Exhibit 2).

**Exhibit 2 – SFY 2009 Funds Available Committed**

IUP YR	SFY 2009 Funds Available	Total Commitments	% \$ Committed / \$ Available
2009	\$80,534,400	\$44,930,000	55.79%

### III. GOALS AND ACCOMPLISHMENTS

The primary goal of the DWSRF program is the same as the Act's – "to improve public health protection." The overall goals of the DWSRF program are:

- Ensure public health protection;
- Identify and provide funding for maintaining and/or bringing Texas' Public Water System (PWS) into compliance with the Act;
- Support affordable drinking water and system sustainability; and
- Maintain the long-term financial health of the DWSRF program fund.

TWDB provides effective and efficient administration of the DWSRF program, combined with below-market interest rates and long-term financing to assist public water systems (PWS) to provide sufficient quality and quantity of affordable potable water throughout Texas. In addition, the DWSRF program sets aside funds that are used to improve environmental programs that support the goals of the Act.

#### A. Short-Term Goals

1. ***Protect public health by providing funds for the supply of safe drinking water to the citizens of the State of Texas, and by expeditiously providing loans to water systems that are in non-compliance with state and federal drinking water regulations.***

In SFY 2009, TWDB made a total of 13 binding commitments totaling \$44,930,000. Of the \$80,534,400 available for SFY 2009, this represents 55.79% of those funds (Exhibit 2).

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2. **Ensure compliance with the Act by working with TCEQ to ensure that water systems are in compliance with established standards and to provide all possible technical and financial assistance.**

In SFY 2009, 15 pre-application meetings were held for potential applicants. These meetings were conducted with TCEQ in attendance. In addition, follow-up meetings were conducted by TCEQ to perform financial, managerial, and technical (FMT) evaluations. Exhibit 3 shows the DWSRF funding allocated for SFY 2009 closed loans and the amount of funds spent toward 1) achieving compliance with the SDWA, 2) to maintain compliance, 3) to meet future compliance, and 4) funding that is unrelated.

**Exhibit 3 – DWSRF Funding for Compliance**

**Drinking Water Benefits Reporting  
Loans Closed in SFY 2009**

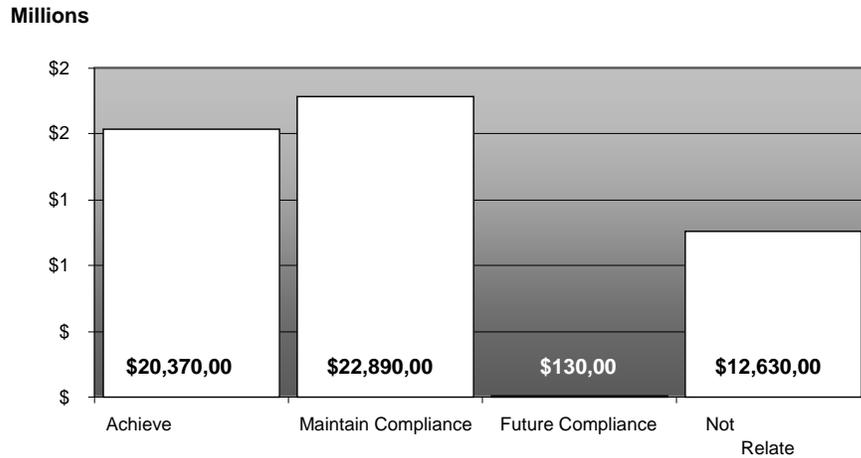
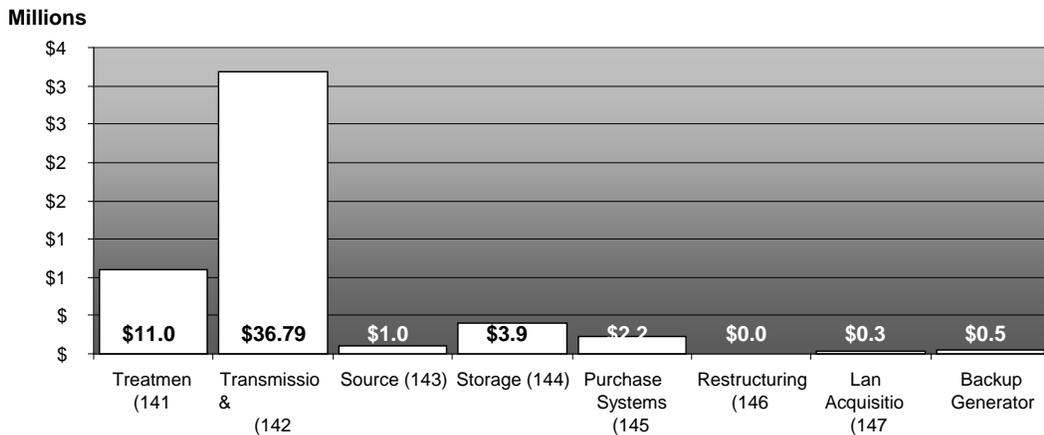


Exhibit 4 shows the project cost categories and the financial assistance totals for each category.

**Exhibit 4 – DWSRF Funding by Cost Categories**

**Drinking Water Benefits Reporting by EPA Cost Category  
Loans Closed in SFY 2009**



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- 3. *Assist systems to ensure affordable water by providing an efficient program that can respond to the financial and technical needs of water systems, and by providing financial assistance at affordable interest rates while maintaining the fiscal integrity of the fund.***

Nine Disadvantaged Community commitments occurred during SFY 2009 for a total amount of \$29,125,000. While there was no principal forgiveness offered this fiscal year, \$24,665,000 was offered in low interest loans for up to thirty years. That number includes communities classified as disadvantaged but who were unable to receive a disadvantaged interest rate due to a shortage of funds.

Additionally, TCEQ completed FMT screenings for all 13 of the binding commitments for SFY 2009 to ensure the technical capability of all committed projects.

- 4. *Support components of the state drinking water and source water programs by directing the necessary resources toward the state's most pressing compliance and health needs.***

Loan commitments were made for the highest ranked projects except for those entities that chose not to apply or declined in writing. Thirteen commitments were allocated to eleven entities for a total of \$44,930,000 in SFY 2009. This represents a 9.97% usage of the total PPL demand of \$450,530,230 for SFY 2009.

- 5. *The Board is developing a comprehensive, agency-wide, automated loan and grant information management system, known as TxWISE (Texas Water Information System Expansion). This system, which will allow the agency to retire several independent legacy data systems and convert the data into one central repository, is anticipated to accomplish the following goals: provide agency-wide access to all Board divisions; generate accurate and timely data; provide information collection and comparative analysis of financial and accounting data and all program resources to effectively increase loan volume and program pace; improve reporting capabilities with our Environmental Protection Agency (EPA) partners and other agencies; allow for timely decision-making on financial, Treasury, and budgetary matters; and streamline the overall financial assistance programs' loan, grant, and contract processes.***

The TWDB continued to work with EPA and their national contractors, Northbridge Environmental Management Consultants (hereafter referred to as "Northbridge"), on the development and deployment of a comprehensive, cradle-to-grave, financial assistance program management information system, now recognized by its official name, *Texas Water Infrastructure System Expansion*, or TxWISE. This management information system is being designed not only to capture information from the TWDB's State Revolving Fund (SRF) Program, but also from other state water/wastewater infrastructure financing programs, and various agency grant and contract related programs and activities.

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**Summary-Level/Significant Project Activities and Accomplishments in SFY 2009**

<b>Activity</b>	<b>Time Period</b>
TWDB staff provided Board with status update on project.	10/2008
TxWISE 1.0 data model completed.	10/2008
TxWISE 1.0 user interface changes occur.	12/2008 - 4/2009
TxWISE 1.0 testing occurs.	2/2009 - 5/2009
TxWISE 1.0 in limited-production and able to accept ARRA funded projects data entry.	6/2009
ARRA-focused training/assistance sessions underway.	6/2009
Overall project is approximately 60% complete; Phase 1 is approximately 80% complete.	8/2009

**Summary-Level Activities Planned for SFY 2010**

<b>Activity</b>	<b>Estimated Time Period</b>
TxWISE 1.0 (Phase 1) is scheduled to be fully productional (except IFSS) during October 2009.	10/2009
TxWISE 2.0 (Phase 2) anticipated beginning development activities.	10/2009
TxWISE 2.0 data conversion activities anticipated to occur.	10/2009 - 2/2010
TxWISE 2.0 user interface changes anticipated to occur.	10/2009 - 2/2010
TxWISE 2.0 training anticipated to occur.	3/2010 - 4/2010
TxWISE 2.0 production anticipated to occur.	4/2010
TxWISE 3.0 development activities anticipated to occur (dependent upon funding approvals).	4/2010

**6. Apply to EPA Region 6 for a FFY 2009 DWSRF Capitalization Grant for the approximate amount of \$67,112,000.**

TWDB applied to the EPA Region 6 for a Federal Fiscal Year (FFY) 2009 DWSRF capitalization grant for the amount of \$67,112,000 during July 2009. The DWSRF Assistance Award for this grant was received in October 2009.

**7. Develop a capacity model for the DWSRF program and update it quarterly.**

TWDB has completed the development of an annual capacity model for the DWSRF program and monitors it quarterly.

**8. Assess the demand for program funds in an effort to determine whether leveraging is a viable option.**

The demand for DWSRF loans in SFY 2009 was \$450,530,230. Before TWDB can leverage the program, an adequate amount of funds need to be disbursed and revolving. TWDB will continue to evaluate potential leveraging of the DWSRF program.

**B. Long-Term Goals**

**1. Restore and maintain the chemical, biological, and physical integrity of the State's drinking water by developing a financial and technical program capable of funding annually all projects which pose the most serious risk to public health and compliance with the Act. Progress toward meeting this goal will be**

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***documented by discussing the activities conducted during the year to ensure that the most critical health problems are being addressed. This will include the incorporation of environmental benefits measures in conjunction with the EPA workgroup on measures.***

During SFY 2009, 15 entities attended pre-application meetings, 13 applied for assistance, and 13 loans were committed. One of the best ways to ensure that the projects with the worst health problems are being prioritized for DWSRF funds comes with the prioritization process that is in place for the projects that are submitted for inclusion in the annual IUP. TWDB's state agency partner, TCEQ, is responsible for issuing permits and regulating the water quality standards for public water systems. TCEQ reviews and ranks projects on the PPL with the highest priority given to projects seeking to resolve compliance deficiencies. The projects listed on the PPL are then invited in priority order. As those entities accept or decline the invitations, others may be invited until funds available are depleted or the funding cycle ends on August 31, whichever comes first.

- 2. Maintain the fiscal integrity of the DWSRF and assure continuous enhancement of the fund for future generations by complying with generally accepted accounting standards and the establishment of a lending rate policy that also provides for long-term inflation. Progress toward meeting this goal will be documented by discussion of changes to lending rate policy, loan monitoring activities and default information.***

TWDB has had no loan defaults in the program. The fiscal integrity of the fund is maintained through controls and procedures governing the application process and loan monitoring. Prior to an application being recommended to TWDB for approval, a financial analyst reviews the applicant's ability to repay its DWSRF loan. The loan is evidenced by a bond or a loan agreement that denotes the terms of repayment and other special conditions. The loan requires submittal of an annual independently prepared audit. The loans are reviewed at frequent intervals for ongoing compliance with loan conditions. Special terms outlined in the agreements may contain the requirements of maintaining a contingency account and a reserve account. The implementation requiring these two accounts strengthens the integrity of the loan.

- 3. Maintain the fund in perpetuity by establishing a lending rate policy that produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on state bonds of which the proceeds will be deposited to the fund. This would be balanced by a concern for the ability of applicants to afford the costs of their projects and with the provision of guidance, as necessary, in the planning and design of efficient and cost-effective projects. Progress toward meeting this goal will be documented by providing information regarding lending rates and status of leveraging.***

The maintenance of the fund in perpetuity is insured by TWDB establishing a lending rate at a level that produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on any state bonds. No leverage bonds were issued during SFY 2009.

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**IV. OTHER PROGRAM ACCOMPLISHMENTS AND IMPROVEMENTS**

**A. Program Accomplishments**

**1. TWDB SRF Marketing and Outreach Initiatives**

Throughout SFY 2009, TWDB distributed marketing information and discussed its financial assistance programs, including its SRF programs and the ARRA. As a result of these efforts, and the overwhelming interest in ARRA funds, the number of potential DWSRF customers increased from 77 in SFY 2009 to 680 in SFY 2010. Since the need for assistance far exceeds the amount of funds available, those entities on the ARRA and the SFY 2010 IUPs not receiving financial assistance will be the focus of future SRF marketing efforts.

**2. SRF Financial Assistance Workshops**

TWDB staff also conducted six (6) SRF workshops throughout the state. These workshops were designed to reach out to different geographic parts of the state and partner with local water and wastewater providers to inform water and wastewater systems about the SRF programs and how to pursue funding under these programs. As a result of these workshop efforts, interest in the SRF programs has increased significantly. During SFY 2009, SRF workshops were held in Bryan, Amarillo, Edinburg, Dallas, Abilene, and Odessa. Approximately 161 people participated in the workshops. There was little knowledge or discussion of ARRA until the last few workshops. In December, when TWDB staff was briefed by EPA Region 6 staff, TWDB sent out letters to all the entities to alert them to the potential opportunity for ARRA funding in addition to the base SRF program funds.

**3. DWSRF Program Rule Revisions**

On December 29, 2008, in order to raise awareness of anticipated ARRA funding, TWDB staff sent a letter to approximately 3,700 utility systems soliciting projects that would be "ready to proceed" to construction on an expedited basis. Based on the likelihood of Congressional enactment of economic recovery legislation, TWDB took action on January 15, 2009, to authorize the publication of rules that would amend the SRF programs to allow for additional flexibility in the development of IUPs, and in the implementation of the application review and closing process. The proposed rules were published in the January 30, 2009, *Texas Register*.

On February 17, 2009, TWDB presented a preliminary briefing to the Board on proposed ARRA legislation based on a review of House Resolution 1, which was passed by the U.S. House of Representatives on January 28, 2009, and certain amendments made to that resolution by the U.S. Senate on February 10, 2009. This legislation was signed by President Obama on February 17, 2009. Staff proposed to commence work on draft applications for the special capitalization grants to be negotiated with the EPA for receipt of this additional SRF funding, to evaluate the use of an online survey to expedite the application process, and to work with TCEQ to commence ranking activities for potential DWSRF applicants. Staff also planned to evaluate any additional staff and other resources that might be needed in order to implement this federal legislation. The EPA notified TWDB on February 27, 2009, that it would provide the following SRF allocations to the State of Texas for wastewater and

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water infrastructure projects using ARRA funding: (1) the CWSRF program would be eligible for a total of \$180,931,600; and (2) the DWSRF program would be eligible for a total of \$160,656,000.

On March 26, 2009, TWDB staff briefed the Board on certain policies and procedures needed in order to implement the ARRA legislation through the DWSRF program, including the need to develop an expedited application and closing process in order to meet the construction deadline of February 17, 2010. Staff informed the Board that the response to the solicitation letter mailed out on December 29, 2008, and to other outreach activities had been extraordinary. Potential applicants had proposed 680 projects for inclusion in the DWSRF IUP for an amount of approximately \$4.9 billion dollars. The Board was also advised that a working group and process team structure had been established to implement the recommended SRF process modifications.

At the March 26, 2009, Board meeting TWDB staff requested authorization to make certain procedural modifications to the IUP, application review, and closing process in order to ensure that the construction deadline of February 17, 2010, was met. The procedural modifications included the following: (1) that the ARRA IUP Comprehensive Project Lists and Fundable Project Priority Lists be composed of both the SFY 2009 IUP projects that had not as yet closed and the IUP PIFs submitted for the SFY 2010 IUP; 2) that the projects be ranked in accordance with TWDB rules with a preference for projects that are ready to proceed to construction within 12 months of enactment of the Act; 3) that preference be given to activities that could be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that could be initiated by June 17, 2009; 4) that all potential applicants above the funding line plus up to 20% be further evaluated using a survey to determine whether they were actually ready to proceed to construction; and 5) that tie-breakers be identified by Board rule, and if necessary, be utilized for potential applicants with identical scores.

In order to satisfy the additional subsidies requirement for at least 50% of the special funding under the ARRA, staff proposed that potential applicants meeting existing SRF program eligibility requirements for disadvantaged communities be considered for additional subsidization using a grant rather than a loan process. In order to satisfy the ARRA requirement that at least 20% of economic recovery funding be used to finance "Green Reserve Projects," staff recommended that potential applicants be required to meet EPA guidelines for such projects. Projects could either be classified as "categorical", meaning that they met EPA's definition of "green", or if they were not categorically eligible, applicants could be given the option to prove that the project was eligible through the submission of a business case to TWDB and the EPA for their review and approval. Finally, staff recommended that the remaining ARRA funds be distributed to potential applicants that met existing federal SRF program eligibility requirements through loans with a zero percent interest rate and a 20-year term.

On May 22, 2009, in order to ensure that TWDB would meet the quota for "Green Project Reserve," TWDB re-solicited for green projects that were ready to proceed to construction or could be under contract for construction by February 17, 2010. An additional 205 projects were submitted for consideration by June 4, 2009; however, only 65 were eligible and added to the ARRA DWSRF Project Priority List.

Since staff determined the rule changes proposed by TWDB in the January 30, 2009 *Texas Register* would provide the flexibility needed to adapt the current procedures and

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processes to implement the ARRA mandates, the Board acted to approve the adoption of these rules as initially proposed after considering public comment. The rules as adopted were later filed with the Secretary of State and became effective April 15, 2009.

The Board took action on May 21, 2009, to authorize certain modifications to the DWSRF rules relating to the process by which projects were listed in the ARRA DWSRF IUP, the manner in which the ARRA DWSRF IUP interfaced with the SFY 2009 and SFY 2010 base program IUPs, the process by which projects were ranked and funds distributed, and the process by which applications would be accepted and processed for all water supply infrastructure projects. In the vast majority of instances, these waivers and modifications mimic the changes made to TWDB's CWSRF rules in April and May, 2009 and included the following:

(1) First priority was given to projects with stated construction start dates from present through June 2009, consistent with ARRA's directive that preference be given to projects ready to proceed within 120 days of ARRA enactment (through June 30, 2009).

Projects within this first group were then ranked on the basis of their TCEQ rating. Priority was then given to the next month (7/1), then the next month (8/1), etc. then were ranked on their scores within each month.

(2) Projects were then evaluated based on their additional subsidization or green eligibility, as directed by ARRA. A funding line was drawn based on the allocation that at least 50% of the category's allotted funds would be used to benefit disadvantaged communities. Overall, projects were considered based on start dates, scores, and compliance violations so that at least 20% of the total special capitalization grant would be reserved for green projects. In some instances, this resulted in projects with higher priority (based on construction start dates and ranking) but failing to qualify as green or disadvantaged being bypassed in order to comply with the minimum funding requirements for green (20%) and additional subsidization (i.e., disadvantaged) (50%).

(3) If, during the application process, a project was removed from consideration for ARRA funding, then the funds reserved for that project were offered to an otherwise unfunded project based on earliest projected construction start date and TCEQ score and provided that the project met requirements for green or disadvantaged community, if applicable.

(4) Invitations to submit applications were extended to those applicants whose projects were prioritized above the funding line and applicants were given no more than 30 days from the date of notification to submit administratively complete applications. A complete application included a complete financial application, construction plans and specifications, environmental findings, and land acquisition/long-term lease documentation.

At its July 16, 2009 meeting, the Board considered staff's request to publish additional proposed rules in the *Texas Register* to accommodate the funding of certain provisional applicants as well as applicants receiving funding for projects from both the ARRA and the base SFY 2009 or SFY 2010 DWSRF IUPs. To encourage prospective applicants to prepare a provisional application for ARRA funding should proceeds become available due to another applicant's failure to satisfy ARRA or TWDB requirements or some other reason, these rules would allow for 0% interest loans to be made available

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to applicants taking the time and expense to prepare an ARRA grant or loan application but who subsequently failed to qualify for ARRA DWSRF funding. The Board authorized the publication of these proposed rules in the *Texas Register* and they were published for public comment on July 31, 2009. No public comment was received and the Board acted to adopt these proposed rules at its meeting on September 17, 2009.

**B. Program Improvements**

**1. Monthly Coordination Meetings**

During SFY 2009, TWDB continued to conduct SRF staff and management coordination meetings. These meetings were scheduled by the Project Finance office and serve as a forum providing for interoffice discussion on SRF policies, procedures, and processes; IUPs (current program cycle, rule revisions, and potential for streamlining); annual reports; National Information Management System (NIMS) reporting; and other issues related to SRF activities and matters. These meetings are attended by staff at all levels of the agency, and may include multiple disciplines such as legal, financial, planning, science, and engineering. Agency staff that attended the meetings has increased the awareness of DWSRF program activities as well as program life-cycle components.

**2. Loan and Marketing Initiative**

During SFY 2009, Northbridge completed all work activities for a multi-year effort to collect information and publish the final report titled, "Texas Clean Water and Drinking Water State Revolving Fund - Loan Process Management and Marketing Initiative". This report contains a number of recommendations aimed at improving the Texas SRF program.

Additionally, TWDB, in conjunction with Northbridge and TCEQ, hosted a two-day workshop in April 2009 to discuss the contents of the report and opportunities and methods to improve the Texas SRF programs with management and staff. Topics discussed at this workshop included:

- SRF Program Planning: Using Planning to Achieve State Water Quality Objectives
- Enhancing Marketing and Outreach
- Developing Projects and Creating a Pipeline
- Application Review: A Discussion of Options for Streamlining
- Financial Planning and Unliquidated Obligations
- Opportunities for Innovation in the SRF Programs

TWDB management is presently discussing a process to be used to address and implement the various SRF improvement recommendations included in the Northbridge report. It is anticipated that the activities involved in this process will be ongoing during SFY 2010.

In June 2008, TWDB requested assistance from EPA and Northbridge in implementing specific recommendations from a focus group related to improving the SRF loan process and enhancing the marketing of the program. The timing of this request was ideal due to two ongoing TWDB activities: 1) the timing of the SRF focus group findings and 2) the current efforts at developing and deploying the TxWISE management

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information system development project, which, in part, involves an analysis of internal business processes. The SRF loan and marketing process review project will complement and enhance the TxWISE process, and can result in additional recommendations for streamlining, which may be included in TxWISE.

The objectives of this initiative are to improve the loan process through coordinated efforts to:

- a. Review and streamline the loan process;
- b. Establish new outreach and marketing approaches to reach core customers; and
- c. Coordinate loan process improvements with the development and deployment of the TxWISE project, where appropriate.

The project activity structure is designed to complement the TxWISE implementation process. Additionally, the structure has been designed so that if any findings from the project affect TxWISE there will be sufficient time to integrate those changes into that new management information system. The structure includes fact finding and preliminary analysis, comprehensive on-site analysis, loan management recommendations, enhancement of marketing materials, and implementation of recommendations.

This initiative is being carried out by Northbridge SRF specialists who have worked with other states to accomplish similar goals. These specialists conducted interviews of key SRF TWDB and TCEQ staff to brainstorm on ideas for improvements. In addition, they conducted significant research on the program in the time leading up to the interviews. As a result of the research and interviews, Northbridge will draft a report outlining:

- a. Summary of findings from interviews and research;
- b. Recommendations for process improvements;
- c. Suggested enhancements to outreach materials;
- d. A proposed implementation plan; and
- e. Metrics for measuring success.

Reviewing and updating loan management processes and procedures to increase the appeal of the program to both communities can help bring additional borrowers through the door. These efforts will help increase participation in the SRF Program and ensure that funds are allocated where they are most needed. TWDB also hopes that the pace of the projects through use of these tools can be increased. An important outcome of a successful communications strategy will be the ability to forecast future demand. Northbridge will provide tools and techniques to help TWDB anticipate demand. This will help the state ensure that it meets its water quality and financial goals, and can continually adjust the program according to future projected needs. This strategy of project management involves obtaining an understanding of what projects are likely to require financing in the near- and long-term, and then targeting outreach to solicit these communities to participate in the DWSRF. Northbridge has indicated a willingness to work with TWDB to create a strategy for increasing the appeal of the SRF by adjusting loan processes, improving outreach, and developing the tools to maintain a high level of demand in the long term.

### **3. Ongoing Inter-Agency Coordination and Procedural Revisions**

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The agency's efforts to increase efficiency and effectiveness of project reviews, staff in the Project Engineering and Review Division continued consultation with the U.S. Army Corps of Engineers (USACE), U.S. EPA, and other resource or regulatory agencies. The subject of ongoing consultation was 1) notification procedures to satisfy program requirements in cases where agencies could not respond in a timely manner, 2) timing and duration of reviews when responses were forthcoming, and 3) regulatory agency review documentation containing recommendations and enforceable conditions.

An outcome of ongoing consultation with the USACE Southwest Division and districts in Texas has resulted in a minor change in review procedures. For projects that may result in little or no impact to regulated waters of the U.S., TWDB staff and project consultants are now sending review requests to the USACE via registered or certified mail. Such requests include a statement that the correspondence is sent to meet program requirements and that no response is necessary unless the USACE disagrees with the assessment and communicates further. A similar procedure is used with the U.S. Fish and Wildlife Service for projects that are expected to have no effect on species protected under the Endangered Species Act. Using these procedures has reduced or eliminated review delays in documenting compliance with these two important cross-cutting federal environmental authorities.

Division staff attended the January, 2009 regional "Mitigation Rule Familiarization Workshop" in Dallas that was sponsored by the USACE and U.S. EPA. Mitigation banking was one of the featured topics, including use of 3rd Party Mitigation. Subsequent to the workshop, TWDB finalized a Finding of No Significant Impact (FNSI) for a project which utilized this mechanism by purchasing credits in a regional mitigation bank.

The contents of review documentation received from resource or regulatory agencies have been discussed with the agencies informally for several years. In many cases, agency reviews result in recommendations relating to further actions or use of best management practices. As explained by U.S. EPA staff conducting training on compliance with the National Environmental Policy Act (NEPA), recommendations is less enforceable than imposing conditions on approval. The Texas Parks and Wildlife Department staff has conditions available that were developed for review of federal transportation programs and has agreed to use similar language when notified that projects involve SRF funding and federal requirements. Such conditions are included in issued environmental findings and incorporated into project construction contract documents.

TWDB SRF administrative rules allow adoption of findings issued by other agencies in compliance with NEPA. TWDB has consulted with other funding agencies, most notably the U.S. Department of Agriculture-Rural Development Department, concerning adoption of its issued findings and the problems that are sometimes encountered during the process. In cases where such findings may be adopted, TWDB staff continues to examine documentation for each project to ensure that the finding applies to the currently proposed SRF project, is still within the time period for which it is valid, and that compliance with the required cross-cutting federal authorities can be documented. In cases where compliance with the required cross-cutting federal authorities cannot be documented for all necessary regulations or statutes, TWDB staff requires applicants to conduct a supplemental review to ensure compliance before an environmental finding

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can be issued for the project.

**4. Staffing Changes in Project Engineering and Review Division**

Project Engineering and Review Division staff includes twenty-nine individuals. The total number of staff in the division includes sixteen engineers, four environmental professionals, three team leads, four administrative professionals, and one division director. Currently the Division has two vacancies. The division has significantly contributed to the agency's effort to fund ARRA projects. Eleven staff members have been temporarily transferred to work full-time on ARRA-funded projects. In order to ensure that the base program and state-funded projects stay on track, the division has hired nine temporary staff members, which include seven engineers and two environmental professionals. In addition, the division has hired one part-time temporary employee to aid in administrative work. This significant change has positively affected TWDB's ability to administer SRF projects.

**5. Project Management**

The Project Development Division has successfully put into place Project Lead positions in four distinct funding areas of TWDB: CWSRF, DWSRF, Economically Distressed Areas Program, and State programs. These positions function as the point of contact for project-related issues in their respective areas. They provide coordination and guidance to external and internal staff for the funding process including pre-application conferences, applications, financial evaluation, Board approval, and construction. This provides a one-stop shop for the applicants. These Project Leads also coordinate and assist the respective program coordinators for CWSRF and DWSRF to ensure that program guidance and policies are being followed in all financial assistance provided by the agency. The Project Leads bring a deep level of experience in all aspects of project management including engineering, financial, and environmental review.

**C. Program Initiatives**

**1. Climate Change and Conservation**

TWDB has undertaken several efforts to address potential impacts from climate change to water resources in the state. In response to state legislation, TWDB hosted a conference in El Paso on June 17, 2008 to address the possible impact of climate change on surface water supplies from the Rio Grande River. TWDB has also hosted two Water Planning and Climate Change Workshops to address the issue of climate change on a statewide level. The workshops convened experts in the fields of climate change and water resources planning to discuss possible approaches to estimating the impact of climate change on water demand and availability, and how to incorporate these approaches into regional water planning efforts.

In response to recommendations from these experts, TWDB has initiated two research studies. The "Uncertainty and Risk in the Management of Water Resources" study is investigating approaches for quantifying and considering uncertainties and risk in water resources planning and management, focusing on climate change and implementation of water management strategies. A second research study, "Assessment of Global Climate Models for Water Resource Planning Applications," is comparing Global Climate Models to determine which are most suitable for use in Texas. The study is also

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comparing regionalization techniques used in statistical and dynamical downscaling and will provide recommendations of the appropriate methodology for a given region. The agency has also formed a staff workgroup that will lead the agency's efforts to monitor the status of climate change science, including studies for different regions of Texas, to assess changes predicted by climate models, to analyze and report data regarding natural climate variability, and to evaluate how resilient water management strategies are in adapting to climate change and how regional water planning groups might address the impacts. TWDB plans to continue stakeholder and multi-disciplinary involvement on a regular basis to review and assess the progress of the agency's efforts.

Climate change has already begun to show its effects on citizens here in Texas. The Bolivar Peninsula Special Utility District is a small district in Southeastern Texas near Galveston and Houston. It is situated on the Bolivar Peninsula which forms the southern landmass forming East and Galveston Bays. Prior to the Utility District's formation in 2000, the area received its drinking water from wells that were producing low quality drinking water. The SUD applied and received funding from TWDB, along with the Lower Nueces River Authority, to build new transmission lines and storage facilities to treat and transport surface water to the area. These projects were completed and, once online, aided the tremendous growth that the peninsula saw from 2003 to 2008. The SUD began with 5,300 connections in 2003 and grew to 6,200 by 2008.

On September 13, 2008, Hurricane Ike made landfall on Galveston Island as a strong Category 2 storm with a storm surge equivalent to a Category 4. It severely damaged or destroyed approximately 80% of the structures on the Bolivar Peninsula. The majority of these structures were residential homes served by the District. After the hurricane there were only 872 active connections. As of May 31, 2009, the District has increased the number of connections to 2,143. Following Ike, both entities met with the Board on Sept. 26, 2008 to discuss the storm's effects on the systems. This was followed by the Board's staff touring the area in October 2008. After surveying the damage, TWDB came up with an agreement with the two entities that were faced with the inability to make loan payments due to a severely decreased service population. A restructuring of each of their loans, in the amount of \$18,495,000, to reduce current payments was chosen. While the entities rebuild and the number of customer's increases, TWDB will monitor the success and ability to meet loan requirements.

## **2. Efficient Water Use**

TWDB Board Members have emphasized the importance of efficient water use in their deliberations for the past fiscal year when committing to SRF and other program projects. Efficient water use is critical, particularly in those parts of the country that are undergoing water shortages due to the extended drought conditions. A Texas law passed in 1985 that requires applicants for loans greater than \$500,000 adopt a water conservation and drought contingency plan. The Board now considers "water loss" by the utilities when contemplating the financial assistance for entities.

In addition to water conservation plans, water loss audits and water use surveys are required, as appropriate, by state law. Water conservation plans generally address public education, restrictions on use during a time of drought or supply interruption, goals for reducing water use, and review of records for waste/loss of water. As a result of emphasis placed on efficient water use, TWDB staff is making sure that these state-

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mandated plans adequately address water losses when communities have had substantial water loss issues identified in their past audits and surveys. TWDB staff is also available to assist there community in completing water loss audits and in developing detailed analyses to better understand such water losses.

**3. Green Infrastructure**

Green Infrastructure (green) is defined by the EPA as a term that refers to “systems and practices that use or mimic natural processes to infiltrate, expo-transpire, or reuse storm water.” The 2009 ARRA legislation included a “Green Project Reserve” for innovative projects that can demonstrate that they are green and energy or water efficient. The EPA Region 6 and TWDB are evaluating green projects that are currently under consideration for the ARRA funding. It is expected that future SRF capitalization grants will include a Green Project Reserve (GPR) Set aside. To that end, the State will be reviewing GPR for the upcoming year to best determine how to include GPR in SFY 2011 projects that will utilize the FFY 2010 Capitalization Grant.

As water reuse is becoming more important due to more frequent Texas’ droughts and increased population demand, measures for achieving water efficiency are being installed as a form of treatment and water quality enhancement. TWDB is promoting green approaches to water efficiency and the treatment process by integrating new technologies into the current systems. SRF funding can be used for land conservation, tree plantings, equipment purchases, planning and design, environmental cleanup, and delivery of environmental education programs. Any use of green infrastructure as defined by the EPA is eligible for SRF assistance.

TWDB has been a leader in rain water harvesting and published a manual in 2005 on capturing rainwater into cisterns for domestic and for landscaping uses. The Texas Rain Catcher Award program was started by TWDB in 2008. The competition is open to all individuals, companies, organizations, municipalities, and other local and state governmental entities in Texas. The Texas Rain Catcher Award is a rainwater harvesting competition and recognition program to promote the technology, educate the public, and to recognize excellence in the application of rainwater harvesting systems in Texas.

**4. Sustainable Infrastructure**

TWDB is incorporating priority issues that lead to more sustainable approaches to infrastructure in Texas. TWDB emphasizes to its applicants the importance of better management, full cost pricing, water efficiency, and in evaluating a watershed approach to projects. These fundamentals help to guide its staff in its evaluation and guidance given to SRF applicants who are seeking to meet Clean Water Act or Safe Drinking Water Act standards. Often entities are encouraged to seek regional solutions to water and wastewater as the consolidation of facilities and management can lead to consolidation efficiencies.

**5. Innovative Water Technologies**

The 2007 State Water Plan, Water for Texas, projects that 17 percent of the new water supplies to be developed over the next 50 years will be provided by water reuse (14 percent) and desalination (3 percent). TWDB’s efforts to assist in the development of

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these new sources include research and outreach activities through the Innovative Water Technology programs.

The goal of TWDB's Innovative Water Technologies is to research, develop, and disseminate information to advance the development of innovative water management strategies in Texas, including water reuse and desalination, rainwater harvesting (C.3. Green Infrastructure), and aquifer storage recovery.

Current efforts in the area of water reuse include a research contract to document the history of water reuse in the state, the status of the technology, and to define a research agenda to advance water reuse in Texas. A similar effort is being conducted focusing on storm water reuse.

Desalination is being pursued on two fronts. First, a seawater desalination initiative to accelerate the development of seawater desalination in the state by implementing a large-scale demonstration seawater desalination facility; and, second, a brackish groundwater desalination initiative funding demonstration project that addresses technological challenges to implementing these types of projects in rural areas of the state.

Another research study is assessing the status and potential of aquifer storage recovery in Texas and will provide recommendations for the state to facilitate the use of this water management strategy.

## **V. LOAN AND SET-ASIDE ACTIVITIES**

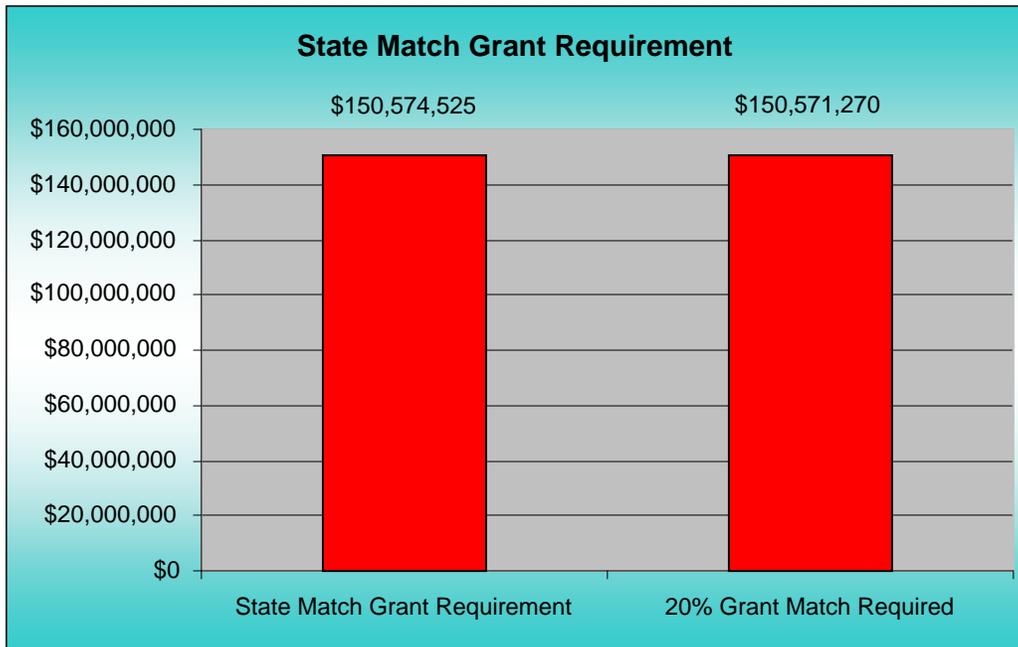
### **A. Sources and Set-aside Funding**

#### **1. Capitalization Grants and State Match**

TWDB received capitalization grants totaling \$752,856,350, from SFY 1998 through SFY 2009 (Table 1). TWDB contributed \$13,422,400 in SFY 2009 which brought the cumulative total State match to \$150,571,270. A slight under-match of \$3,255 will be deposited by the state once the FFY 2009 Capitalization Grant is received in SFY 2010 (Exhibit 5).

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**Exhibit 5 - State Match / Grant Requirement**



**2. Interest Earnings and Repayments**

Principal and interest payments (including prepayments) from outstanding loans totaled \$46,362,658 during SFY 2009 (Exhibit 6).

**Exhibit 6 - Project Loan Repayment and Interest Activity**

SFY	Principal Paid	Interest Paid	Total Paid
1998 - 2008	\$56,404,000	\$26,441,385	\$82,845,385
2009	\$37,627,000	\$8,735,658	\$46,362,658
<b>Totals</b>	<b>\$94,031,000</b>	<b>\$35,177,042</b>	<b>\$129,208,042</b>

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**B. Uses of DWSRF and Set-Aside Funds**

**1. Loan Assistance Status**

The SFY 2008 Capitalization Grant was placed in the loan account in January 2009 in the amount of \$67,112,000. SFY 2008 funds that were not committed or otherwise obligated after TWDB adoption of the SFY 2009 IUP and after the SFY 2008 funding cycle has ended were rolled forward to the SFY 2009 IUP.

**a) Binding Commitments (§ CFR 35.3570(a) (3) (iii))**

TWDB made 13 binding commitments to 11 entities for a total of \$44,930,000 in SFY 2009 (Table 1A). Other 2009 IUP submissions are pending approval by the Board. Descriptions of all of the commitments are as follows:

- 1) City of Commerce – Intake & Treatment Improvements (Loan commitment of \$2,274,000 and \$466,000 on 12/15/2008). The City has two disadvantaged loan commitments this year: one for \$2,274,000 (tax-exempt) and one for \$466,000 (taxable). Commerce is eligible for 0% interest rate and has chosen a term of twenty-eight years. The City has identified a number of issues that need to be addressed in order to continue providing high quality water to its customers. At this time the City proposes to construct 17,000 linear feet of water line to replace old deteriorated lines and improve service. The City also will make improvements at its water treatment plant and increase its raw water intake capacity. Commerce is located on State Highway 224 approximately 50 miles Northeast of Dallas. The City provides service to approximately 2,505 water connections and 2,200 wastewater connections.
- 2) City of Del Rio - Distribution Line Replacement Phase One (\$10,000,000 Loan Commitment 06/18/2009). Del Rio is a disadvantaged community and qualifies for disadvantaged funding; however, the City was not ranked high enough in the 2009 Intended Use Plan to be able to receive the disadvantaged funding assistance. The City is eligible for and has requested a 30-year amortization schedule on the proposed debt. Del Rio's water distribution system has undersized and failing water lines, which has caused inadequate pressure and leaks throughout the system. The City is beginning a multi-phased project to replace approximately 87.7 miles of the current distribution system. The City is requesting funding for Phase One, which will replace approximately 18.7 miles of the oldest pipe. In addition to the replacement of pipes, other improvements include adding or replacing any related appurtenances such as fire hydrants, valves, storage facilities, and water meters. Del Rio is located in Val Verde County approximately 153 miles southwest of San Antonio on U.S. Highway 90. The City's 2000 census population was 33,867 and it currently provides water and wastewater to 14,269 customers.
- 3) The City of Eastland – Water System Replacement (\$2,385,000 Disadvantage Loan Commitment 09/23/2008). The City of Eastland qualifies as a Disadvantaged Community and is eligible for a 1% interest rate and has requested a 27-year loan term. The City's water distribution system consists primarily of old cast iron water lines that have leakage problems, corrosion, and mineral buildup. In May, 2006, TCEQ issued a notice of violation to the City for not preserving their water storage facilities. The City proposes to renovate and

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recoat their storage facilities and replace approximately 21,000 feet of deteriorated distribution lines including appurtenances. Eastland is located approximately 56 miles east of Abilene on State Highway 6 and Interstate Highway 20. The City has a population of 3,910, and serves 1,837 water and 1,590 sewer customers.

- 4) The City of Edgewood - Water Treatment Improvements (\$835,000 Disadvantaged Loan Commitment 03/26/2009). Edgewood qualifies as a Disadvantaged Community and is eligible for a 0% interest rate and has requested a 30 year loan term. The City is currently experiencing problems with turbidity, water loss, and inadequate pressure in its water treatment and distribution system. Edgewood plans to rehabilitate the Water Treatment Plant to improve the quality of drinking water for its customers. The City proposes to install new concrete walled filters with a backwash pump system. The filters will remove turbidity and improve water quality while the backwash system will reduce the waste of water during treatment thereby reducing water loss. Storage and pumping improvements are also proposed. Edgewood is located in Van Zandt County approximately 60 southeast of Dallas on U.S. Highway 80. The City's population is approximately 1,348. The City provides water and wastewater services to 1,288 customers.
  
- 5) G-M Water Supply Corporation (WSC) – New Water Treatment Plant (\$2,970,000 Disadvantaged Loan Commitment 02/17/2009). The WSC qualifies for a 0% interest rate and has requested a 30-year loan term as a disadvantaged community under TWDB rules. G-M WSC has been repeatedly experiencing water quality complaints and violation notices from TCEQ which has lead them to propose constructing their own water treatment plant. The project will include the construction a new 0.5 mgd surface water intake structure at Lowes Creek on Toledo Bend and approximately one mile of water transmission line to connect the two structures. The WSC will continue to receive 25% of their water from the City of Hemphill under their existing contract which continues to the 2020. A portion of their water supply will also come from their existing water wells. The service area is located around and centered on the City of Hemphill, near Toledo Bend Reservoir at the intersection of State Highways 87 and 184. The WSC provides service to approximately 3,104 water connections.
  
- 6) Lamar County Water Supply District - Water Supply Transmission Line Improvement (\$1,385,000 Disadvantage Loan Commitment 03/26/2009). The Lamar County Water Supply District qualifies for a 0% interest rate and 30 year loan term as a disadvantage community. The District has requested and received a 0% and 29 year loan term. The District currently receives treated water from the City of Paris and delivers water to seven wholesale customers. The water line that provides wholesale service to the City of Roxton is old, deteriorated, and in need of replacement. The District proposes to replace the 11 mile water delivery line to improve the water supply to Roxton. In addition, the District proposes to improve the disinfection system at the Roxton storage facilities. The District is located in Lamar County, 8 miles west of the City of Paris. The District serves an estimated 7,111 water connections.

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- 7) Red River County Water Supply Corporation – Water System Improvements (\$3,500,000 Disadvantaged Community Loan Commitment 03/26/2009). The Red River WSC qualifies as a disadvantaged community and for a 1% interest rate with a 30 year term, and they have requested those terms and conditions. The Corporation is experiencing a number of system deficiencies. Red River proposes to construct a new water well, additional storage and pumping capacity, improve disinfection facilities, and install 120,000 linear feet of new 2-inch to 8-inch diameter transmission and distribution lines to address supply, capacity, pressure and disinfection requirements. The WSC is located in Red River County, approximately 60 miles west of the City of Texarkana and serves an estimated 2,163 water connections.
  
- 8) City of South Houston – Water System Improvements (\$2,010,000 Loan Commitment 02/17/2009). The City of South Houston has been experiencing water distribution outages, water distribution losses, and water pressure less than 20 psi in its public water supply system. At this time, the City proposes to upgrade the chlorination equipment, booster pumps, and control systems for its water treatment plants, rehabilitate several ground and elevated storage tanks, and replace approximately 7,500 linear feet of water mains. The City is located in Harris County approximately 13 miles southeast of Houston. The estimated population is 16,421. The City has 4,400 and 4,397 water and wastewater connections, respectively.
  
- 9) Southmost Regional Water Authority (RWA) – Water Treatment Plant Expansion and Upgrade (\$9,295,000 Disadvantaged Community Loan Commitment and \$3,795,000 Loan Commitment 03/26/2009). Southmost Regional Water Authority (RWA) is qualified as a disadvantaged community and is eligible for a 0% interest rate and term of 30 years, however, since the project cost of \$13,090,000 exceeded the available disadvantaged funding, the entity has received two loans. The \$9,295,000 loan was available from the disadvantaged communities program at an interest rate of 0% and 30-year term, and the RWA requested the balance be funded from the DWSRF base program at the current interest rate and a 20-year term. The Southmost RWA has documented an instance of exceeding the maximum contaminant level (MCL) for arsenic. While no violation has occurred, the Authority has had to reduce the capacity of their water treatment plant to continue to meet the arsenic standards of the Safe Drinking Water Act. The Authority proposes to make improvements to the WTP that will address the arsenic levels and expand the capacity of the plant. Southmost RWA is located in Brownsville. The Authority serves an approximate population of 188,000.
  
- 10) Stephens Regional Special Utility District (SUD) – Water System Improvements (\$5,000,000 Disadvantaged Community Loan Commitment 05/21/2009). The District qualifies as a disadvantaged community under TWDB rules and is eligible for a 1% interest rate and 30 year term. They have requested those terms and conditions for the assistance. Stephens Regional SUD proposes to construct water transmission mains, water distribution lines, pumping and storage facilities and additional disinfections capabilities to address the District-wide deficiencies identified by TCEQ. The District currently provides water service to 1,450 customers. The District serves a population of 2,652 people,

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which encompasses a 6-county area approximately 80 miles northeast of Abilene.

- 11) City of Wolfe City – Water System Improvements (\$1,015,000 Disadvantaged Community Loan Commitment 03/26/2009). Wolfe City qualifies as a disadvantaged community for a 1% interest rate and 30 year term and they have requested those terms and rate. The City is currently experiencing numerous problems with its water treatment and distribution system and has been cited by TCEQ for violations. The City proposes to make improvements to the water treatment plant to restore quality water production and replace 5,200 linear feet of leaky distribution mains to correct water loss and pressure issues. Wolfe City is located at the intersection of State Highways 34 and 11 in Hunt County. With an estimated population of 1,566, the City provides service to approximately 678 water customers and 593 wastewater customers.

**b) Disadvantaged Communities**

Based on the \$29,125,000 commitments made to disadvantaged communities in SFY 2009, TWDB exceeded the agency goal to provide 30% of the EPA capitalization grants to designated disadvantaged communities as defined by 31Texas Administrative Code (TAC)Part 10, Subchapter B, § 371.24. (Exhibit 7).

**Exhibit 7 - Disadvantaged Communities Summary**

SFY Grant	EPA Grant Amount	Amount Disadvantaged Communities Funding Committed	% of Grant used Disadvantaged Communities Funding
1997	\$70,153,800	\$20,783,000	29.62%
1998	\$54,014,400	\$8,375,000	15.51%
99-00	\$115,448,700	\$38,307,235	33.18%
2001	\$59,079,800	\$21,240,000	35.95%
2002	\$62,023,700	\$19,430,000	31.33%
2003	\$61,651,000	\$16,130,000	26.16%
2004	\$63,953,900	\$11,225,000	17.55%
2005	\$63,818,500	\$17,460,000	27.36%
2006	\$67,799,550	\$17,111,000	25.24%
2007	\$67,801,000	\$21,380,000	31.53%
2008	\$67,112,000	\$45,375,000	67.61%
2009	\$67,112,000	\$29,125,000	43.40%
<b>Totals</b>	<b>\$749,814,550</b>	<b>\$265,941,235</b>	<b>32.43%</b>

**c) Small Communities**

Based on \$14,705,000 in commitments to small communities in SFY 2009, TWDB has achieved compliance with Section 1452(a) (2) of the SDWA, which requires that 15% of the funds credited to the loan fund be made available for assistance to public water systems which regularly serve fewer than 10,000 persons. (Exhibit 8).

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**Exhibit 8 - Small Communities Summary**

<b>SFY Grant</b>	<b>EPA Grant Amount</b>	<b>Amount Small Communities Funding Committed</b>	<b>% of Grant used Small Communities Funding</b>
1997	\$70,153,800	\$5,955,000	8.49%
1998	\$54,014,400	\$14,560,000	26.96%
99-00	\$115,448,700	\$34,965,000	30.29%
2001	\$59,079,800	\$26,665,000	45.13%
2002	\$62,023,700	\$28,745,000	46.35%
2003	\$61,651,000	\$7,840,000	12.72%
2004	\$63,953,900	\$9,320,000	14.57%
2005	\$63,818,500	\$22,715,000	35.59%
2006	\$67,799,550	\$36,001,000	53.10%
2007	\$67,801,000	\$50,894,000	75.06%
2008	\$67,112,000	\$25,235,000	37.60%
2009	\$67,112,000	\$14,705,000	21.91%
<b>Totals</b>	<b>\$749,814,550</b>	<b>\$271,645,000</b>	<b>36.23%</b>

**d) Loan Forgiveness Communities**

TWDB committed no Loan Forgiveness funding to the disadvantaged communities in the ranked communities above the funding line on the SFY 2009 Project Priority List. (Exhibit 9).

**Exhibit 9 - Loan Forgiveness Communities Summary**

<b>SFY Grant</b>	<b>EPA Grant Amount</b>	<b>Amount Loan Forgiveness Communities Funding Committed</b>	<b>% of Grant used Loan Forgiveness Communities Funding</b>
1997	\$70,153,800	\$1,253,000	2%
1998	\$54,014,400	\$0	0.00%
99-00	\$115,448,700	\$6,027,235	5.22%
2001	\$59,079,800	\$6,215,000	10.52%
2002	\$62,023,700	\$2,791,000	4.50%
2003	\$61,651,000	\$4,403,000	7.14%
2004	\$63,953,900	\$0	0.00%
2005	\$63,818,500	\$2,619,000	4.10%
2006	\$67,799,550	\$210,000	0.31%
2007	\$67,801,000	\$0	0.00%
2008	\$67,112,000	\$1,801,000	2.68%
2009	\$67,112,000	\$0	0.00%
<b>Totals</b>	<b>\$819,968,350</b>	<b>\$25,319,235</b>	<b>3.09%</b>

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e) **Project Bypass CFR 35.3570(a) (3) (IV)**

Bypass Procedure: TWDB and TCEQ anticipate funding projects on the DWSRF PPL. However, TWDB rules outline a process for bypassing a project on the PPL for a lower ranked project. Because the total cost of the projects on the PPL is usually greater than the amount of funds available for loans, a funding line is established. The term "funding line" refers to the point on the IUP where all funds available for loans would be expended. Applicants with projects above the funding line are formally invited by letter to submit an application within three months of the date of the invitation letter. Projects above the funding line can be bypassed if an applicant provides written notification that it does not intend to submit an application or fails to submit an application before the application deadline. When either condition occurs, the funding line is adjusted downward in the amount of the cost of the bypassed project(s). Potential applicants with projects above the newly adjusted funding line are then invited to apply for a loan.

An additional bypass provision exists under TWDB rules to ensure that a certain percentage of the total funds available for loans are made available to systems serving small communities, those communities with populations equal to or less than 10,000. In the event that small community projects listed above the funding line do not equal 15% of the total funds available for assistance, TWDB may bypass projects for systems serving populations greater than 10,000 to include additional small community projects above the funding line. Bypass of large community projects is used only to ensure that a minimum of 15% total dollars accredited to the fund is made available to small community systems.

**2. Set-Aside Activity Status**

Federal regulations allow States to set aside up to 31% of the capitalization grant funds for purposes other than loans to water systems. For SFY 2009, TWDB set aside 4% for administration of the program. In addition, TWDB has set aside an amount equal to 10% of the SFY 2009 grant for TCEQ to carry out set-aside activities relating to State Program Management, and 2% were set aside for TCEQ to provide technical assistance to small systems. TCEQ SFY 2009 Report on its set-aside activities is included as an attachment to this Annual Report (Table 3).

a) **Administrative Set-Aside**

Federal regulations governing the DWSRF program permit a state to reserve its authority to take an amount equal to 4% of the current year's grant from a future grant to defray the cost of administering the program. Although in SFY 2009, the agency has chosen not to take the 4% administrative set aside, TWDB retains the authority to set aside funds equal to 4% from future capitalization grants to defray costs of program administration.

In addition, TWDB assesses a loan origination fee for the purpose of recovering administrative costs and places these funds in a separate account for future administrative expenses. Recipients of loan commitments will be assessed 2.25% of the DWSRF loan amount. This loan origination fee is a one-time charge that is due and payable at the time of loan closing. The loan origination fee may be financed as a part of the DWSRF loan. In SFY 2009 TWDB collected \$825,647 in loan

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origination fees from DWSRF loan recipients which are based on loans totaling \$56,016,000.

Fees collected will be deposited into the Administrative Cost Recovery Fund (ACRF). Monies deposited into the Administrative Cost Recovery Fund will be used only for administration of the DWSRF program, unless TWDB authorizes the transfer of these funds to the DWSRF Program Account. Administrative Cost Recovery monies transferred to the DWSRF Program Account may be used for any purpose for which other funds in the DWSRF Program Account can be used. Monies in the DWSRF Administrative Cost Recovery Fund will be invested in authorized investments as provided by TWDB order, resolution, or rule. Program activities to be supported by the ACRF include:

- Reporting Activities;
- Payment Processing;
- Pre-Application Activities;
- Application Review;
- Engineering Review;
- Portfolio, Audit and Cash & Securities Management;
- Financial Management; and
- Technical Assistance.

For SFY 2009, TWDB administrative fees for supporting the DWSRF program was \$825,647.

**b) Small Systems Technical Assistance Set-Aside**

TCEQ uses the 2% set-aside for Small System Technical Assistance to small communities under 1452(g) (2) of the SDWA. Technical assistance activities include developing, issuing and managing contracts with professional service vendors to conduct high level engineering and financial feasibility studies for compliance options for small public water systems that have violations of the drinking water standards and/or financial, managerial and technical weaknesses. In addition this set-aside is used for hydro-geologic evaluations to help determine new compliance options and pilot studies on treatment alternatives. TCEQ received a total of \$1,342,240 in 2% set-aside funds in SFY 2009 for this activity.

**c) State Program Management Set-Aside**

An amount equal to 10% of the SFY 2009 DWSRF grant was set-aside in SFY 2009 for TCEQ to carry out the following activities related to program elements in the Safe Drinking Water Act:

- Administer the Public Water System State program;
- Administer and provide technical assistance through source water protection programs;
- Implement the capacity development program and;
- Conduct PWSS inspections and investigations.

TCEQ received a total of \$6,779,955 in 10% set-aside funds in SFY 2009.

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More information on the activities associated with the 2% and 10% set-asides can be found in TCEQ attachments.

**d) Local Assistance Set-Aside**

Up to 10% of the 15% allowed for the Local Assistance set-aside can be used for one set-aside category. In SFY 2009, there were no projects (for Source Water Protection) eligible for funding under this set-aside.

**VI. COMPLIANCE WITH GRANT CONDITIONS**

Texas has an operating agreement for its DWSRF program. TWDB has agreed to follow the administrative and programmatic conditions in each of the DWSRF capitalization grant Assistance Agreements. In partnership with the EPA, TWDB adheres to all conditions that are finalized and attached to the individual grants. Each condition is met in the most appropriate and expeditious way that is suitable to EPA and the governing statutes under Texas' jurisdiction.

Each Assistance Agreement is reviewed by TWDB staff to make sure that TWDB can comply when the Agreement is signed by the Executive Administrator. Any changes or corrections are given to EPA staff in a cover letter so that adjustments may be made and the Assistance Agreement may be amended.

Texas has complied with the conditions set forth under 40 CFR 35.3570(a) (3). Specifically, TWDB has met the following Administrative and Program Conditions:

**A. Administrative Conditions**

TWDB monitors all projects to ensure they move as timely and expeditiously as possible to start construction.

1. TWDB has complied with standard grant requirements and regulations regarding administration, property management, procurement and financial management, the purchase of items containing recovered materials, use of recycled paper, reporting, use of equipment, and use of conference/convention/training space.
2. TWDB has complied with 40 CFR, Part 31.41 regarding submission of the annual Financial Status Report.
3. TWDB understands it must obtain prior clearance from the Office of Management and Budget (OMB), through EPA, for obtaining information from 10 or more persons.
4. TWDB has complied with OMB Circular A-87 as it relates to non-use of Federal and non-Federal funds to engage in lobbying the Federal Government or in litigation against the United States.
5. TWDB has disbursed all cash draws in a timely and expeditious manner.
6. TWDB has complied with the EPA Program for Utilization of Disadvantaged Business Enterprises (DBE) in procurement under assistance agreements. Exhibit 10 represents the DBE activity in SFY 2009. TWDB has submitted a completed Standard Form 5700-52A within 30 days after each federal fiscal year quarter in which sub-agreements were

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awarded. Projects are assigned to a federal grant in chronological order by commitment date. In SFY 2003, the EPA revised the Standard Form 5700-52A to report on the four procurement categories and not by grant IUP year. These figures may change as additional contracts are awarded in the future.

**Exhibit 10- DBE Procurement Activity**

September 1, 2008 - August 31, 2009

Procurements	MBE Goals	MBE Actual		WBE Goals	WBE Actual	
		Dollar Value	% of Procurement		Dollar Value	% of Procurement
<b>\$73,869,071.00</b>		<b>\$156,760.00</b>	0.21%		<b>\$1,148,275.00</b>	1.55%
Construction	34.80%	\$144,260.00	0.00%	6.70%	\$1,141,675.00	1.55%
Supplies	9.70%	\$0.00	0.00%	5.20%	\$0.00	0.00%
Equipment	7.20%	\$0.00	0.00%	4.10%	\$0.00	0.00%
Services	16.10%	\$12,500.00	0.02%	21.30%	\$6,600.00	0.01%
<b>Overall DBE Procurements</b>						<b>1.77%</b>

**B. Programmatic Conditions**

1. TWDB has managed the DWSRF program in a fiscally prudent manner and adopted policies and processes that promote the long-term financial health of the Fund. [40 CFR 35.3570(3) (i)]

TWDB established an accounting system and internal controls adequate to ensure the recording and safeguarding of all DWSRF activities in accordance with Generally Accepted Accounting Principles (GAAP). TWDB requires each SRF loan recipient to maintain project accounts in accordance with GSSP. TWDB has maintained separate account records for the DWSRF account and accounts related to set-asides pursuant to Section 1452 of the SDWA as amended.

2. State Match: TWDB will continue to satisfy state match requirements through match and overmatch funds related to the SFY 1993 PWS grant and to allowable state expenditures estimated for the current fiscal year and deposited its match (cash or State LOC) into the Fund in accordance with the requirements of Sec. 35.3550(g). [(Sec. 35.3570(3) (ii)]
3. TWDB has accepted grant funds in accordance with the payment schedule. The capitalization grant requires the State to deposit matching funds to the SRF in an amount equal to at least 20% of each draw on the EPA/ACH Payment System on or before the date of the cash draw. TWDB transfers state bond proceeds to the SRF in sufficient amount that the Fund remains overmatched. At the end of SFY 2009, the total State match that had been deposited to the Fund was \$150,571,270 (Table 1).
4. TWDB has complied with all requirements in the DWSRF Interim Final Rule dated August 2000.
5. TWDB will continue to provide an estimate of outlays to be incurred in the next fiscal year.
6. While TWDB is permitted to only submit biennial reports, TWDB has chosen to prepare

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and submit an Annual Report for the DWSRF program to the EPA Regional 6 no later than 90 days after the end of the first day of the fiscal year. This report meets the requirements of 40 CFR Parts 35.3570(a)(1).

7. TWDB has complied with federal crosscutting authorities that apply to the State as a federal grantee and those that flow through to assistance recipients. [(Sec. 35.3570(3) (xii)]
8. TWDB complied with data management and reporting requirements as described in "Interim Core Performance Measures & Associated Reporting Requirements for State and Core Output Measures for Regions for the Water Program for SFY 1998." TWDB enters data into the Drinking Water National Information Management System (DWNIMS) as required.
9. TWDB reviewed all DWSRF-funded projects and activities in accordance with approved state environmental review procedures under Sec. 35.3580. [(Sec. 35.3570(3) (xiii)]

All DWSRF-funded projects are reviewed in accordance with the State Environmental Review Procedures (SERP). An EPA-like environmental review or alternative state environmental review was conducted on all SRF funded projects. There were no Environmental Impact Statements required. Environmental Assessments were prepared and a Finding of No Significant Impact was issued for each project identified as an equivalency project and alternative environmental reviews were conducted and a state determination made for all projects.

10. Table 2 represents that the state exceeded the requirement to enter into binding commitments in an amount equal to 120% of the amount of each grant payment within one year after the receipt of such grant payment. By August 31, 2009, the State had made binding commitments to DWSRF projects equal to \$44,930,000. The total binding commitments from 1997 through SFY 2009 required were \$750,438,723. The total amount of the commitments made during the same period was \$930,428,098 which is 123.98% of the required amount (Table 2).
11. TWDB funded the highest priority projects listed in the IUP which were ready-to-proceed and documented why priority projects were bypassed in accordance with 40 CFR §35.3555(c)(2) [40 CFR § 35.3570(3)(iv)] (Table 4).
12. TWDB provided assistance to:
  - a. Eligible public water systems for eligible projects and project-related costs under 40 CFR § 35.3520. [40 CFR §35.3570(3) (v)]
  - b. Small systems consistent with the requirements of 40 CFR § 35.3525(a) (5) and §35.3555 (c) (2) (IV). [§35.3570 (3) (vii)]
  - c. Disadvantaged communities consistent with the requirements of 40 CFR § 35.3525(b) and § 35.3555(c) (7). [40 CFR § 35.3570(3) (viii)]
13. TWDB used fees for eligible purposes under 40 CFR § 35.3530(b)(2) and (b)(3) and assessed fees included as principal in a loan in accordance with the limitations in §35.3530(b)(3)(I) through (b)(3)(iii). [40 CFR §35.3570(3) (ix)]

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14. TWDB complied with general grant regulations at 40 CFR part 31 and specific conditions of the grant. [40 CFR § 35.3570(3) (xiv)].
  
15. Funds were not transferred between the DWSRF program and CWSRF program [40 CFR § 35.3570(3) (x)], nor were fund assets of the DWSRF program and CWSRF program cross-collateralized [40 CFR §35.3570 (3) (xi)].

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**VII. TABLES**

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**Table 1 - Fund Totals**  
September 1, 1998 - August 31, 2009

<b>IUP YR</b>	<b>SFY</b>	<b>SRF Grant</b>	<b>Required State Match</b>	<b>Match provided from State Appropriations</b>	<b>State Match Provided from Match Bonds</b>	<b>Total Match Funds</b>	<b>State Overmatch / (Undermatch)</b>	<b>Total Funds</b>
1997	1998	70,153,800	14,030,760	0	0	0	-14,030,760	70,153,800
1998	1999	54,014,400	10,802,880	13,166,911	0	13,166,911	2,364,031	67,181,311
1999	2000	56,612,200	11,322,440	5,843,600	3,000,000	8,843,600	-2,478,840	65,455,800
2000	2001	58,836,500	11,767,300	3,750,000	0	3,750,000	-8,017,300	62,586,500
2001	2002	59,079,800	11,815,960	4,098,104	10,000,000	14,098,104	2,282,144	73,177,904
2002	2003	62,023,700	12,404,740	4,098,104	14,500,000	18,598,104	6,193,364	80,621,804
2003	2004	61,651,000	12,330,200	3,130,403	20,000,000	23,130,403	10,800,203	84,781,403
2004	2005	63,953,900	12,790,780	3,130,403	10,000,000	13,130,403	339,623	77,084,303
2005	2006	63,818,500	12,763,700	3,636,971	12,800,000	16,436,971	3,673,271	80,255,471
2006	2007	67,799,550	13,563,165	3,636,971	9,000,000	12,636,971	-926,194	80,436,521
2007*	2008	67,801,000	13,560,200	3,735,026	9,622,377	13,357,403	-202,797	81,158,403
2008	2009	67,112,000	13,422,400	3,837,238	9,585,162	13,422,400	0	80,534,400
<b>Totals</b>		<b>\$752,856,350</b>	<b>\$150,574,525</b>	<b>\$52,063,731</b>	<b>\$98,507,539</b>	<b>\$150,571,270</b>	<b>-\$3,255</b>	<b>\$903,427,620</b>

\* Includes \$32,000 of In-kind.

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**Table 1A - Commitments SFY 2009**  
September 1, 2008 – August 31, 2009

<b>Project ID #</b>	<b>Project Entity</b>	<b>Commitment Date</b>	<b>SFY IUP</b>	<b>IUP Amount</b>	<b>Commitment Amount</b>
61475	Commerce	12/15/2008	2008	\$2,740,000	\$2,274,000 \$466,000
61580	Del Rio Utilities Commission	6/18/2009	2009	\$61,525,000	\$10,000,000
61480	Eastland	9/23/2008	2008	\$2,385,000	\$2,385,000
61513	Edgewood	3/26/2009	2009	\$835,000	\$835,000
61514	G-M WSC	2/17/2009	2009	\$2,970,000	\$2,970,000
61524	Lamar Co. WSD, Roxton	3/26/2009	2009	\$1,385,000	\$1,385,000
61515	Red River Co. WSC	26/2009	2009	\$3,500,000	\$3,500,000
61559	South Houston	2/17/2009	2009	\$2,010,000	\$2,010,000
61531	Southmost Regional WA	3/26/2009	2009	\$13,090,000	\$9,295,000 \$3,795,000
61552	Stephens Regional SUD	5/21/2009	2009	\$5,000,000	\$5,000,000
61506	Wolfe City	3/26/2009	2009	\$1,015,000	\$1,015,000
<b>Totals</b>	<b>11</b>			<b>\$96,455,000</b>	<b>\$44,930,000</b>

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**Table 1B - Commitments Statistics**  
September 1, 1998 – August 31, 2009

<b>IUP YR</b>	<b>Disadvantaged Appropriated</b>	<b>Total Disadvantaged Committed</b>	<b>Dollar Amount of Actual Comm.</b>	<b>IUP Total</b>	<b>% \$ Comm. / \$ IUP</b>	<b>Actual Comm. Made</b>	<b>Potential Applicants on IUP</b>	<b>% # Comm. / # Potential</b>
1997	\$31,973,000	\$20,783,000	\$30,720,000	\$1,368,764,000	2.24%	6	281	2.14%
1998	\$16,204,320	\$8,375,000	\$68,365,000	\$316,020,620	21.63%	11	142	7.75%
99/00	\$34,634,610	\$38,307,235	\$91,202,235	\$297,355,000	30.67%	18	102	17.65%
2001	\$17,723,940	\$21,240,000	\$75,945,000	\$319,245,000	23.79%	7	75	9.33%
2002	\$18,607,110	\$19,430,000	\$33,326,000	\$606,065,000	5.50%	6	77	7.79%
2003	\$18,495,300	\$16,130,000	\$30,161,000	\$313,410,000	9.62%	6	69	8.70%
2004	\$15,988,475	\$11,225,000	\$35,255,000	\$478,520,000	7.37%	9	49	18.37%
2005	\$15,954,625	\$17,460,000	\$137,890,000	\$329,700,000	41.82%	10	58	17.24%
2006	\$20,339,865	\$29,311,000	\$68,901,000	\$272,071,000	25.32%	12	64	18.75%
2007	\$20,340,300	\$34,180,000	\$173,891,000	\$368,084,000	47.24%	28	82	34.10%
2008	\$55,335,624	\$47,760,000	\$154,841,000	\$426,855,000	36.27%	11	83	13.25%
2009	\$24,000,000	\$29,125,000	\$44,930,000	\$450,530,230	9.97%	13	77	16.88%
<b>Total</b>	<b>\$289,597,169</b>	<b>\$293,326,235</b>	<b>\$945,427,235</b>	<b>\$4,177,855,850</b>	<b>22.63%</b>	<b>137</b>	<b>1,159</b>	<b>11.82%</b>

Comm. = Commitment

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**Table 1C - Commitments Summary**  
September 1, 1998 – August 31, 2009

IUP YR	Commitments	Loan Commitments	Loan Forgiveness Commitments	Total Commitments
1997	6	29,467,000	1,253,000	30,720,000
1998	11	68,365,000	0	68,365,000
99/00	18	85,175,000	6,027,235	91,202,235
2001	7	69,730,000	6,215,000	75,945,000
2002	6	31,872,137	1,453,863	33,326,000
2003	6	25,758,000	4,403,000	30,161,000
2004	9	35,255,000	0	35,255,000
2005	10	135,271,000	2,619,000	137,890,000
2006	12	68,691,000	210,000	68,901,000
2007	28	173,891,000	0	173,891,000
2008	11	153,040,000	1,801,000	154,841,000
2009	13	44,930,000	0	44,930,000
<b>Totals</b>	<b>137</b>	<b>\$921,445,137</b>	<b>\$23,982,098</b>	<b>\$945,427,235</b>

L.F. = Loan Forgiveness. All numbers adjusted for deobligations.

**Table 1D - Construction Funds Drawn**  
September 1, 1998 – August 31, 2009

SFY	Federal Loan Portion Drawn	State Loan Portion Actual Match	Total Loan Portion	Federal Forgiveness portion Drawn	State Forgiveness Portion Actual Match	Total Forgiveness Portion	Total Federal Drawn	Total State Actual Match	Total Drawn
97-08	323,434,836	75,352,311	398,956,002	16,771,963	4,131,648	20,903,311	340,206,799	79,483,959	419,690,758
2009	55,139,567	11,529,433	66,669,000	1,212,815	251,881	1,464,696	56,352,382	11,781,314	68,133,696
	<b>\$378,574,403</b>	<b>\$86,881,744</b>	<b>\$465,456,147</b>	<b>\$17,984,778</b>	<b>\$4,383,529</b>	<b>\$22,368,307</b>	<b>\$396,559,181</b>	<b>\$91,265,273</b>	<b>\$487,824,454</b>

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**Table 2 - Grant Payments by Quarter**

	SFY 97 – SFY 2008	SFY 2009				SFY 2010			
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
		<b>GRANT PAYMENTS</b>				<b>GRANT PAYMENTS</b>			
<b>SFY 2007</b>		\$7,953,101	\$10,645,139	\$6,994,159	\$7,026,159				
<b>Set-Asides</b>		\$958,943	\$3,650,980	\$ 0	\$0				
<b>Loan Fund</b>		\$6,994,158	\$6,994,159	\$6,994,159	\$7,026,159				
<b>State Match (20% of payment)</b>		\$1,590,620	\$2,129,028	\$1,398,832	1,405,232\$	0	0	0	0
<b>SFY 2008</b>		\$0	\$31,055,740	\$8,687,111	\$6,828,565				
<b>Set-Asides</b>			\$10,602,045	\$1,858,546	\$0				
<b>Loan Fund</b>			\$20,453,695	\$6,828,565	\$6,828,565				
<b>State Match (20% of payment)</b>		\$0	\$6,211,148	\$1,737,422	\$1,365,713				
<b>SFY 2009</b>		0	0	0	0				
<b>Set-Asides</b>									
<b>Loan Fund</b>									
<b>State Match (20% of payment)</b>		0	0	0	0				
<b>QUARTERLY REQUIRED</b>		<b>\$8,584,778</b>	<b>\$35,788,030</b>	<b>\$16,958,978</b>	<b>\$16,625,669</b>				
<b>CUMULATIVE (CUM.) REQUIRED BINDING COMMITMENTS</b>	<b>\$672,481,268</b>	<b>\$681,066,046</b>	<b>\$716,854,076</b>	<b>\$733,813,054</b>	<b>\$750,438,723</b>				

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**Table 2 - Binding Commitments by Quarter (contd.)**

	SFY 97 – SFY 2008	SFY 2009				SFY 2010			
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
	SFY 97 – SFY08 Total	SFY 2009 BINDING COMMITMENT				SFY 2010 BINDING COMMITMENTS			
SFY 1997 – 2006									
SFY 2007									
SFY 2008		2,385,000	2,740,000						
SFY 2009			4,980,000	24,825,000	10,000,000	8,999,000			
SFY 2010									
<b>QUARTERLY TOTAL</b>		<b>\$2,385,000</b>	<b>\$7,720,000</b>	<b>\$24,825,000</b>	<b>\$10,000,000</b>	<b>\$8,999,000</b>			
<b>CUMULATIVE</b>									
<b>BINDING COMMITMENTS</b>	<b>\$885,498,098</b>	<b>\$887,883,098</b>	<b>\$895,603,098</b>	<b>\$920,428,098</b>	<b>\$930,428,098</b>	<b>\$939,427,098</b>			
<b>CUM. BINDING COMMITMENTS</b>									
<b>AS % OF REQUIRED AMOUNT</b>	<b>131.68%</b>	<b>130.37%</b>	<b>124.94%</b>	<b>125.43%</b>	<b>123.98%</b>	<b>122.98%</b>			

NOTE: According to the DWSRF Final Rule August 2000, Required Binding Commitments are calculated as the amount of the Loan Fund Payment plus the 20% State Match for the federal quarter. The cumulative binding commitments for each federal fiscal quarter are matched to the prior years quarter required binding commitments to determine the percentage achieved.

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**Table 3 - Grants Summaries**  
September 1, 1998 – August 31, 2009

SFY	Grant	Loan portion of grant	TCEQ 10% Set-Aside	SWP 15% Set-Aside	TCEQ 2% Small Systems (SS)	TWDB Administration Set-Aside	In-kind
97	\$70,153,800	\$64,847,648	\$2,500,000	0	0	\$2,806,152	0
98	\$54,014,400	\$49,139,400	\$4,875,000	0	0	0	0
99	\$56,612,200	\$44,284,672	\$4,505,732	\$5,661,220	0	\$2,160,576	0
2000	\$58,836,500	\$54,246,988	\$4,505,732	\$83,780	0	0	0
2001	\$59,079,800	\$50,915,312	\$5,900,000	0	0	\$2,264,488	0
2002	\$62,023,700	\$52,529,766	\$5,900,000	0	\$1,240,474	\$2,353,460	0
2003	\$61,651,000	\$52,207,808	\$5,900,000	0	\$1,180,000	\$2,363,192	0
2004	\$63,953,900	\$53,897,562	\$6,395,390	0	\$1,180,000	\$2,480,948	0
2005	\$63,818,500	\$53,694,240	\$6,381,850	0	\$1,276,370	\$2,466,040	0
2006	\$67,799,550	\$57,429,348	\$6,381,850	0	\$1,276,370	\$2,711,982	0
2007	\$67,801,000	\$55,985,268	\$6,779,955	0	\$1,200,000	\$3,835,777	0
2008	\$67,112,000	\$54,596,522	\$6,711,200	0	\$1,342,240	\$4,407,151	\$54,887
<b>Totals</b>	<b>\$752,856,350</b>	<b>\$643,774,534</b>	<b>\$66,736,709</b>	<b>\$5,745,000</b>	<b>\$8,695,454</b>	<b>\$27,849,766</b>	<b>\$54,887</b>

SWP = Source Water Protection  
SS = Small Systems

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**Table 3A - Grants Drawn**  
September 1, 1998 - August 31, 2009

SFY	Grant Drawn	Loan Portion Drawn	TCEQ Drawn	SWP Drawn	SS Drawn	Set-Aside Drawn	In-kind
97	70,153,800	64,847,648	2,500,000	0	0	2,806,152	
98	54,014,400	49,139,400	4,875,000	0	0	0	0
99	56,612,200	44,284,672	4,505,732	5,661,220	0	2,160,576	0
2000	58,836,500	54,246,988	4,505,732	83,780	0	0	0
2001	59,079,800	50,915,312	5,900,000	0	0	2,264,488	0
2002	62,023,700	52,529,766	5,900,000	0	1,240,474	2,353,460	0
2003	61,651,000	52,207,808	5,900,000	0	1,180,000	2,363,192	0
2004	38,443,925	28,387,587	6,395,390	0	1,180,000	2,480,948	0
2005	10,124,260	0	6,381,850	0	1,276,370	2,466,040	0
2006	9,795,856	0	6,381,850	0	702,024	2,711,982	0
2007	10,615,732	0	6,779,955	0	0	3,835,777	0
2008	3,632,808	0	1,371,570	0	0	2,261,238	0
<b>Totals</b>	<b>\$494,983,981</b>	<b>\$396,559,181</b>	<b>\$61,397,079</b>	<b>\$5,745,000</b>	<b>\$5,578,868</b>	<b>\$25,703,853</b>	<b>\$0</b>

SWP = Source Water Protection  
SS = Small Systems

**Texas Water Development Board  
SFY 2009 Drinking Water State Revolving Fund  
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**Table 3B - Grants Balances**  
September 1, 1998 - August 31, 2009

<b>SFY</b>	<b>Grant Remaining</b>	<b>Loan Portion Remainder</b>	<b>TCEQ Remainder</b>	<b>SWP Remainder</b>	<b>SS Remainder</b>	<b>Set-Aside Remainder</b>	<b>In Kind</b>
97	0	0	0	0	0	0	0
98	0	0	0	0	0	0	0
99	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0
2004	25,509,975	25,509,975	0	0	0	0	0
2005	53,694,240	53,694,240	0	0	0	0	0
2006	58,003,694	57,429,348	0	0	574,346	0	0
2007	57,185,268	55,985,268	0	0	1,200,000	0	0
2008	63,479,192	54,596,522	5,339,630	0	1,342,240	2,145,913	54,887
<b>Totals</b>	<b>\$257,872,369</b>	<b>\$247,215,353</b>	<b>\$5,339,630</b>	<b>\$0</b>	<b>\$3,116,586</b>	<b>\$2,145,913</b>	<b>\$54,887</b>

SWP = Source Water Protection  
SS = Small Systems

**Texas Water Development Board  
SFY 2009 Drinking Water State Revolving Fund  
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**Table 4 - Projects Disposition, SFY 2009 IUP**  
September 1, 2008 - August 31, 2009

Rank	Project	Disadvantaged	Loan Forgiveness	Consolidation	Small Community	IUP Loan Demand	Total Points	Commitment Date / Declined Date (blue font)	Total Commitment Amount / Declined (blue font)
1	North San Saba WSC				x	\$1,345,000	75.70		
2	Millersview-Doole WSC			x	x	\$12,270,000	44.90		
3	G-M WSC	0%			x	\$2,970,000	37.65	2/17/2009	\$2,970,000
4	Richland SUD	0%			x	\$14,395,000	34.72		
5	Edgewood	0%			x	\$835,000	14.40	3/26/2009	\$835,000
6	Lawn	1%			x	\$3,005,000	12.50	10/30/08	Declined
7	Lamar Co. WSD, Roxton	0%		x	x	\$1,385,000	9.10	3/26/2009	\$1,385,000
8	Buena Vista Subdivision WS				x	\$1,070,000	7.65		
9	Zavala Co. WCID 1	0%	35%		x	\$850,000	7.00		
10	Prairie Hill WSC				x	\$55,000	6.80	10/30/08	Declined
11	El Paso Co. Tornillo WID	0%	35%		x	\$1,985,000	6.32		
12	Wolfe City	0%			x	\$1,015,000	6.25	3/26/2009	\$1,015,000
13	Royse City			x	x	\$9,685,000	4.50		
14	Maxwell WSC			x	x	\$2,755,000	4.44		
15	Perry WSC				x	\$1,395,000	3.80		
16	Stephens Regional SUD	1%			x	\$5,000,000	3.50	5/21/2009	\$5,000,000
17	Rio Grande City	0%	35%	x		\$15,285,000	3.50		
18	Red River Co. WSC	1%			x	\$3,500,000	3.25	3/26/2009	\$3,500,000
19	Groveton	0%	35%		x	\$3,050,000	2.50		
20	Pharr	0%				\$2,515,000	2.50		
21	Southmost Regional WA	0%		x		\$13,090,000	2.42	3/26/2009	\$9,295,000
21	Southmost Regional WA						2.42	3/26/2009	\$3,795,000
22	Presbyterian Pan American School				x	\$590,000	2.25		
23	Lohn WSC	0%			x	\$970,000	2.25		

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**Table 4 - Projects Disposition, SFY 2009 IUP (contd.)**  
September 1, 2008 - August 31, 2009

Rank	Project	Disadvantaged	Loan Forgiveness	Consolidation	Small Community	IUP Loan Demand	Total Points	Commitment Date / Declined Date (blue font)	Total Commitment Amount / Declined (blue font)
24	Marlin	0%	15%		x	\$3,000,000	2.25	10/06/2008	Declined
25	South Houston					\$2,010,000	2.25	2/17/2009	\$2,010,000
26	Del Rio Utilities Commission	0%				\$61,525,000	2.25	6/18/2009	\$10,000,000
27	Spur	0%		x	x	\$2,605,000	2.13	6/22/2009	Declined
28	Harris Co. MUD 148	1%			x	\$3,700,000	2.00		
29	Jackson WSC				x	\$605,000	1.75		
30	White River MWD	0%		x	x	\$3,110,000	1.75	8/13/2009	Declined
31	La Joya	0%	15%		x	\$3,060,000	1.50		
32	Commerce	0%		x	x	\$1,970,000	1.28		
33	Winfield				x	\$465,000	1.25		
34	Chalk Hill SUD				x	\$940,000	1.25	7/19/2009	Declined
35	Willis	1%			x	\$5,100,000	1.25		
36	Morgan's Point				x	\$2,170,000	1.00		
37	Moore WSC				x	\$905,000	1.00		
38	Sudan				x	\$480,000	1.00		
39	Bogota	0%	15%		x	\$1,110,000	1.00		
40	Rollingwood				x	\$3,215,000	1.00		
41	Blossom	1%			x	\$750,000	1.00		
42	Shallowater				x	\$2,580,000	1.00		
43	Harris Co. MUD 50				x	\$5,920,000	1.00		
44	Hutchins				x	\$4,085,000	1.00		
45	Taft	0%			x	\$4,140,000	1.00		
46	Groesbeck	0%			x	\$1,025,000	1.00		
47	Hidalgo				x	\$4,715,000	1.00		

**Texas Water Development Board  
SFY 2009 Drinking Water State Revolving Fund  
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**Table 4 - Projects Disposition, SFY 2009 IUP (contd.)**  
September 1, 2008 - August 31, 2009

<b>Rank</b>	<b>Project</b>	<b>Disadvantaged</b>	<b>Loan Forgiveness</b>	<b>Consolidation</b>	<b>Small Community</b>	<b>IUP Loan Demand</b>	<b>Total Points</b>	<b>Commitment Date / Declined Date (blue font)</b>	<b>Total Commitment Amount / Declined (blue font)</b>
48	Harris Co. WCID 36	1%				\$7,150,000	1.00		
49	Trinity RA, Huntsville RWSS	0%				\$16,735,000	1.00		
50	Beaumont					\$10,225,000	1.00		
51	Arlington					\$13,500,000	1.00		
52	Axtell WSC				x	\$595,000	0.50		
53	Annetta				x	\$245,000	0.50		
54	Emory			x	x	\$8,170,000	0.38		
55	Cardon Villa MHP				x	\$92,230	0.25		
56	Hill River Water Works				x	\$25,000	0.25		
57	Wood Trails WS				x	\$35,000	0.25		
58	South Murvaul WSC				x	\$100,000	0.25		
59	Winkler WSC				x	\$80,000	0.25		
60	Petersburg				x	\$308,000	0.25		
61	Thorndale				x	\$3,425,000	0.25		
62	Fort Bend Co. FWSD 1				x	\$3,785,000	0.25		
63	Dallas Co. Park Cities MUD			x		\$37,325,000	0.13		
64	Trenton				x	\$4,285,000	0.00		
65	Cottonwood Shores				x	\$4,575,000	0.00		
66	Chambers-Liberty Cos. ND				x	\$18,795,000	0.00		
67	Idalou				x	\$290,000	0.00		
68	Bois D'Arc MUD				x	\$1,965,000	0.00		
69	Golden WSC				x	\$1,345,000	0.00		
70	Acton MUD				x	\$1,230,000	0.00		
71	Harris Co. FWSD 47				x	\$5,240,000	0.00		

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**Table 4 - Projects Disposition, SFY 2009 IUP (contd.)**  
September 1, 2008 - August 31, 2009

Rank	Project	Disadvantaged	Loan Forgiveness	Consolidation	Small Community	IUP Loan Demand	Total Points	Commitment Date / Declined Date <i>(blue font)</i>	Total Commitment Amount / Declined <i>(blue font)</i>
72	Granbury				x	\$13,550,000	0.00		
73	Sienna Plantation MUD 1				x	\$41,415,000	0.00		
74	Fort Stockton				x	\$10,005,000	0.00		
75	Orange Co. WCID 1					\$7,675,000	0.00		
76	Mercedes					\$2,265,000	0.00		
77	Lumberton MUD					\$17,900,000	0.00		
<b>Totals</b>		<b>29</b>	<b>7</b>	<b>12</b>	<b>78</b>	<b>\$450,530,230</b>			

Funding Line = \_\_\_\_\_

Declination letters received = e.g. (Date Declined)

For entities above the funding line, if Commitment Date & Total Commitment columns blank then entity did not submit a financial application.

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**Table 5 - Federal Draws**  
September 1, 2008- August 31 2009

Items	Sept - Nov	Dec - Feb	March - May	June - Aug	Totals
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
ACH Available (Beginning) <b>\$221,428,184</b>	\$7,953,101	\$41,700,879	\$15,681,270	\$13,854,724	\$300,618,158
Cumulative ACH Payments					
Cash draws from ACH (4% Set-Asides/Admin)	-1,105,423	-1,181,635	-900,354	-897,110	-4,084,522
Cash draws from ACH (2% TCEQ Set-Asides)	-182,601	-717,419	-171,877	-431,762	-1,503,659
Cash draws from ACH (10% TCEQ Set-Asides)	-1,991,732	-2,351,956	-2,308,416	-1,687,865	-8,339,969
Cash draws from SWP					
Cash Draws from ACH (Construction)	-13,763,104	-19,348,560	-9,896,766	-13,343,952	-56,352,382
<b>Total Cash Draws</b>					<b>-70,280,532</b>
<b>ACH Available (Ending)</b>					<b>\$230,337,626</b>

**Table 5A - Total Federal Draws**  
September 1, 1998 - August 31 2009

SFY	Federal	Actual State Match Drawn*	Total Funds Drawn
1998 - 2008	424,703,449	79,483,959	504,187,408
2009	70,280,532	11,781,314	82,061,846
<b>Totals</b>	<b>\$494,983,981</b>	<b>\$91,265,273</b>	<b>\$586,249,254</b>

Total all federal draws including set-asides.

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**Table 6 - Projects Construction Complete**  
September 1, 2008 - August 31 2009

<b>Date of Loan</b>	<b>Recipient</b>	<b>Project No.</b>	<b>Loan Amount</b>	<b>Minimum Interest Rate</b>	<b>Maximum Interest Rate</b>	<b>First Date</b>	<b>Last Date</b>	<b>Date of Project Completion</b>
7-Dec-06	Hamlin	60568	\$5,500,000.00	0.00%	0.00%	1-Mar-02	1-Mar-31	9-Dec-08
22-Sep-06	Groesbeck	61233	\$1,025,000.00	0.00%	0.00%	15-Aug-07	15-Aug-36	11-Nov-08
28-Jun-07	Nacogdoches	60585	\$18,835,000.00	2.40%	3.65%	1-Mar-03	1-Mar-30	3-Nov-08
15-Dec-05	Ft Worth - Eagle Mt	61152	\$64,520,000.00	1.65%	2.95%	1-Mar-07	1-Mar-25	11-Sep-08
9-Sep-03	Willis	60934	\$3,245,000.00	0.15%	3.80%	1-Aug-04	1-Aug-23	9-Jul-09
27-Dec-06	E Tawakoni EST	61223	\$1,250,000.00	2.45%	3.25%	1-Jan-08	1-Jan-27	4-Feb-09
23-Oct-07	Lamar Co WSD	61366	\$3,180,000.00	2.40%	3.15%	10-Jul-08	10-Jul-27	22-Jul-09
22-Jun-07	Wellborn SUD	61335	\$3,500,000.00	2.25%	2.85%	15-Jul-08	15-Jul-27	17-Mar-09
22-Apr-03	NE Texas MWD	60850	\$12,400,000.00	1.38%	4.03%	1-Sep-07	1-Sep-26	13-May-09
22-Apr-03	NE Texas MWD	60850	\$8,650,000.00	0.74%	4.14%	1-Feb-05	1-Sep-24	13-May-09
26-Oct-06	Round Rock	61262	\$12,000,000.00	2.20%	2.95%	1-Aug-08	1-Aug-26	23-Feb-09
<b>Totals</b>	<b>11</b>		<b>\$134,105,000.00</b>					

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**Table 7 - Projects in Construction**  
September 1, 2008 - August 31 2009

Date of Loan	Recipient & (TWDB Project No.)	Loan Amount	Amt Received	Minimum Interest Rate	Maximum Interest Rate	First Date	Last Date
28-Sept-07	Golden WSC (61308)	1,070,000	545,000	3.78%	4.83%	1-Jul-08	1-Jul-27
1-Jul-04	Brownwood (60943)	6,335,000	4,835,000	0.30%	3.50%	15-Mar-06	15-Mar-25
26-Jan-07	Ballinger (61114)	3,870,000	775,000	0.00%	0.00%	1-Jun-09	1-Jun-38
20-Sep-05	Bolivar Pen SUD (60910)	900,000	760,000	1.75%	3.55%	15-Feb-07	15-Feb-36
29-Mar-06	Bonham (61022)	7,355,000	2,270,000	0.00%	0.00%	15-Feb-07	15-Feb-36
1-Jun-07	Bolivar Pen SUD (61039)	2,455,000	225,000	2.55%	3.20%	1-Jul-08	1-Jul-27
1-Jun-07	Bolivar Pen SUD (61910)	5,180,000	3,350,000	2.55%	3.45%	15-Feb-09	15-Feb-38
24-May-06	Nacogdoches (61250)	11,520,000	375,000	1.97%	3.13%	1-Mar-08	1-Mar-27
14-Jun-07	GTUA/Pottsboro (61355)	1,745,000	1,430,000	2.55%	3.20%	1-Jun-08	1-Jun-27
27-Jul-06	Baytown Area WA (61020)	13,290,000	9,065,000	2.25%	3.15%	1-May-07	1-May-26
15-Jul-98	Alpine (61162)	729,000	448,873	*	*	*	*
20-Nov-06	Brown County WID 1 (21543)	20,490,000	12,120,000	2.15%	2.95%	1-Feb-09	1-Feb-28
6-Nov-07	Ft Worth (61369)	49,865,000	1,800,000	2.20%	3.00%	1-Mar-09	1-Mar-27
17-Mar-06	Marlin (61142)	10,710,000	4,591,000	0.00%	0.00%	1-Jul-07	1-Jul-36
17-Mar-06	Marlin (61142)	1,890,000	916,241	*	*	*	*
24-Apr-03	Eagle Pass (60813)	7,455,000	7,455,000	0.00%	3.70%	1-Dec-03	1-Dec-32
30-Dec-03	El Jardin WSC (60916)	3,550,000	2,915,000	1.45%	5.20%	1-Sep-04	1-Sep-33
13-Feb-04	Millersview-Doole WSC (60748)	15,816,000	13,489,000	0.00%	0.00%	1-Dec-05	1-Dec-34
14-Nov-05	Reno (61014)	900,000	610,000	1.60%	3.15%	1-Jan-06	1-Jan-24
20-Sep-05	Bolivar Pen SUD (61039)	1,300,000	1,120,000	1.80%	3.40%	15-Feb-09	15-Feb-28
28-Mar-05	Anahuac (61010)	1,385,000	210,000	1.20%	3.60%	1-Aug-06	1-Aug-25
1-Feb-02	Eagle Pass (60813)	6,215,000	6,215,000	*	*	*	*
13-Oct-04	Eagle Pass (60813)	5,400,000	5,145,000	0.00%	3.70%	1-Dec-03	1-Dec-32
25-Oct-07	Karnes City (61347)	3,600,000	895,000	2.85%	3.75%	1-Jun-11	6/1/1937
28-Jul-06	Flatonia (61229)	660,000	225,000	0.00%	0.00%	1-Sep-07	1-Sep-26
13-Oct-05	Alpine (61162)	4,131,000	2,242,000	0.00%	0.00%	1-Mar-07	1-Mar-32
24-Feb-09	Groesbeck Meters (61425)	2,150,000	220,000	0.00%	0.00%	15-Feb-11	15-Feb-40
24-Apr-03	Eagle Pass (60813)	11,545,000	11,545,000	0.00%	0.00%	1-Dec-05	1-Dec-35

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**Table 7 - Projects in Construction (contd.)**  
September 1, 2008 - August 31 2009

<b>Date of Loan</b>	<b>Recipient &amp; (TWDB Project No.)</b>	<b>Loan Amount</b>	<b>Amt Received</b>	<b>Minimum Interest Rate</b>	<b>Maximum Interest Rate</b>	<b>First Date</b>	<b>Last Date</b>
13-Oct-04	Eagle Pass (60813)	2,905,000	2,809,635	*	*	*	*
1-Aug-07	Harris Co WCID36 (61483)	5,000,000	1,705,000	2.45%	3.20%	15-Sep-09	15-Sep-28
17-Oct-03	Junction (60736)	3,480,000	1,085,000	0.10%	4.20%	1-Mar-04	1-Mar-33
31-Jul-08	Arlington (61442)	38,000,000	865,000	0.85%	3.25%	1-Jun-09	1-Jun-28
11-Jun-02	Nacogdoches (60749)	17,630,000	15,730,000	1.15%	3.85%	1-Mar-04	1-Mar-33
13-Feb-04	Millersview-Doole WSC (60748)	2,791,000	2,380,222	*	*	*	*
14-Dec-00	Lufkin (60452)	16,000,000	14,030,000	2.95%	4.10%	1-Nov-02	1-Nov-21
22-Jun-07	Houston Co WCID 1 (61381)	6,000,000	2,925,000	2.60%	3.45%	1-Aug-09	1-Aug-38
28-Sep-01	Sunbelt FWSD (60630)	2,630,000	2,475,000	1.05%	3.55%	1-Dec-02	1-Dec-26
8-Nov-06	Zapata Co (61275)	14,826,000	4,061,000	0.00%	0.00%	15-Feb-11	15-Feb-40
26-Jun-08	Midlothian (61364)	25,010,000	1,170,000	95.00%	3.30%	1-Sep-09	1-Sep-28
17-Sep-08	Millersview-Doole WSC (60748)	15,816,000	13,486,000	0.00%	0.00%	1-Dec-08	1-Dec-37
29-Jun-06	Surfside Beach (61153)	1,655,000	680,000	2.40%	3.55%	15-Feb-09	15-Feb-28
<b>Totals</b>	<b>41</b>	<b>\$353,254,000</b>	<b>\$159,193,971</b>				

\* = Loan Forgiveness

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**VIII. GLOSSARY**

Administrative Cost Recovery Fund	ACRF
American Recovery and Reinvestment Act of 2009	ARRA
Disadvantaged Business Enterprises	DBE
Drinking Water National Information Management System	DWNIMS
Drinking Water State Revolving Fund	DWSRF
Environmental Protection Agency	EPA
Federal Fiscal Year	FFY
Financial, Managerial, and Technical Evaluations	FMT
Findings of No Significant Impact	FNSI
Generally Accepted Accounting Principles	GAAP
Green Project Reserve	GPR
Intended Use Plan	IUP
Maximum Contaminant Level	MCL
National Environmental Policy Act	NEPA
National Information Management System	NIMS
Office of Management and Budget	OMB
Project Information Forms	PIFs
Project Priority List	PPL
Public Water System	PWS
Regional Water Authority	RWA
Safe Drinking Water Act	SDWA
Special Utility District	SUD
State Environmental Review Procedures	SERP
State Fiscal Year	SFY
State Revolving Fund	SRF
Texas Administrative Code	TAC
Texas Commission of Environmental Quality	TCEQ
Texas Water Development Board	TWDB
Texas Water Information System Expansion	TxWISE
U.S. Army Corps of Engineers	USACE
Water Supply Corporation	WSC

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**IX. ATTACHMENTS**

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# ATTACHMENT A

## Cash Flow Model



**TEXAS WATER DEVELOPMENT BOARD  
DRINKING WATER STATE REVOLVING FUND  
PROJECTED ANNUAL CASH FLOW COVERAGE  
AS OF AUGUST 31, 2008**

Operational Minimum DSC: 1.10  
Lowest Total DSC: 4.55

Fiscal Year	Funds On Hand Restricted To Debt Service & Year End Balance	Loan Receipts		Projected Loan Receipts (3) Interest	Projected Investment Income (4)	Total Existing Match Bond Debt Service (5)	Total Debt Service Coverage (6)	Loan Receipts		Total Loan Receipts From Current and Projected Loans Principal	Projected Fee Income (7)	Projected Operating Expenses
		9/1 - 5/31 (2) Interest	6/1 - 8/31 Interest					Balance	Balance			
2009 (1)	\$20,193,160	\$6,982,733	-	\$2,418,684	\$6,499,192	4.55	\$23,095,385	\$1,321,108	\$24,416,492	\$18,743,000	\$1,441,320	\$4,562,135
2010	24,416,492	6,812,257	\$1,950,156	-	6,540,865	5.07	26,638,040	1,249,848	27,887,888	20,702,709	1,441,320	4,562,135
2011	27,887,888	6,524,811	3,830,776	-	6,597,562	5.80	31,645,914	1,172,545	32,818,459	23,935,954	1,441,320	4,562,135
2012	32,818,459	6,214,437	5,639,902	-	6,638,403	6.73	38,034,396	1,094,216	39,128,612	27,107,694	1,441,320	4,562,135
2013	39,128,612	5,885,366	7,375,521	-	6,673,783	7.85	45,715,716	1,016,319	46,732,035	31,863,940	1,441,320	4,562,135
2014	46,732,035	5,503,745	7,653,278	-	6,723,646	8.91	53,165,411	934,205	54,099,616	32,934,210	1,441,320	4,562,135
2015	54,099,616	5,095,806	7,334,741	-	6,766,323	9.83	59,763,840	849,043	60,612,883	33,524,747	1,441,320	4,562,135
2016	60,612,883	4,666,284	7,007,227	-	6,796,298	10.64	65,490,095	757,897	66,247,992	33,994,261	1,441,320	4,562,135
2017	66,247,992	4,214,870	6,670,478	-	6,838,082	11.28	70,295,257	662,766	70,958,023	34,793,010	1,441,320	4,562,135
2018	70,958,023	3,742,529	6,324,228	-	6,866,438	11.80	74,158,343	560,233	74,718,576	35,362,260	1,441,320	4,562,135
2019	74,718,576	3,246,780	5,968,205	-	6,905,530	12.15	77,028,031	450,848	77,478,879	36,993,283	1,441,320	4,562,135
2020	77,478,879	2,710,569	5,602,127	-	6,944,497	12.35	78,847,078	337,670	79,184,748	37,302,361	1,441,320	4,562,135
2021	79,184,748	2,176,367	5,225,704	-	6,723,138	12.88	79,863,681	222,690	80,086,372	34,483,783	1,441,320	4,562,135
2022	80,086,372	1,707,599	4,838,640	-	6,753,466	12.83	79,879,145	158,715	80,037,860	29,589,848	1,441,320	4,562,135
2023	80,037,860	1,370,814	4,440,626	-	6,787,959	12.65	79,061,340	111,496	79,172,836	28,791,861	1,441,320	4,562,135
2024	79,172,836	1,058,990	4,031,348	-	5,974,346	14.10	78,288,828	84,503	78,373,331	27,812,140	1,441,320	4,562,135
2025	78,373,331	766,579	3,610,480	-	4,810,274	17.20	77,940,115	71,598	78,011,713	23,683,008	1,441,320	4,562,135
2026	78,011,713	613,980	3,177,687	-	3,191,641	25.63	78,611,739	60,281	78,672,020	23,347,800	1,441,320	4,562,135
2027	78,672,020	488,237	2,732,626	-	2,363,870	30.64	79,529,012	51,261	79,580,273	23,369,862	1,441,320	4,562,135
2028	79,580,273	382,694	2,274,942	-	1,360,516	60.45	80,877,392	41,862	80,919,255	23,165,546	1,441,320	4,562,135
2029	80,919,255	289,990	1,804,269	-	1,356,130	61.21	81,657,383	32,959	81,690,341	23,654,219	1,441,320	4,562,135
2030	81,690,341	196,737	1,320,232	-	674,144	123.43	82,533,166	23,592	82,556,758	20,153,631	1,441,320	4,562,135
2031	82,556,758	105,619	933,819	-	-	-	83,596,196	16,450	83,612,646	15,341,419	1,441,320	4,562,135
2032	83,612,646	57,196	647,808	-	-	-	84,317,649	9,983	84,327,633	10,722,805	1,441,320	4,562,135
2033	84,327,633	12,148	465,057	-	-	-	84,804,838	3,431	84,808,269	5,824,930	1,441,320	4,562,135
2034	84,808,269	1,702	388,507	-	-	-	85,198,478	1,702	85,200,179	4,234,375	1,441,320	4,562,135
2035	85,200,179	-	342,240	-	-	-	85,542,419	-	85,542,419	4,003,642	1,441,320	4,562,135
2036	85,542,419	-	294,685	-	-	-	85,837,103	-	85,837,103	2,966,197	1,441,320	4,562,135
2037	85,837,103	-	245,803	-	-	-	86,082,906	-	86,082,906	2,995,079	-	-
2038	86,082,906	-	195,555	-	-	-	86,278,462	-	86,278,462	3,045,327	-	-
2039	86,278,462	-	143,900	-	-	-	86,422,362	-	86,422,362	3,096,982	-	-
2040	86,422,362	-	90,795	-	-	-	86,513,157	-	86,513,157	2,394,847	-	-
2041	86,513,157	-	49,516	-	-	-	86,562,673	-	86,562,673	1,680,885	-	-
2042	86,562,673	-	20,395	-	-	-	86,583,068	-	86,583,068	954,767	-	-
2043	86,583,068	-	3,772	-	-	-	86,586,840	-	86,586,840	216,149	-	-
		\$70,828,837	\$102,635,044			\$120,786,103		\$11,297,219		\$682,786,529		

- (1) The Texas Water Development Board's fiscal year runs from 9/1 to 8/31.
- (2) Represents interest repayments received from September 1st through May 31st to be used for debt service.
- (3) Represents the projected interest repayments based on current commitments and excess funds available.
- (4) Represents projected investment income based on current fund balances.
- (5) Represents current debt service requirements.
- (6) Total revenue to debt ratio. Total revenue includes beginning fund balances, actual interest loan receipts received from September 1st thru May 31st, and projected interest loan receipt and investment projections.
- (7) Projected fee income is derived from fees charged to borrowers to cover the administrative costs of the program. The fees in all years are based upon the assumption that \$65,500,000 in principal amount of loans are made per year with charges of 2.25% of the loan amount. Fees are collected outside of the State Revolving Fund based upon state law. Borrowers are provided an additional reduction in loan rates to offset the charges. This is reflected in the cash flow loan rate assumptions.

**TEXAS WATER DEVELOPMENT BOARD  
DRINKING WATER STATE REVOLVING FUND  
PROJECTED SOURCES OF REVENUES  
AS OF AUGUST 31, 2008**

Income to be Used Within the Same Fiscal Year

Fiscal Year	Loan Receipts 9/1 - 5/31		Loan Receipts 9/1 - 5/31		Projected Loan Receipts (2) Principal	Projected Loan Receipts (2) Interest	Projected Investment Income (3)	Total Projected Income to Pay Debt Service	Loan Receipts 6/1 - 8/31	
	Principal	Interest	Principal	Interest					Principal	Interest
2009 (1)	\$12,977,000	\$6,982,733	-	-	-	-	\$2,418,684	\$9,401,417	\$5,766,000	\$1,321,108
2010	12,712,000	6,812,257	\$2,754,709	\$1,950,156	-	-	-	8,762,413	5,236,000	1,249,848
2011	13,008,000	6,524,811	5,578,954	3,830,776	-	-	-	10,355,587	5,349,000	1,172,545
2012	13,298,000	6,214,437	8,474,694	5,639,902	-	-	-	11,854,339	5,335,000	1,094,216
2013	15,079,000	5,885,366	11,443,940	7,375,521	-	-	-	13,260,887	5,341,000	1,016,319
2014	15,029,000	5,503,745	12,536,210	7,653,278	-	-	-	13,157,023	5,369,000	934,205
2015	15,145,000	5,095,806	12,854,747	7,334,741	-	-	-	12,430,547	5,525,000	849,043
2016	15,145,000	4,666,284	13,182,261	7,007,227	-	-	-	11,673,510	5,667,000	757,897
2017	15,331,000	4,214,870	13,519,010	6,670,478	-	-	-	10,885,348	5,943,000	662,766
2018	15,417,000	3,742,529	13,865,260	6,324,228	-	-	-	10,066,757	6,080,000	560,233
2019	16,622,000	3,246,780	14,221,283	5,968,205	-	-	-	9,214,985	6,150,000	450,848
2020	16,828,000	2,710,569	14,587,361	5,602,127	-	-	-	8,312,696	5,887,000	337,670
2021	15,751,000	2,176,367	14,963,783	5,225,704	-	-	-	7,402,071	3,769,000	222,690
2022	11,902,000	1,707,599	15,350,848	4,838,640	-	-	-	6,546,239	2,337,000	158,715
2023	11,489,000	1,370,814	15,748,861	4,440,626	-	-	-	5,811,440	1,554,000	111,496
2024	10,677,000	1,058,990	16,158,140	4,031,348	-	-	-	5,090,338	977,000	84,503
2025	6,271,000	766,579	16,579,008	3,610,480	-	-	-	4,377,058	833,000	71,598
2026	5,496,000	613,980	17,011,800	3,177,687	-	-	-	3,791,667	840,000	60,281
2027	5,071,000	488,237	17,456,862	2,732,626	-	-	-	3,220,863	842,000	51,261
2028	4,456,000	382,694	17,914,546	2,274,942	-	-	-	2,657,635	795,000	41,862
2029	4,471,000	289,990	18,385,219	1,804,269	-	-	-	2,094,258	798,000	32,959
2030	4,433,000	196,737	14,919,631	1,320,232	-	-	-	1,516,969	801,000	23,592
2031	3,181,000	105,619	11,356,419	933,819	-	-	-	1,039,438	804,000	16,450
2032	2,228,000	57,196	7,692,805	647,808	-	-	-	705,004	802,000	9,983
2033	1,095,000	12,148	3,925,930	465,057	-	-	-	477,205	804,000	3,431
2034	580,000	1,702	2,852,375	388,507	-	-	-	390,209	802,000	1,702
2035	385,000	-	2,898,642	342,240	-	-	-	342,240	720,000	-
2036	-	-	2,946,197	294,685	-	-	-	294,685	20,000	-
2037	-	-	2,995,079	245,803	-	-	-	245,803	-	-
2038	-	-	3,045,327	195,555	-	-	-	195,555	-	-
2039	-	-	3,096,982	143,900	-	-	-	143,900	-	-
2040	-	-	2,394,847	90,795	-	-	-	90,795	-	-
2041	-	-	1,680,885	49,516	-	-	-	49,516	-	-
2042	-	-	954,767	20,395	-	-	-	20,395	-	-
2043	-	-	216,149	3,772	-	-	-	3,772	-	-
	\$264,077,000	\$70,828,837	\$333,563,529	\$102,635,044		\$2,418,684	\$175,882,565	\$85,146,000	\$11,297,219	

(1) The Texas Water Development Board's fiscal year runs from 9/1 to 8/31.

(2) Represents projected repayments from (a) \$333,563,529 in Board commitments which include \$256,542,460 in Mainstream and \$77,021,068 in Disadvantaged loan commitments, and (b) \$0 in excess funds available.

(3) Assumes investment income on fund balances at 2.73% for 8 months.

**TEXAS WATER DEVELOPMENT BOARD  
DRINKING WATER STATE REVOLVING FUND  
DEBT SERVICE ON OUTSTANDING BONDS  
AS OF AUGUST 31, 2008**

Fiscal Year	State Match Fixed Rate Bonds		Total Debt Service
	Principal	Interest	
2009 (1)	\$2,768,366	\$3,730,826	\$6,499,192
2010	2,914,723	3,626,142	6,540,865
2011	3,086,544	3,511,018	6,597,562
2012	3,253,846	3,384,557	6,638,403
2013	3,426,651	3,247,132	6,673,783
2014	3,624,979	3,098,667	6,723,646
2015	3,828,850	2,937,473	6,766,323
2016	4,033,287	2,763,011	6,796,298
2017	4,263,313	2,574,769	6,838,082
2018	4,493,952	2,372,486	6,866,438
2019	4,750,230	2,155,300	6,905,530
2020	5,022,171	1,922,326	6,944,497
2021	5,049,803	1,673,335	6,723,138
2022	5,333,155	1,420,311	6,753,466
2023	5,637,256	1,150,703	6,787,959
2024	5,112,136	862,210	5,974,346
2025	4,207,827	602,447	4,810,274
2026	2,799,363	392,278	3,191,641
2027	2,111,777	252,093	2,363,870
2028	1,210,105	150,411	1,360,516
2029	1,264,386	91,744	1,356,130
2030	644,657	29,487	674,144
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
2041	-	-	-
2042	-	-	-
2043	-	-	-
	<b>\$78,837,377</b>	<b>\$41,948,726</b>	<b>\$120,786,103</b>

(1) The Texas Water Development Board's fiscal year runs from 9/1 to 8/31.



**ATTACHMENT B**

**Financial Statements**



# **Texas Water Development Board**

## **DRINKING WATER STATE REVOLVING FUND**

### **Annual Financial Report**

For the Year Ended  
August 31, 2009

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### General Purpose Financial Statements:

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- Exhibit III – Combined Statement of Cash Flows

### Notes to the Financial Statements

### Combining Statements:

- Exhibit F-1 – Combining Statement of Net Assets
- Exhibit F-2 – Combining Statement of Revenues, Expenses, and Changes in Net Assets
- Exhibit SA-2 – Combining Statement of Expenses – Set Aside Programs

### Schedule 1 – Loans and Contracts

General  
Purpose  
Financial  
Statements

## UNAUDITED

## Drinking Water State Revolving Fund

**Exhibit I - Combined Statement of Net Assets - Proprietary Funds**

August 31, 2009

	<b>Total Enterprise Funds (Exhibit F-1)</b>
<b>ASSETS</b>	
Current Assets:	
Short Term Investments	\$ 166,384,035.83
Receivables from:	
Federal	1,788,831.50
Interest and Dividends	3,514,600.43
Loans and Contracts	22,618,000.00
<b>Total Current Assets</b>	<b>194,305,467.76</b>
Non-Current Assets:	
Loans and Contracts	374,142,000.00
<b>Total Non-Current Assets</b>	<b>374,142,000.00</b>
<b>Total Assets</b>	<b>568,447,467.76</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Payables from:	
Accounts Payable	105,170.22
Interfund Payables	3,117,245.88
Due to Other Funds	1,159,651.57
Due to Other Agencies	1,016,847.00
Deferred Revenue	11,750,461.08
<b>Total Current Liabilities</b>	<b>17,149,375.75</b>
Non-Current Liabilities:	
Interfund Payable	78,975,312.00
<b>Total Non-Current Liabilities</b>	<b>78,975,312.00</b>
<b>Total Liabilities</b>	<b>96,124,687.75</b>
<b>NET ASSETS</b>	
Unrestricted	472,322,780.01
<b>Total Net Assets</b>	<b>\$ 472,322,780.01</b>

## UNAUDITED

## Drinking Water State Revolving Fund

**Exhibit II - Combined Statement of Revenues, Expenses, and  
Changes in Fund Net Assets - Proprietary Funds**

For the Fiscal Year Ended August 31, 2009

	<b>Total Enterprise Funds (Exhibit F-2)</b>
<b>OPERATING REVENUES:</b>	
Interest and Investment Income	\$ 10,820,799.93
Net Increase (Decrease) Fair Market Value	157,470.38
Other Operating Revenue	789,573.66
<b>Total Operating Revenues</b>	<b>11,767,843.97</b>
<b>OPERATING EXPENSES:</b>	
Salaries and Wages	3,216,937.88
Payroll Related Costs	667,466.26
Professional Fees and Services	330,437.43
Travel	34,927.77
Materials and Supplies	81,411.63
Communication and Utilities	22,538.27
Repairs and Maintenance	2,308.00
Rentals and Leases	17,748.81
Printing and Reproduction	406.40
Interest	3,883,669.99
Other Operating Expenses	24,981.85
<b>Total Operating Expenses</b>	<b>8,282,834.29</b>
<b>Operating Income (Loss)</b>	<b>3,485,009.68</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Federal Revenue	69,432,922.58
Federal Grant Pass-Through Revenue (Expense)	(8,686,142.00)
Other Benefit Payments	(221,114.42)
Other Nonoperating Revenue (Expenses)	(1,243,580.95)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>59,282,085.21</b>
<b>Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>62,767,094.89</b>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:</b>	
Transfers In	3,837,238.00
<b>Total Other Revenue, Expenses, Gain/Losses and Transfers</b>	<b>3,837,238.00</b>
<b>Change in Net Assets</b>	<b>66,604,332.89</b>
Total Net Assets - Beginning	405,718,447.12
<b>Total Net Assets, August 31, 2009</b>	<b>\$ 472,322,780.01</b>

UNAUDITED

Drinking Water State Revolving Fund

**Exhibit III - Combined Statement of Cash Flows - Proprietary Funds**

For the Fiscal Year Ended August 31, 2009

	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to Suppliers for Goods and Services	\$ (490,384.87)
Payments to Employees for Salaries	(2,998,527.75)
Payments to Employees for Benefits	(561,919.73)
Payments to Employees for Other (Travel)	(33,689.46)
<b>Net Cash Provided by Operating Activities</b>	<b>(4,084,521.81)</b>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from Federal Grants	70,280,531.61
Proceeds from State Appropriations	3,837,238.00
Proceeds from Advances from Other Funds	6,222,125.00
Payments of Interest	(3,867,549.36)
Payments for Grant Disbursements	(1,464,695.37)
Payment for Federal Grant Pass-Through	(9,843,628.30)
Repayments of Advances from Other Funds	(2,966,944.12)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>62,197,077.46</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Interest Income	1,761,362.03
Proceeds from Investment Income	8,735,658.51
Proceeds from Principal Payments on Non-Program Loans	37,627,000.00
Payments for Non-program Loans Provided	(84,338,353.00)
Payments to Acquire Investments	(38,162,194.91)
<b>Net Cash Provided by Investing Activities</b>	<b>(74,376,527.37)</b>
 Net (Decrease) in Cash and Cash Equivalents	(16,263,971.72)
 Cash and Cash Equivalents--September 1, 2008	16,263,971.72
<b>Cash and Cash Equivalents--August 31, 2009</b>	<b>\$ -</b>

UNAUDITED

Drinking Water State Revolving Fund

**Exhibit III - Combined Statement of Cash Flows - Proprietary Funds (cont.)**

For the Fiscal Year Ended August 31, 2009

	<u>Total Enterprise Funds</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<b>Operating Income (Loss)</b>	\$ (5,201,132.32)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income and Cash Flow Categories:	
Classification Differences	1,249,080.14
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	
Increase (Decrease) in Payables	(47,983.52)
Increase (Decrease) in Due to Other Funds	(84,486.11)
<b>Total Adjustments</b>	<u>1,116,610.51</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (4,084,521.81)</u>
<b>Non-Cash Transactions</b>	
Net Increase (Decrease) in Fair Value of Investments	157,470.38

Notes  
to the  
Financial  
Statements

## Notes to the Financial Statements

<b>NOTE 1: Summary of Significant Accounting Policies</b>
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### Entity

The Texas Water Development Board (the Board) is an agency of the state of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Board was created as an agency of the state in 1957, when the voters of the state approved an amendment adding Section 49-c to Article 3 of the Texas Constitution. The Board is primarily responsible for administering state and federally funded financing programs for water-related projects, water resource planning, data collection, and studies relative to the surface and ground water resources of Texas.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

### Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

#### ***Proprietary Fund Types***

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##### Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

**Texas Water Development Board (580)**

***Basis of Accounting***

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The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

***Restricted Net Assets***

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When both restricted and unrestricted net assets are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

**Assets, Liabilities, and Fund Balances / Net Assets**

***Assets***

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Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents, with the exception of repurchase agreements which are classified as Short-Term Investments.

Investments

Investments of the Board in authorized securities are reported at fair value in accordance with GASB 31 requirements. Any short-term securities that are exchanged for other short-term securities are accounted for using the completed transaction method. This method treats the exchanges as separate sales, purchase transactions, and includes gains and losses on the sales in current revenue.

Interest and Dividends Receivable

Accrued interest receivable on loans and contracts as of the balance sheet date is included in the proprietary funds.

Notes / Loans and Contracts Receivable

Although collateralized by bonds of the receiving entity, loans made to political subdivisions are presented as Notes/Loans and Contracts Receivable at par. The portion due within the next year is shown separately as a current asset with the remainder as noncurrent.

***Liabilities***

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Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

**Texas Water Development Board (580)**

Current Payables - Other

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Other payables may be included in either the governmental or proprietary fund types. The only significant other payable is the accrued interest due as of the balance sheet date on bonds payable in the proprietary funds.

**Net Assets**

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The difference between fund assets and liabilities is 'Net Assets' on the proprietary fund statements.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

**Interfund Activities and Balances**

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The agency has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current".

**Statement of Cash Flows**

**Cash Flows from Investing Activities**

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Non-program Loans

The loans that the Board makes to entities such as cities, counties, and other political subdivisions do not meet the criteria established by GASB for inclusion as Cash Flows from Operating Activities on the Statement of Cash Flows. Only certain types of loans to individuals are includable as Cash Flows from Operating Activities. Since GASB refers to these loans generically as "program" loans, the loans made by the Board are referred to on the Statement of Cash Flows as "non-program" loans to distinguish them from loans made to individuals, and their cash flows are included as Cash Flows from Investing Activities.

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**Texas Water Development Board (580)**

Classification Differences

Although the primary operation of the Board's enterprise funds is the borrowing and lending of money for water related projects, the major components of the Operating Income or Loss on the Statement of Revenues, Expenses, and Changes in Fund Net Assets are classified on the Statement of Cash Flows as either Cash Flows from Investing Activities (Interest and Investment Income) or Cash Flows from Noncapital Financing Activities (Interest Expense).

**NOTE 2: Deposits, Investments & Repurchase Agreements**

The agency is authorized by statute to make investments, and does so in accordance with Chapter 365 of the Texas Water Development Board rules. There were no violations of legal provisions during the period.

**Investments**

As of August 31, 2009, the fair value of investments is as presented below.

<b>Governmental and Business-Type Activities</b>	<b>Fair Value</b>
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	55,949,403.24
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	110,434,632.59
<b>Total</b>	<b>\$ 166,384,035.83</b>

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The agency will only make payment for and accept delivery of securities on a delivery versus payment basis, and securities are held in the name of the agency. As of August 31, 2009, investments were not exposed to custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by the agency's investment policy, investments purchased must be rated as to investment quality by a nationally recognized investment rating firm with a minimum of an 'A' rating. Furthermore, our investment policy requires that our repurchase agreements be collateralized by obligations of the U.S. Government or U.S. Government Agencies. As of August 31, 2009, the agency's credit quality distribution of securities and repurchase agreements with credit risk exposure was as follows.

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Texas Water Development Board (580)

Standard and Poor's

Fund Type	GAAP Fund	Investment Type	Amount	Rating
05	3050	U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	\$110,434,632.59	AAA

**NOTE 3: Summary of Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2009, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-08	Additions	Deductions	Balance 08-31-09	Amts Due within 1 year	Amounts due Thereafter
Notes and Loans Payable (Interfund)	\$78,837,377.00	\$6,222,125.00	\$2,966,944.12	\$82,092,557.88	\$3,117,245.88	\$78,975,312.00
<b>Total Business-Type Activities</b>	<b>\$78,837,377.00</b>	<b>\$6,222,125.00</b>	<b>\$2,966,944.12</b>	<b>\$82,092,557.98</b>	<b>\$3,117,245.88</b>	<b>\$78,975,312.00</b>

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**Texas Water Development Board (580)**

**Notes and Loans Payable (Interfund Payable)**

Notes and Loans Payable represent advances to the Clean Water and Drinking Water State Revolving Funds for the State Match portion of these programs, as well as advances to the Rural Water Assistance Fund for loans to political subdivisions. The Debt Service requirements are as follows:

Notes Payable (Interfund Payable) Debt Service Requirements	Business-Type Activities	
	Principal	Interest
2010	\$3,117,245.88	\$ 3,856,987.46
2011	3,293,799.00	3,737,130.10
2012	3,466,357.00	3,605,413.44
2013	3,644,871.00	3,462,278.56
2014	3,849,498.00	3,307,514.92
2015-2019	22,605,926.00	13,733,581.96
2020-2024	27,638,276.00	7,711,965.36
2025-2029	13,417,364.00	1,831,903.48
2030-2034	1,059,221.00	48,295.78
<b>Total Requirements</b>	<b>\$82,092,557.88</b>	<b>\$41,295,071.06</b>

**NOTE 4: Interfund Balances / Activities**

As explained in Note 1 on Interfund Activities and Balances there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of current interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2009 follows:

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**Texas Water Development Board (580)**

<b>Interfund Receivables and Payables – Current</b>			
<b>Current Portion</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Purpose</b>
ENTERPRISE (05)			
Appd Fund 0371, D23 Fund 0371			
Appd Fund 9999, D23 Fund 0951	\$3,117,245.88		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		\$3,117,245.88	Match Bonds
<b>Total Interfund Receivable/Payable</b>	<b>\$3,117,245.88</b>	<b>\$3,117,245.88</b>	

<b>Interfund Receivables and Payables – Non-current</b>			
<b>Non-current Portion</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Purpose</b>
ENTERPRISE (05)			
Appd Fund 0371, D23 Fund 0371			
Appd Fund 9999, D23 Fund 0951	\$78,975,312.00		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		\$78,975,312.00	Match Bonds
<b>Total Interfund Receivable/Payable</b>	<b>\$78,975,312.00</b>	<b>\$78,975,312.00</b>	

**NOTE 5: Contingent Liabilities**

**Outstanding Loan and Grant Commitments**

At August 31, 2009, the Board had made commitments to provide political subdivisions and not-for-profit entities financing from the proceeds remaining from current bond issues, and from the proceeds of future bond issues, from the federal draw downs, or from appropriations as follows:

	<b>For Loans</b>	<b>For Grants</b>	<b>Total</b>
Drinking Water State Revolving Fund (DWSRF)	\$399,776,000.00	\$2,517,237.00	\$402,293,237.00
<b>Total Commitments</b>	<b>\$399,776,000.00</b>	<b>\$2,517,237.00</b>	<b>\$402,293,237.00</b>

**Federal Costs**

As a prime contractor with a federal granting agency, the Board is contingently liable to refund any disallowed costs to the granting agency. The amount of disallowed cost, if any, was undeterminable at August 31, 2009.

**Texas Water Development Board (580)****NOTE 6: Loans and Contracts**

The Board purchases bonds from political subdivisions (including private water supply corporations). As of August 31, 2009 the balance of these bonds owned by the Board was \$396,760,000.00. In general, the majority of these bonds pay interest semiannually and principal annually and allow for early redemption ten years after the original date of issuance. All bonds are secured by either pledged revenue or taxes. Interest rates on the bonds range from 0% to 5.7% maturing through the year 2040. It is the opinion of management that all bonds are fully collectible; therefore, no provision for uncollectible amounts is included in these financial statements.

**NOTE 7: Available Federal Funds**

As of August 31, 2009, the amount of Federal Funds available through the Automated Standard Application for Payments that remain undrawn for the Drinking Water State Revolving Fund is \$45,738,184.27.

**NOTE 8: Status of Available Administrative Funding**

The Texas Water Development Board has been awarded grants for this program totaling \$752,856,350.00. The remaining administrative funding at August 31, 2009, relative to the 4% cap is \$8,572,153.27. During FY2009, \$4,084,521.81 was drawn against the administration portion of the grant to reimburse expenses incurred in General Revenue, while another \$771,984.50 was accrued as a receivable as of August 31, 2009.

Loans issued in Fiscal Year 2009 resulted in the collection of administrative cost recovery charges. The Texas Water Development Board has collected service charges totaling \$16,553,662.00 from DWSRF loan recipients. In Fiscal Year 2009, \$825,647.00, was collected. There were no expenditures to pay for bank service fees.

**NOTE 9: State Match Requirements**

Deferral of State match deposits was allowed by EPA for FY97 grant payments until September 30, 1999. The Board deposited \$3,000,000 of match bond proceeds to the fund on April 9, 1999. Subsequent deposits of match funds have been made bringing the total match for federal reporting purposes to \$150,568,015.00. During Fiscal Year 2009, state appropriations totaling \$3,837,238.00 were transferred; while, \$9,585,162.00 of state match bond proceeds were also transferred.

# Combining Statements

## Drinking Water State Revolving Fund

## Exhibit F-1 - Combining Statement of Net Assets - Enterprise Funds

August 31, 2009

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit I)
<b>ASSETS</b>					
Current Assets:					
Short Term Investments	155,367,585.46		11,016,450.37		166,384,035.83
Receivables from:					
Federal	-	771,984.50		1,016,847.00	1,788,831.50
Interest and Dividends	3,499,045.31		15,555.12		3,514,600.43
Loans and Contracts	22,618,000.00				22,618,000.00
<b>Total Current Assets</b>	<b>181,484,630.77</b>	<b>771,984.50</b>	<b>11,032,005.49</b>	<b>1,016,847.00</b>	<b>194,305,467.76</b>
Non-Current Assets:					
Loans and Contracts	374,142,000.00				374,142,000.00
<b>Total Non-Current Assets</b>	<b>374,142,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>374,142,000.00</b>
<b>Total Assets</b>	<b>555,626,630.77</b>	<b>771,984.50</b>	<b>11,032,005.49</b>	<b>1,016,847.00</b>	<b>568,447,467.76</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Payables from:					
Accounts Payable	-	105,170.22			105,170.22
Interfund Payables	3,117,245.88				3,117,245.88
Due to Other Funds	492,837.29	666,814.28			1,159,651.57
Due to Other Agencies	-			1,016,847.00	1,016,847.00
Deferred Revenue	-		11,750,461.08		11,750,461.08
<b>Total Current Liabilities</b>	<b>3,610,083.17</b>	<b>771,984.50</b>	<b>11,750,461.08</b>	<b>1,016,847.00</b>	<b>17,149,375.75</b>
Non-Current Liabilities:					
Interfund Payables	78,975,312.00				78,975,312.00
<b>Total Non-Current Liabilities</b>	<b>78,975,312.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,975,312.00</b>
<b>Total Liabilities</b>	<b>82,585,395.17</b>	<b>771,984.50</b>	<b>11,750,461.08</b>	<b>1,016,847.00</b>	<b>96,124,687.75</b>
<b>NET ASSETS</b>					
Unrestricted	473,041,235.60	-	(718,455.59)	-	472,322,780.01
<b>Total Net Assets</b>	<b>\$ 473,041,235.60</b>	<b>\$ -</b>	<b>\$ (718,455.59)</b>	<b>\$ -</b>	<b>\$ 472,322,780.01</b>

## Drinking Water State Revolving Fund

**Exhibit F-2 - Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets - Enterprise Funds**

For the Fiscal Year Ended August 31, 2009

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit II)
<b>OPERATING REVENUES:</b>					
Interest and Investment Income	\$ 10,701,107.75		\$ 119,692.18		\$ 10,820,799.93
Net Increase (Decrease) Fair Market Value	157,470.38		-		157,470.38
Other Operating Revenue	-		789,573.66		789,573.66
<b>Total Operating Revenues</b>	<b>10,858,578.13</b>	<b>-</b>	<b>909,265.84</b>	<b>-</b>	<b>11,767,843.97</b>
<b>OPERATING EXPENSES:</b>					
Salaries and Wages	-	3,216,937.88	-	3,450,231.00	6,667,168.88
Payroll Related Costs	-	667,466.26	-	661,712.00	1,329,178.26
Professional Fees and Services	-	330,437.43	-	2,738,499.00	3,068,936.43
Travel	-	34,927.77	-	145,821.00	180,748.77
Materials and Supplies	-	81,411.63	-	836,867.00	918,278.63
Communication and Utilities	-	22,538.27	-	-	22,538.27
Repairs and Maintenance	-	2,308.00	-	-	2,308.00
Rentals and Leases	-	17,748.81	-	-	17,748.81
Printing and Reproduction	-	406.40	-	-	406.40
Interest	3,883,669.99	-	-	-	3,883,669.99
Other Operating Expenses	-	24,981.85	-	853,012.00	877,993.85
<b>Total Operating Expenses</b>	<b>3,883,669.99</b>	<b>4,399,164.30</b>	<b>-</b>	<b>8,686,142.00</b>	<b>16,968,976.29</b>
<b>Operating Income (Loss)</b>	<b>6,974,908.14</b>	<b>(4,399,164.30)</b>	<b>909,265.84</b>	<b>(8,686,142.00)</b>	<b>(5,201,132.32)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>					
Federal Revenue	56,347,616.28	4,399,164.30	-	8,686,142.00	69,432,922.58
Other Benefit Payments	(221,114.42)				(221,114.42)
Other Nonoperating Revenue (Expenses)	(1,243,580.95)				(1,243,580.95)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>54,882,920.91</b>	<b>4,399,164.30</b>	<b>-</b>	<b>8,686,142.00</b>	<b>67,968,227.21</b>
<b>Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>61,857,829.05</b>	<b>-</b>	<b>909,265.84</b>	<b>-</b>	<b>62,767,094.89</b>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:</b>					
Transfers In	3,837,238.00	-	-	-	3,837,238.00
<b>Total Other Revenue, Expenses, Gain/Losses and Transfers</b>	<b>3,837,238.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,837,238.00</b>
<b>Change in Net Assets</b>	<b>65,695,067.05</b>	<b>-</b>	<b>909,265.84</b>	<b>-</b>	<b>66,604,332.89</b>
Total Net Assets - Beginning	407,346,168.55	-	(1,627,721.43)	-	405,718,447.12
<b>Total Net Assets, August 31, 2009</b>	<b>\$ 473,041,235.60</b>	<b>\$ -</b>	<b>\$ (718,455.59)</b>	<b>\$ -</b>	<b>\$ 472,322,780.01</b>

## UNAUDITED

## Drinking Water State Revolving Fund

**Exhibit SA-2 - Combining Statement of Expenses - Set Aside Programs**  
 For the Fiscal Year Ended August 31, 2009

	<b>Administer State PWSS</b>	<b>Source Water Protection</b>	<b>Capacity Development</b>	<b>Technical Assistance</b>	<b>Inspection and Investigation</b>	<b>Totals (Exhibit F-2)</b>
<b>OPERATING EXPENSES:</b>						
Salaries and Wages	\$ 191,872.00	\$ 145,488.00	\$ 809,244.00	\$ -	\$ 1,672,782.00	\$ 2,819,386.00
Payroll Related Costs	47,473.00	37,291.00	148,174.00	-	428,774.00	661,712.00
Professional Fees and Services	894,074.00	706,208.00	289,455.00	781,286.00	67,476.00	2,738,499.00
Travel	71,370.00	-	49,511.00	7,574.00	17,366.00	145,821.00
Materials and Supplies	27,005.00	-	26,289.00	715,053.00	68,520.00	836,867.00
Other Operating Expenses	66,155.00	81,459.00	594,534.00	-	110,864.00	853,012.00
Indirect	44,929.00	35,908.00	144,919.00	-	405,089.00	630,845.00
<b>Total Operating Expenses</b>	<b>\$ 1,342,878.00</b>	<b>\$ 1,006,354.00</b>	<b>\$ 2,062,126.00</b>	<b>\$ 1,503,913.00</b>	<b>\$ 2,770,871.00</b>	<b>\$ 8,686,142.00</b>

# Schedules

UNAUDITED

Texas Water Development Board (580)  
 Schedule 1 - Loans and Contracts  
 For the Fiscal Year Ended August 31, 2009

Recipient	Original Amount	Outstanding Balance	Due From	Due To
<b>Drinking Water State Revolving Fund</b>				
AGUA SUD	170,000.00	170,000.00	8/1/2011	8/1/2040
ALEDO, CITY OF	3,530,000.00	3,305,000.00	8/15/2009	8/15/2028
ALPINE, CITY OF	4,131,000.00	3,717,000.00	3/1/2007	3/1/2036
ALVORD, CITY OF	360,000.00	285,000.00	10/1/2004	10/1/2023
ALVORD, CITY OF	360,000.00	315,000.00	10/1/2006	10/1/2025
ANAHUAC, CITY OF	610,000.00	445,000.00	8/1/2006	8/1/2025
ARLINGTON, CITY OF	17,445,000.00	15,545,000.00	6/1/2009	6/1/2028
BALLINGER, CITY OF	5,250,000.00	4,020,000.00	6/1/2004	6/1/2023
BALLINGER, CITY OF	1,905,000.00	1,775,000.00	6/1/2009	6/1/2038
BAYTOWN AREA WATER AUTHORITY	9,355,000.00	7,690,000.00	5/1/2007	5/1/2026
BEECHWOOD WSC	100,000.00	76,000.00	7/1/2009	7/1/2038
BENTON CITY WSC	145,000.00	121,000.00	10/1/2001	10/1/2030
BOLIVAR PENINSULA SUD	845,000.00	785,000.00	2/15/2007	2/15/2036
BOLIVAR PENINSULA SUD	1,195,000.00	1,095,000.00	2/15/2008	2/15/2027
BOLIVAR PENINSULA SUD	4,425,000.00	4,315,000.00	2/15/2009	2/15/2038
BOLIVAR PENINSULA SUD	1,785,000.00	1,690,000.00	2/15/2009	2/15/2028
BONHAM, CITY OF	4,310,000.00	3,570,000.00	2/15/2007	2/15/2036
BRADY, CITY OF	6,115,000.00	4,620,000.00	5/1/2002	5/1/2031
BRIGHT STAR-SALEM SUD	215,000.00	215,000.00	9/1/2011	9/1/2030
BROOKELAND FWSD	1,945,000.00	1,525,000.00	9/1/2001	9/1/2020
BROWN CO WID #1	13,605,000.00	12,785,000.00	2/1/2009	2/1/2028
BROWNWOOD, CITY OF	6,925,000.00	5,330,000.00	3/15/2002	3/15/2021
BROWNWOOD, CITY OF	5,775,000.00	4,780,000.00	3/15/2006	3/15/2025
BURLESON CO MUD #1	1,440,000.00	1,339,000.00	6/1/2005	6/1/2034
BURLESON CO MUD #1	120,000.00	108,000.00	6/1/2006	6/1/2033
CISCO, CITY OF	175,000.00	175,000.00	2/15/2010	2/15/2038
CISCO, CITY OF	205,000.00	205,000.00	2/15/2010	2/15/2038
COCKRELL HILL, CITY OF	125,000.00	125,000.00	4/1/2012	4/1/2031
COLEMAN, CITY OF	175,000.00	175,000.00	4/1/2010	4/1/2039
CORSICANA, CITY OF	10,865,000.00	6,990,000.00	8/15/2001	8/15/2020
DEL RIO, CITY OF	5,845,000.00	3,157,000.00	6/1/2001	6/1/2020
DEL RIO, CITY OF	5,400,000.00	3,240,000.00	6/1/2002	6/1/2021
DEL RIO, CITY OF	6,220,000.00	4,555,000.00	6/1/2004	6/1/2022
DEPORT, CITY OF	350,000.00	235,000.00	9/1/2001	9/1/2020
DIBOLL, CITY OF	260,000.00	175,000.00	2/15/2006	2/15/2025
EAGLE PASS, CITY OF	11,545,000.00	10,010,000.00	12/1/2005	12/1/2034
EAGLE PASS, CITY OF	7,455,000.00	3,405,000.00	12/1/2003	12/1/2032
EAGLE PASS, CITY OF	5,275,000.00	4,620,000.00	12/1/2004	12/1/2033
EAST CEDAR CREEK FWSD	730,000.00	680,000.00	7/1/2008	7/1/2027
EAST MEDINA CO SUD	3,200,000.00	2,150,000.00	7/1/2002	7/1/2021
EAST TAWAKONI, CITY OF	1,215,000.00	1,195,000.00	1/1/2008	1/1/2027
EASTLAND, CITY OF	185,000.00	185,000.00	12/1/2009	12/1/2036
EL JARDIN WSC	3,315,000.00	2,930,000.00	9/1/2004	9/1/2033
EL PASO CO TORNILLO WID	130,000.00	130,000.00	8/1/2011	8/1/2038
EL PASO, CITY OF	15,190,000.00	10,330,000.00	3/1/2002	3/1/2021
FLATONIA, CITY OF	225,000.00	155,000.00	9/1/2007	9/1/2026
FORT WORTH, CITY OF	64,520,000.00	56,100,000.00	3/1/2007	3/1/2025
FORT WORTH, CITY OF	1,800,000.00	(0.00)	3/1/2009	3/1/2027
GOLDEN WSC	850,000.00	750,000.00	7/1/2002	7/1/2022
GOLDEN WSC	545,000.00	500,000.00	7/1/2008	7/1/2027
GREATER TEXOMA UA	325,000.00	210,000.00	10/1/2000	10/1/2019
GREATER TEXOMA UA	1,430,000.00	1,300,000.00	6/1/2008	6/1/2027
GROESBECK, CITY OF	1,025,000.00	920,000.00	8/15/2007	8/15/2036
GROESBECK, CITY OF	220,000.00	220,000.00	2/15/2011	2/15/2040
HAMLIN, CITY OF	5,500,000.00	4,180,000.00	3/1/2002	3/1/2031
HARRIS CO WCID #36	2,455,000.00	2,455,000.00	9/15/2009	9/15/2027
HIDALGO COUNTY MUD NO 1	225,000.00	225,000.00	2/15/2010	2/15/2039
HOUSTON CO WCID #1	2,925,000.00	2,795,000.00	8/1/2009	8/1/2038
HOUSTON, CITY OF	5,745,000.00	4,980,000.00	12/1/2004	12/1/2023
HUDSON OAKS, CITY OF	1,320,000.00	790,000.00	8/1/2001	8/1/2019
JUNCTION, CITY OF	3,480,000.00	3,150,000.00	3/1/2004	3/1/2033
KARNES CITY, CITY OF	895,000.00	895,000.00	6/1/2011	6/1/2037
KOUNTZE, CITY OF	930,000.00	745,000.00	3/15/2000	3/15/2024
LAKE LIVINGSTON WATER SUPPLY & SEWER SERVICE CORP	1,085,000.00	1,085,000.00	12/1/2010	12/1/2039
LAMAR CO WSD	3,130,000.00	3,120,000.00	7/10/2008	7/10/2027
LOWER NECHES VALLEY AUTHORITY	18,495,000.00	18,490,000.00	8/1/2009	8/1/2035
LOWER VALLEY WD	335,000.00	335,000.00	9/15/2010	9/15/2029

UNAUDITED

Texas Water Development Board (580)  
 Schedule 1 - Loans and Contracts  
 For the Fiscal Year Ended August 31, 2009

Recipient	Original Amount	Outstanding Balance	Due From	Due To
LUFKIN, CITY OF	15,245,000.00	10,855,000.00	11/1/2002	11/1/2021
MARLIN, CITY OF	9,052,000.00	8,752,000.00	7/1/2007	7/1/2036
MEXIA, CITY OF	560,000.00	415,000.00	8/15/2003	8/15/2022
MEXIA, CITY OF	605,000.00	485,000.00	8/15/2005	8/15/2024
MEXIA, CITY OF	100,000.00	100,000.00	8/15/2010	8/15/2038
MEXIA, CITY OF	45,000.00	45,000.00	8/15/2010	8/15/2038
MIDLOTHIAN, CITY OF	1,170,000.00	1,170,000.00	9/1/2009	9/1/2028
MILLERSVIEW-DOOLE WSC	14,777,000.00	14,106,000.00	12/1/2005	12/1/2034
MOUNT CALM, CITY OF	331,000.00	271,000.00	3/1/2005	3/1/2024
MOUNT PLEASANT, CITY OF	1,575,000.00	1,555,000.00	3/15/2009	3/15/2033
NACOGDOCHES, CITY OF	18,835,000.00	18,615,000.00	3/1/2003	3/1/2030
NACOGDOCHES, CITY OF	16,620,000.00	16,545,000.00	3/1/2004	3/1/2034
NACOGDOCHES, CITY OF	1,060,000.00	780,000.00	3/1/2008	3/1/2027
NORTHEAST TEXAS MWD	6,800,000.00	4,670,000.00	9/1/2001	9/1/2020
NORTHEAST TEXAS MWD	12,400,000.00	12,340,000.00	9/1/2007	9/1/2026
NORTHEAST TEXAS MWD	8,650,000.00	8,325,000.00	9/1/2005	9/1/2024
OLNEY, CITY OF	1,250,000.00	945,000.00	9/1/2003	9/1/2022
ORANGE CO WCID #1	2,565,000.00	1,765,000.00	2/15/2003	2/15/2021
PALMER, CITY OF	1,405,000.00	1,000,000.00	7/1/2003	7/1/2022
PECOS CITY, TOWN OF	8,315,000.00	5,675,000.00	6/15/2001	6/15/2020
PHARR, CITY OF	430,000.00	60,000.00	9/1/2008	9/1/2027
PORT LAVACA, CITY OF	1,535,000.00	1,355,000.00	2/15/2005	2/15/2024
PORTER SUD	150,000.00	90,000.00	6/1/2009	6/1/2028
POSSUM KINGDOM WSC	4,700,000.00	3,795,000.00	12/15/2004	12/15/2023
POSSUM KINGDOM WSC	105,000.00	105,000.00	12/15/2010	12/15/2029
RAYMONDVILLE, CITY OF	3,030,000.00	2,510,000.00	4/1/2003	4/1/2022
RENO CITY OF	1,145,000.00	1,000,000.00	1/1/2005	1/1/2024
RENO CITY OF	740,000.00	645,000.00	1/1/2006	1/1/2024
RIO GRANDE CITY, CITY OF	820,000.00	820,000.00	2/15/2011	2/15/2040
RIO GRANDE CITY, CITY OF	390,000.00	390,000.00	2/15/2011	2/15/2040
ROMA, CITY OF	2,327,000.00	1,607,000.00	11/1/2000	11/1/2029
ROUND ROCK, CITY OF	12,000,000.00	11,555,000.00	8/1/2008	8/1/2026
SANTA ROSA, CITY OF	1,475,000.00	1,225,000.00	2/1/2007	2/1/2026
SEIS LAGOS UTILITY DISTRICT	120,000.00	90,000.00	3/1/2008	3/1/2027
SONORA, CITY OF	220,000.00	220,000.00	12/1/2010	12/1/2029
SUNBELT FWSD	2,475,000.00	1,955,000.00	12/1/2002	12/1/2026
SURFSIDE BEACH, VILLAGE OF	680,000.00	625,000.00	2/15/2009	2/15/2028
SWEETWATER, CITY OF	7,315,000.00	4,850,000.00	8/15/2000	8/15/2020
THUNDERBIRD BAY WATER SERVICES, INC.	63,000.00	(0.00)	12/20/2003	11/20/2022
TIOGA, CITY OF	580,000.00	540,000.00	4/1/2002	4/1/2031
TRINIDAD, CITY OF	60,000.00	55,000.00	1/1/2009	1/1/2037
VERNON, CITY OF	4,985,000.00	3,300,000.00	3/15/2002	3/15/2021
VICTORIA CO WCID #1	315,000.00	315,000.00	3/1/2010	3/1/2029
WELLBORN SUD	3,500,000.00	3,320,000.00	7/15/2008	7/15/2027
WEST JEFFERSON CO MWD	4,195,000.00	3,210,000.00	4/1/2003	4/1/2022
WILLIS, CITY OF	3,245,000.00	2,705,000.00	8/1/2004	8/1/2023
WINTERS, CITY OF	185,000.00	185,000.00	10/1/2009	10/1/2038
WOODSBORO, TOWN OF	75,000.00	70,000.00	3/1/2009	3/1/2028
ZAPATA COUNTY	4,061,000.00	4,061,000.00	2/15/2011	2/15/2040
<b>Total - Drinking Water State Revolving Fund</b>	<b>\$ 469,662,000.00</b>	<b>\$ 396,760,000.00</b>		



## ATTACHMENT C

### Environmental Benefits



## ENVIRONMENTAL BENEFITS

(EPA Order 5700.7)

Effective January 1, 2005, EPA Order 5700.7 was published. This Order requires States to report on environmental benefits within the Drinking Water State Revolving Fund (DWSRF). By this order, it is EPA policy (to the maximum extent practicable), to ensure that outputs and outcomes are appropriately addressed in assistance agreement competitive funding announcements, work plans and performance reports. With the annual report being defined as a performance report in the DWSRF program, Texas Water Development Board (TWDB) is providing the below responses to the outputs and outcomes reflective in the FY 2009 Intended Use Plan (IUP):

### OUTPUTS:

- 1. For FY 2010, the TWDB intends to increase the number of commitments made in FY 2009 to 100% of the FY Capacity for funds available.**

State Response: The TWDB made 13 binding commitments for a total of \$44,930,000 in SFY 2009. Loan commitments were made for the highest ranked projects except for those entities that chose not to apply or declined in writing. TWDB expects to increase the DWSRF binding commitments as the demand was \$450,530,230 in the 2009 IUP and increased to \$4,664,713,000 in the 2010 IUP which included ARRA project information forms.

- 2. For FY 2010, the TWDB intends to increase the number of pre-application meetings held in FY 2009.**

State Response: In SFY 2009, 15 pre-application meetings were held for potential applicants. These meetings were conducted with TCEQ in attendance. In addition, follow-up meetings were conducted by TCEQ to perform Financial Managerial and Technical (FMT) evaluations.

- 3. Develop a list of small public water systems with violations of MCLs.**

State Response: During FY 2009, TCEQ developed a list of public water systems with violations of MCLs. From this list 3 systems agreed to participate in new feasibility studies, 82 previously studied systems were contacted for further assistance and compliance status through the Small System Technical Assistance DWSRF Two Percent Set-Aside project for high level financial and engineering compliance feasibility studies. Copies of the feasibility studies are available at:

[http://www.beg.utexas.edu/environqly/TCEQ\\_ss2004-2007.htm](http://www.beg.utexas.edu/environqly/TCEQ_ss2004-2007.htm).

- 4. Analyze, design, and build new functionality required to implement changes to the Lead-Copper Rule (LCR), Long Term 1 Surface Water Treatment Rule (LT1SWTR), Arsenic Rule and Radionuclide Rules.**

## ENVIRONMENTAL BENEFITS

(EPA Order 5700.7)

State Response: The TCEQ granted approximately 118 exceptions to allow the use of disinfectants other than chlorine; this has the potential to reduce DBP in the state.

TCEQ reviewed E-coli results from 224 schedule four (4) systems; approximately 61 of these systems triggered cryptosporidium monitoring. Informational packages were sent to these systems on November, 2009; cryptosporidium sampling will begin April 2010. Systems that did not trigger Cryptosporidium monitoring will receive their bin classification letter in early 2010.

**Exceptions** – The TCEQ granted approximately 118 exceptions to allow the use of disinfectants other than chlorine, this has the potential to reduce DBP in the state.

- 5. Evaluate the performance of surface water treatment plants through Comprehensive Performance Evaluations (CPEs), Special Performance Evaluations and identifying surface water treatment plants that are “at risk” of violating treatment technique requirements.**

State response: The Core Team performed 5 Special Performance Evaluations (SPEs) and Data Audits and 2 mandatory Comprehensive Performance Evaluations (mCPEs) in FY09.

<b>Location/entity</b>	<b>Type of activity</b>	<b>Date</b>
<i>City of Mart</i>	<i>mCPE</i>	<i>October 20 – 25, 2008</i>
<i>City of Hemphill</i>	<i>mCPE</i>	<i>January 19 – 23, 2009</i>
<i>Will's Point</i>	<i>SPE</i>	<i>November 11, 2009</i>
<i>Port Lavaca</i>	<i>SPE</i>	<i>August 25 - 27, 2009</i>
<i>City of San Marcos</i>	<i>SPE</i>	<i>August 18 – 20, 2009</i>
<i>City of Snyder</i>	<i>SPE</i>	<i>July 21 – 23, 2009</i>
<i>City of Abilene</i>	<i>SPE</i>	<i>December 16, 2008</i>
<i>North Alamo WSC</i>	<i>Data audit</i>	<i>August 28, 2009</i>

## ENVIRONMENTAL BENEFITS

(EPA Order 5700.7)

### OUTCOMES:

- 1. To restore and maintain the chemical, biological, and physical integrity of the State's drinking water by developing a financial and technical program capable of funding all projects annually which pose the most serious risk to public health and compliance with the Act.**

State Response: There were several project successes during FY 2009 related to this long-term goal. Many of the commitments made were to highly ranked projects. Some of the higher ranked project approved for financial assistance are described below (Table 4). The projects that completed construction are also described below.

The commitment to the G-M Water Supply Corporation (WSC) for a new water treatment plant for 2,970,000 in disadvantaged funding was approved on February 17, 2009. The G-M WSC ranked number 3 having 37.65 points on the PPL. The WSC qualified for 0% and has requested a 30-year loan term as a disadvantaged community under TWDB rules. G-M WSC has been repeatedly experiencing water quality complaints and violation notices from the TCEQ which has lead them to propose constructing their own water treatment plant. The project will include the construction a new 0.5 mgd surface water intake structure at Lowes Creek on Toledo Bend and approximately one mile of water transmission line to connect the two structures. The WSC will continue to receive 25% of their water from the City of Hemphill under their existing contract which continues to the 2020. A portion of their water supply will also come from their existing water wells. The service area is located around and centered on the City of Hemphill, near Toledo Bend Reservoir at the intersection of State Highways 87 and 184. The WSC provides service to approximately 3,104 water connections.

The commitment to the City of Edgewood (City) for water treatment improvements in the amount of \$835,000 in disadvantaged funding was approved on March 26, 2009. The City of Edgewood ranked number 5 having 14.40 points on the PPL. The City qualified for 0% interest and has requested a 30-year loan term as a disadvantaged community under TWDB rules. Currently, the city is experiencing problems with turbidity, water loss, and inadequate pressure in its water treatment and distribution system. Edgewood plans to rehabilitate the Water Treatment Plant to improve the quality of drinking water for its customers. The City proposes to install new concrete walled filters with a backwash pump system. The filters will remove turbidity and improve water quality while the backwash system will reduce the waste of water during treatment thereby reducing water loss. Storage and pumping improvements are also proposed. Edgewood is located in Van Zandt County approximately 60 miles southeast of Dallas on U.S. Highway 80. The City's population is approximately 1,348. The City provides water and wastewater services to 1,288 customers.

Lamar County Water Supply District was approved for a water supply transmission line improvement project in the amount of \$1,385,000 disadvantaged funding on March 26, 2009. The District was ranked number 7 on the 2009 IUP PPL. The Lamar County Water Supply District qualifies for a 0%

## ENVIRONMENTAL BENEFITS

(EPA Order 5700.7)

loan and 30 year loan term as a disadvantaged community. The District has requested and received a 0% and 29 year loan term. The District currently receives treated water from the City of Paris and delivers water to seven wholesale customers. The water line that provides wholesale service to the City of Roxton is old, deteriorated, and in need of replacement. The District proposes to replace the 11 mile water delivery line to improve the water supply to Roxton. In addition, the District proposes to improve the disinfection system at the Roxton storage facilities. The District is located in Lamar County, 8 miles west of the City of Paris. The District serves an estimated 7,111 water connections.

The City of Wolfe City was approved for financial assistance for water system improvements in the amount \$1,015,000 in disadvantaged funding on March 26, 2009. The City ranked number 12 on the 2009 IUP PPL. Wolfe City qualifies as a disadvantaged community for a 1% interest rate and 30 year term and they have requested those terms and rate. The City is currently experiencing numerous problems with its water treatment and distribution system and has been cited by the TCEQ for violations. The City proposes to make improvements to the water treatment plant to restore quality water production and replace 5,200 linear feet of leaky distribution mains to correct water loss and pressure issues. Wolfe City is located at the intersection of State Highways 34 and 11 in Hunt County. With an estimated population of 1,566, the City provides service to approximately 678 water customers and 593 wastewater customers.

During FY 2009, 11 DWSRF projects were completed. The City of Hamlin completed construction of approximately 39 miles of 12" & 14" treated water transmission line from Abilene to Hamlin, a new 1.5 million gallons per day pump station, a surge tower and a 0.10 mg elevated storage tank. Hamlin has a population of about 3234 and provides service to 1159 water and 1071 sewer connections.

The City of Groesbeck made treatment process improvements to meet disinfection by-product standards that became effective January 1, 2004. Improvements involve a change in process from free chlorine to chloramines, with a new disinfectant and oxidant added at the head of the plant. The project included new chemical storage, handling and feed systems to compensate for decreased treatment capacity and possible taste and odor problems (from the elimination of chlorine). The project also refurbished and installed baffling in the existing 200,000 and 500,000 gallons. This project includes emergency filter repair as well as rehabilitation and expansion of the city's surface water treatment plant to 25.0 mgd and in-ground storage tanks. The City also used a \$250,000 TCDF grant.

The City of Nacogdoches made significant improvements and rehabilitation to the surface water treatment plant. The treatment plant was expanded to increase the capacity to 25.0 MGD. The City made emergency filter repairs as well.

The City of Fort Worth expanded the city's Eagle Mountain Water Treatment Plant (WTP) from 70 MGD to 105 MGD. Fort Worth also expanded the raw water intake, raw water pump station, and raw water transmission pipeline. The existing intake was reconfigured to increase its capacity. A second raw water

## **ENVIRONMENTAL BENEFITS**

(EPA Order 5700.7)

transmission line was constructed from the raw water pump station to the Eagle Mountain WTP. The city's Capital Improvement and Water System Master Plan had projected that the Eagle Mountain WTP would reach its capacity by 2007.

The City of Willis constructed many improvements to correct current deficiencies and provide for the orderly expansion of service within the current city limits. The work was divided into six phases: (1) Construct 3,300 linear feet of 8-inch water line along FM 1097 west of IH 45 to the city limits; (2) Replace an existing 6-inch water line along State Highway 75 from the southern city limits northward to north of Rogers Street with a 12-inch line; (3) Construct a new 750 gpm water well and a 300,000 gallon elevated storage tank, and install 2,100 linear feet of 12-inch water line to connect to the existing city water line; (4) Replace 15,070 linear feet of small diameter lines in the city and install fire hydrants; (5) Install an 8-inch water line to loop existing water lines in the northern part of the city, an 8-inch water line from the Kennedy plant to Campbell street, and an 8-inch water line between Wildkat Drive and Rogers Street; (6) Replace 7,300 linear feet of existing 6-inch water line from the southern city limits southward along State Highway 75 to the interconnect with the city of Conroe.

The City of East Tawakoni sought assistance to address low water pressure in the City's water system. The City constructed a 150,000 gallon elevated storage tank on the City's eastern peninsula, and replaced aging and undersized water mains with larger PVC mains, including installation of an approximately three miles of (12-inch, 6-inch and 4-inch) PVC pipelines. The City occupies two peninsulas on Lake Tawakoni. The system now operates under two pressure planes supplied by the new elevated tank and old tank on both peninsulas.

The Lamar County Water Supply District used DWSRF funds to extend transmission lines and construct pumping and storage facilities. The project now provides surface water to western Lamar and eastern Fannin counties. Before construction, the area had deficient water quantity and quality. The Lamar County WSD primarily serves Lamar County, but also serves a part of Fannin and Red River Counties.

The Wellborn Special Utility District constructed a raw water intake and pumping station on the Navasota River south of the Town of Wellborn, a 2.00 MGD surface water treatment plant, storage and pressure facilities at the plant site and a 16-inch transmission line from the plant to the distribution system.

The Northeast Texas Municipal Water District made extensive improvements to their drinking water systems. They expanded Mims Water Treatment Plant, which serves the cities of Lone Star, Hughes Springs, Avinger, Jefferson, and Daingerfield. It also provides treated water to: Diana Water Supply Corporation, the City of Ore City, and Tyron Road Water Supply Corporation. Mims WTP production capacity was expanded from 3.5 MGD to 8.0 MGD to provide treated water to all these communities.

The City of Round Rock increase the capacity of the Lake Georgetown raw water delivery system from an estimated 39.7 MGD to 52 MGD by doubling the capacity of three raw water pumps from 3 to 8 MGD, and by replacing 19,300

## ENVIRONMENTAL BENEFITS

(EPA Order 5700.7)

feet of 30-inch transmission line with 54-inch pipe. The water treatment plant for the system has a rated capacity of 48 MGD. The City has water contracts for 6,720 acre-feet per year from Lake Georgetown and 18,134 acre-feet per year from Lake Stillhouse Hollow that is delivered to Lake Georgetown by the Williamson County Raw Water Line (Brazos River Authority project 21327). The delivery system was originally constructed in 1981 and expanded in 1986, 1995, and 2000.

- 2. To maintain the fiscal integrity of the DWSRF and assure a continuous enhancement of the fund for future generations by complying with generally accepted accounting standards and the establishment of a lending rate policy that also provides for long-term inflation.**

State Response: TWDB has had no loan defaults in the program. The fiscal integrity of the fund is maintained through controls and procedures governing the application process and loan monitoring. Prior to an application being recommended to TWDB for approval, a financial analyst reviews the applicant's ability to repay its DWSRF loan. The loan is evidenced by a bond or a loan agreement that denotes the terms of repayment and other special conditions. The loan requires submittal of an annual independently prepared audit. The loans are reviewed at frequent intervals for ongoing compliance with loan conditions. Special terms outlined in the agreements may contain the requirements of maintaining a contingency account and a reserve account. The implementation requiring these two accounts strengthens the integrity of the loan.

- 3. To maintain the fund in perpetuity by establishing a lending rate policy that produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on state bonds of which the proceeds will be deposited to the Fund. This would be balanced by a concern for the ability of applicants to afford the costs of their projects and with the provision of guidance, as necessary, in the planning and design of efficient and cost-effective projects.**

State Response: The maintenance of the fund in perpetuity is insured by TWDB establishing a lending rate at a level that produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on any state bonds. No leverage bonds were issued during SFY 2009.

## ATTACHMENT D

TCEQ Small System Technical Assistance Annual Report

**The TCEQ Report will be added to the document as soon as it is made available.**

ATTACHMENT E

TCEQ State Program Management Annual Report



## ATTACHMENT D

TCEQ Small System Technical Assistance Annual Report



# Annual Report

## FY 2009 Drinking Water State Revolving Fund Small System Technical Assistance Two Percent Set-Aside

For the  
Texas Commission on Environmental Quality

November 2009

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DRINKING WATER STATE REVOLVING FUND  
Small System Technical Assistance  
2% Set-Aside

FY 2009

## SUMMARY

Section 1452 of the Safe Drinking Water Act (SDWA) authorizes states to use a portion of the federal Capitalization Grant to support various drinking water programs (set-asides). Section 1452 allows as much as 31% of a States federal Capitalization grant to be used for a combination of Administrative Activities (4%), Technical Assistance (2%), State Program Management (10%) and Special Activities (15%). The Texas Commission on Environmental Quality (TCEQ) proposes to obligate 2% of the Capitalization grant for high level and specialized technical and financial assistance to small water systems. The TCEQ may return 2% set-aside funds unexpended in 2009 to the loan fund depending on the amount unexpended and reserves the right to use those funds at a later date. The amount of unexpended funds that may be returned to the loan fund will be determined after the project year is finished.

The Technical Assistance program will help ensure that Texas' public drinking water supplies remain safe and affordable and that public drinking water systems that receive funding will have assistance available to ensure that the system will be properly operated and maintained.

The Texas Water Development Board (TWDB) is the state agency with the authority to manage the loan fund and to make loans to water systems. The TCEQ is the state primacy agency with the authority to enforce the provisions of the SDWA. TCEQ reserves the right to use unexpended funds in future years.

## WORK PROGRAM ORGANIZATIONAL STRUCTURE

There is one TCEQ division that will participate in this work plan. The Water Supply Division will be responsible for one program element: Public Drinking Water Study.

## STATE AND FEDERAL FUNDING

For FY 2009, the State of Texas will receive a Drinking State Revolving Fund (DWSRF) grant award from the EPA in the amount of approximately \$1,342,240 pursuant to

Section 1452(g)(2) of the SDWA which is the Small Systems Technical Assistance set-aside also known as the 2%.. This current award is the full amount of the 2% Federal Fiscal Year 2008 allotment available to the State of Texas for the Section 1452(g)(2) set-aside. In addition, the FY 2009 2% work plan budget includes additional funds in the amount of \$1,546,760 from the unliquidated obligations (ULO) from prior years. The total amount on the grant budget spreadsheet is \$2,889,000.

The TCEQ is projecting no Full Time Equivalents (FTEs) for implementing the program. Work will be performed through a contract for services as described in the work plan.

**TCEQ/EPA STRATEGIC PLAN LINKAGE**

<p><b>EPA:</b>  Sub-objective 2.1.1: - Water Safe to Drink  By 2011, 91 percent of the population served by community water systems will receive drinking water that meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.</p>	<p><b>TCEQ:</b>  Goal 2 – Drinking Water and Water Utilities  To protect public health and the environment by assuring the delivery of safe drinking water to the citizens of Texas consistent with requirements in the Safe Drinking Water Act; by providing regulatory oversight of water and sewer utilities; and by promoting regional water strategies.</p> <p>Strategy 02-01-01 – Ensure the delivery of safe drinking water to all citizens through monitoring and oversight of drinking water sources consistent with the requirements of the Safe Drinking Water Act.</p>
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**DIVISION FUNDING BY PROGRAM ELEMENT**

The requested funding will be allocated to the Water Supply Division by program element.

PROGRAM ELEMENT	DIVISION	AMOUNT	PERCENT OF TOTAL
Public Drinking Water Study	Water Supply	\$2,889,000	100

**PROJECT SCHEDULE**

The TCEQ proposes to conduct this project over a 12-month period, beginning September 1, 2008 and ending August 31, 2009.

## WATER SUPPLY DIVISION

## WATER SUPPLY DIVISION

### PROGRAM ELEMENT 1: Public Drinking Water Study

This program is designed to inventory small public water systems (serving a population of 3,300 and less) with violations of maximum contaminant levels (MCLs) and financial, managerial and other technical capacity issues and bring them into compliance based on the research data collected from the feasibility study.

#### STRATEGIC PLAN LINKAGE:

- EPA Goal:** Sub-objective 2.1.1: - Water Safe to Drink  
By 2011, 91 percent of the population served by community water systems will receive drinking water that meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.
- TCEQ Strategy:** Goal 2 – Drinking Water and Water Utilities  
To protect public health and the environment by assuring the delivery of safe drinking water to the citizens of Texas consistent with requirements in the Safe Drinking Water Act; by providing regulatory oversight of water and sewer utilities; and by promoting regional water strategies.
- Strategy 02-01-01 – Ensure the delivery of safe drinking water to all citizens through monitoring and oversight of drinking water sources consistent with the requirements of the Safe Drinking Water Act.
- OBJECTIVE:** To study small public water systems with chemical violations of MCLs and others with financial, managerial and technical issues by August 31, 2009 and recommend options to bring these systems back into compliance at a cost not to exceed \$2,889,000.
- TASK 1.1:** Engineering and Financial Feasibility Study Contract  
TCEQ’s Water Supply Division will contract with a professional services vendor to conduct high level and specialized engineering and financial feasibility studies on designated small public water systems.
- ▶ The studies will provide technical and financial options to help increase the number of small public water systems in Texas to meet the drinking water standards and the SDWA.

## DELIVERABLES AND OUTPUTS:

### TCEQ will:

1. Develop a list of small public water systems with violations of MCLs and others with financial, managerial and technical issues.
2. Develop and modify as needed, an outline of engineering and financial feasibility report requirements.
3. Assign specific systems for evaluation studies.
4. Review and evaluate feasibility reports.
5. Evaluate contractor's work including on-site visits.
6. Contractor meets deliverables in terms of timeliness and quality of product.
7. Hold meetings with contractor to evaluate pace and content of assignments.
8. Hold meetings with contractor and staff to assess, implement and develop new projects.
9. Evaluate annually, the numbers of assessed water systems that have returned to compliance.
10. Attend training, conferences and meetings related to programs that support financial, managerial and technical capacity development.
11. Conduct other activities and tasks as part of shared funding with the 10% set-aside including the FMT contract, Consumer Confidence Report, Critical Facilities Infrastructure Mapping, and Lead Copper assistance.

### CONTRACTOR will:

1. Implement and refine protocol for evaluating technical and financial options for designated public water systems to bring them into compliance.
2. Develop engineering feasibility reports for each system assigned.
3. Develop financial feasibility reports for each system assigned.
4. Prepare a final report including recommendations ranked by the best way to correct noted system deficiencies
5. Provide a report with recommended detailed follow up and Financial, Managerial, and Technical (FMT) assistance to selected PWSs studies in the past.
6. Conduct a point of use (POU) treatment pilot evaluations.
7. Survey and data gathering on systems studied in the past.

8. Conduct geochemical characterization of areas of similar groundwater chemistry for grouping regional pilot treatment studies.
9. Develop a synopsis of lessons learned from hydrogeologic studies of past reports.
10. Conduct multilevel sampling to assess stratification of groundwater chemistry for compliance strata in the Gulf Coast aquifer system.
11. Compare and contrast the Texas program for evaluating Groundwater Under the Influence (GUI) of Surface Water for strengths and weaknesses and recommendations and comparison with state of the art programs in other regions mutually agreed upon by the parties.
12. PWS report conclusions-summary of findings, successes and failures and ideas for future studies related to the PWS feasibility study process.

#### **Small System Technical Assistance Activities**

*Under an existing umbrella contract with the University of Texas (UT), TCEQ contracts with UT's Bureau of Economic Geology (BEG) to conduct this project. BEG in turn sub-contracts with Parsons Engineering, Steve Walden Consulting and the New Mexico Environmental Finance Center to help coordinate and conduct the FMT feasibility studies. TCEQ added some new deliverables to the service order of the contract during FY 2009 and reduced the amount of the number of assigned feasibility studies. Among the additional deliverables was a pilot study of contaminant removal point-of-use (POU) treatment technologies that was conducted at the City of Andrews. TCEQ is working with EPA Region 6 at looking at the results of this study and planning for future studies through the contract on POU feasibility. The contractors also prepared a follow-up report on the compliance status of systems previously studied and outlined financial, managerial and technical assistance opportunities. This report will be used to make follow-up on-site assignments to the FMT Assistance contract which is funded by the 10% set-aside. Copies of the feasibility studies are available at [http://www.beg.utexas.edu/enviroq/ty/TCEQ\\_ss2004-2007.htm](http://www.beg.utexas.edu/enviroq/ty/TCEQ_ss2004-2007.htm).*

*Information on the tasks and activities that were funded both by the 10% and 2% set-asides is available in the FY 2009 10% set-aside annual report.*

ATTACHMENT E

TCEQ State Program Management Annual Report



# Annual Report

FY 2009

Drinking Water State Revolving Fund  
State Management Program  
Ten Percent Set-Aside

For the  
Texas Commission on Environmental Quality

November 2009

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Drinking Water State Revolving Fund  
State Management Program  
Ten Percent Set-Aside

Annual Report FY 2009

## Summary

Section 1452 of the Safe Drinking Water Act (SDWA) authorizes states to use a portion of the federal Capitalization Grant to support various drinking water programs (set-asides). Section 1452 allows as much as 31% of a State's federal Capitalization grant to be used for a combination of Administrative Activities (4%), Technical Assistance (2%), State Program Management (10%) and Special Activities (15%). The Texas Commission on Environmental Quality (TCEQ) proposes to obligate approximately 10% (\$6,711,200) of the \$67,112,000 FFY 2009 Capitalization grant funds for state program management. In addition TCEQ is spending \$1,009,080 of the unliquidated obligations (ULOs) from prior years.

The Drinking Water State Revolving Fund (DWSRF) program will help ensure that Texas drinking water supplies remain safe and affordable and that drinking water systems that receive funding will have assistance available to ensure that the system will be properly operated and maintained. The objectives of the DWSRF program include addressing public health priorities, achieving compliance with the SDWA, assisting systems to ensure affordable drinking water and maintaining the long-term viability of the Fund. Through the use of set-asides, emphasis will also be placed on the development of state prevention programs, including source water protection, and capacity development.

Projects eligible for DWSRF loan financing include investments to upgrade or replace infrastructure, address the exceeding of federal or state health standards, prevent future violations of standards, and provide the public with safe drinking water. Prioritized lists of eligible projects being considered for financing from the DWSRF are included in the Intended Use Plan (IUP). The IUP will be submitted separately by the Texas Water Development Board (TWDB), to the Environmental Protection Agency (EPA).

The TWDB is the state agency with the authority to manage the loan fund and to make loans to water systems. The TCEQ is the state primacy agency with the authority to enforce the provisions of the SDWA.

## WORK PROGRAM ORGANIZATIONAL STRUCTURE

There are five TCEQ divisions that will participate in this work plan. The Water Supply Division will be responsible for three of the program elements; 1) Public Water System Supervision Program Administration (PWSS), 2) Source Water Protection, and 3)

Capacity Development. Three other divisions are responsible for the remaining three program elements: The Field Operations Division for 4) PWSS Inspections & Investigations; the Compliance Support Division for program element 5): PWSS Laboratory Inspections and the Enforcement Division for program element 6): Public Drinking Water System Enforcement Cases.

**STATE AND FEDERAL FUNDING**

For FY 2009, the State of Texas will receive a DWSRF grant award from the EPA in the amount of approximately \$6,711,200 pursuant to Section 1452 of the SDWA. This current award is the full amount of the 10% Federal Fiscal Year 2009 allotment available to the State of Texas for the Section 1452 set-aside.

The TCEQ is projecting 55.46 Full Time Equivalents (FTEs) for implementing the program. Work will be performed as described in the work plan.

**EPA & TCEQ Strategic Plan Linkage**

<b>EPA &amp; TCEQ Strategic Plan Linkage</b>	
<p><b>EPA</b> Goal 2.1.1 Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health, support economic and recreational activities, and provide healthy habitat for fish, plants, and wildlife.</p>	<p><b>TCEQ</b> Strategy 02-01-01 Ensure the delivery of safe drinking water to all citizens through monitoring and oversight of drinking water sources consistent with the requirements of the Safe Drinking Water Act.</p>
<p><b>EPA</b> Goal 5.1.1. Improve environmental performance through compliance with environmental requirements, prevention pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation, and providing incentives for governments, business, and the public that promote environmental stewardship.</p>	<p><b>TCEQ</b> Strategy 03-01-01 Promote compliance with environmental laws and regulations by conducting field inspections and responding to citizen complaints.</p> <p>Strategy 02-01-02 Provide regulatory oversight of water and sewer utilities to ensure that charges to customers are necessary and cost-based; and to promote and ensure adequate customer service.</p> <p>Strategy 03-01-02 Ensure compliance with environmental laws and regulations by taking swift, sure and just enforcement action to address violations situations.</p>

## DIVISION FUNDING BY PROGRAM ELEMENT

<b>Program Element</b>	<b>Division</b>	<b>Amount</b>	<b>Percent of total</b>
PWSS Program Administration	Water Supply	\$1,329,880	20.0
Source Water Protection	Water Supply	\$ 741,949	11.1
Capacity Development	Water Supply	\$1,551,153	23.2
Inspection & Investigations	Field Operations	\$2,700,245	40.0
Laboratory Inspections	Compliance Support	\$ 218,871	3.3
Enforcement Cases	Enforcement	\$ 169,102	2.5
	<b>Total</b>	<b>\$6,711,200</b>	<b>100.00</b>

<b>Program Element</b>	<b>Division</b>	<b>Amount</b>	<b>Percent of total</b>
PWSS Program Administration	Water Supply	\$ 285,950	28.0
Source Water Protection	Water Supply	NA	NA
Capacity Development	Water Supply	\$ 446,475	44.0
Inspection & Investigations	Field Operations	\$ 276,655	28.0
Laboratory Inspections	Compliance Support	NA	NA
Enforcement Cases	Enforcement	NA	NA
	<b>Total</b>	<b>\$1,009,080</b>	<b>100.00</b>

## PROJECT SCHEDULE

The TCEQ proposes to conduct this project over a 12-month period, beginning September 1, 2008 and ending August 31, 2009.

## **WATER SUPPLY DIVISION**

## **WATER SUPPLY DIVISION**

### **Program Element 1: PWSS Program Administration**

This program element implements portions of the Public Water System Supervision (PWSS) program in Texas. Specifically the Surface Water Treatment Rule and associated Texas Optimization Program, portions of the engineering exceptions program, Consumer Confidence Report compliance determination and assistance, Lead Copper Rule compliance and technical assistance, inventory data, review of inorganic and organic sample sites, analysis of special study samples, source water protection, and other technical assistance to public water systems.

#### Strategic Plan Linkage:

EPA Goal: **Goal 2.1.1 Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health, support economic and recreational activities, and provide healthy habitat for fish, plants, and wildlife.**

TCEQ Strategy: **Strategy 02-01-01 Ensure the delivery of safe drinking water to all citizens through monitoring and oversight of drinking water sources consistent with the requirements of the Safe Drinking Water Act.**

Objective: *To reduce the risk of both long term and short term health effects by implementing EPA rules, evaluating exception requests and providing technical assistance through August 31, 2009 at a cost not to exceed \$1,32980 for FY 2009 and \$285,950 in ULO funds.*

Task 1.1 Implementation of the Surface Water Treatment Rule and Optimization of Surface Water Treatment Plant Performance

- Reduce the risk of waterborne disease by evaluating disinfection process for surface water treatment plants and performing Comprehensive Performance Evaluations and Special Performance Evaluations at surface water treatment plants in need.

#### **DELIVERABLES AND OUTPUTS:**

1. Review disinfection profiles for surface water treatment plants and groundwater under the influence plants.
2. Provide necessary equipment, rental space and supplies to perform Comprehensive Performance Evaluations (CPEs) and Special Performance Evaluations.

3. Continue reprogramming the Surface Water Monthly Operating Reports (SWMOR) to support the LT2 Enhance Surface Water Treatment Rule.

**Surface water protection activities**

*In FY 2009 the Core Team performed five special performance evaluations (SPEs) and data audits and two mandatory comprehensive performance evaluations (mCPEs). The SPEs and data audits were done at the request of the Field Operations Division (FOD) investigators as a result of findings from comprehensive compliance inspections or to provide training to FOD staff.*

<i>Location/entity</i>	<i>Type of activity</i>	<i>Date</i>
<i>City of Mart</i>	<i>mCPE</i>	<i>October 20 – 25, 2008</i>
<i>City of Hemphill</i>	<i>mCPE</i>	<i>January 19 – 23, 2009</i>
<i>Will's Point</i>	<i>SPE</i>	<i>November 11, 2009</i>
<i>Port Lavaca</i>	<i>SPE</i>	<i>August 25 - 27, 2009</i>
<i>City of San Marcos</i>	<i>SPE</i>	<i>August 18 – 20, 2009</i>
<i>City of Snyder</i>	<i>SPE</i>	<i>July 21 – 23, 2009</i>
<i>City of Abilene</i>	<i>SPE</i>	<i>December 16, 2008</i>
<i>North Alamo WSC</i>	<i>Data audit</i>	<i>August 28, 2009</i>

*Reprogramming for the SWMOR is in progress. SWMOR v14 has been released and is in use by the regulated community and is the final version for conventional plants that do not want to claim additional credit for alternative technologies or enhanced performance. SWMOR also collects the data necessary to complete the status component and the Optimization Assessment Software and fulfills an obligation to the Area Wide Optimization Program. SWMOR v15 is the version being designed for plants using LT 2 toolbox options and plants using membranes to meet the Surface Water Treatment Rule. It allows plants to claim additional credit for enhanced performance and is scheduled for release in late FY 2010 or early FY 2011.*

Task 1.2                      Review of Exception Requests

- Allow for the use of innovative technologies by reviewing engineering requests for exceptions to the Texas public water systems design rules.

**DELIVERABLES AND OUTPUTS:**

1. Review engineering exception requests to assure the exceptions will protect public health and not degrade the quality or quantity of water the public water system (PWS) customers receive.
2. Provide engineering contractor to work on site and assist in the performance of exception requests.

*Exception requests*

*During FY 2009 the TCEQ reviewed approximately 803 exception requests; the average processing time was 71 days.*

Task 1.3                      Annual Public Drinking Water Conference

- Provide an extensive learning experience for public water system operators, owners, engineers and board members.

**DELIVERABLES AND OUTPUTS:**

1. Contract to provide a free two day public drinking water conference for public water systems operators, owners, board members, and engineers as well as funding and regulatory agencies and other members of the drinking water community.
2. The contractor is responsible for the logistical portion of the conference including arranging the conference location, registration, distribution of promotional materials and on-site conference organization.

***PDW Conference***

*TCEQ held its sixth annual Public Drinking Water Conference August 11 - 12, 2009 in Austin. Once again this conference proved to be very popular. By underwriting the conference using a combination of DWSRF set-aside funds and exhibitor fees, we were able to offer free registration. Operators earned credit towards their water operator license also was an attractive feature. Over 850 people attended the event including exhibitors, speakers, water operators, board presidents, managers, TCEQ and EPA staff, and engineers from across the state. The focus was information and tools for public water systems. There were a total of 39 presentations and 40 exhibitors including representatives from state and federal funding agencies. Attendees were eager to hear about everything from regulations and rules to operations and new technology. This year, representatives from the Field Operations Division joined co-workers in the Water Supply Division in the TCEQ Chat Room, where water system representatives could speak one-on-one with agency employees about specific issues involving their water systems.*

Task 1.4                      Consumer Confidence Report (CCR) Rule Assistance

- Contract to assist public water systems to comply with the CCR rule and provide data regarding compliance to the TCEQ.

**DELIVERABLES AND OUTPUTS:**

1. Acquire data regarding public water systems CCR and Certificate of Delivery dates.

2. Assist public water system with completing and submitting the CCR and Certificate of Delivery.
3. Perform quality reviews to ensure that all CCR elements are appropriately included in each report.
4. Provide compliance data for TCEQ to review on a monthly basis.

**CCR activities**

*In FY 2009 the University of Texas at Arlington (UTA) was the new contractor for the CCR assistance contract. The contractor increased the value of the program by providing improved web-based tools.*

Task 1.5                      Lead Copper Rule (LCR) Assistance

- Contract to assist public water systems to comply with the LCR rule, provide them with sample bottles and provide data regarding compliance to the TCEQ.

**DELIVERABLES AND OUTPUTS:**

1. Work with TCEQ to produce and verify the schedule for lead and copper sample collection.
2. Send sample bottles to public water systems that are scheduled for sampling.
3. Assist public water systems with collecting lead and copper samples.
4. Perform quality reviews to ensure that public water systems are collecting samples correctly.
5. Develop compliance letters and after TCEQ approval, send letters to systems.
6. Provide TCEQ monthly compliance data.

**Lead/Copper activities**

*The Lower Colorado River Authority (LCRA) was the new contractor for this assistance contract. The contractor improved web-based tools, provided tracking of bottle shipments, allowed public water systems to use credit cards for the payment of sample analysis and make on-line payments, and sent replacement bottles as needed.*

Task 1.6                      Inventory Data Quality Assurance, Quality Control and Site Evaluation

- Ensure that inventory data delivered to EPA meets quality standards by maintaining a quality assurance program with defined quality control activities.

**DELIVERABLES AND OUTPUTS:**

1. Maintain quality assurance program for all PWS inventory data.
2. Review PWS affiliation inventory data received from various sources including sanitary surveys, compliance investigations, monitoring plans, and requests from stakeholders, to ensure that it meets TCEQ Central Registry, EPA Safe Drinking Water Information System, and grant withholding data quality objectives.
3. Review PWS site inventory data for inorganic and organic chemical sample locations to ensure that national primary drinking water standards are implemented correctly.

***Inventory activities***

*In FY 2009 these activities were accomplished with existing contractor Texas Engineering Experiment Station (TEES) and a work order on the Delta Environmental contract. The TEES contractor provided deliverables for affiliation and system-level data updates making approximately 7,000 updates to affiliations or other data. The Delta Environmental contractor completed 337 site reviews for inorganic or organic sample sites.*

Task 1.7                      Special Study Sample Analysis

- Contract to analyze special study samples for drinking water used to determine whether unusual degradation of water system drinking water quality is occurring.

DELIVERABLES AND OUTPUTS:

1. Analyze special samples to complete special studies designated by the TCEQ. Review engineering exception requests to assure the exceptions will protect public health and not degrade the quality or quantity of water the public water system (PWS) customers receive.
2. Provide data for monthly TCEQ review.

***Special studies activities***

*The LCRA was the contractor for this activity for FY 2009. They conducted special studies of total organic carbon and bromide related to disinfection byproduct formations, the presence of ethylene dibromide in wells and detections of carbon tetrachloride.*

Task 1.8                      Critical Facilities Infrastructure Mapping Project (CFIM)

- Identify and collect geographic locations of all public water systems' critical facility infrastructure.

DELIVERABLES AND OUTPUTS:

1. The Contractor will collect locations of critical facilities infrastructures of public water systems including, but not limited to, water plants, tanks, pumps, chemical storage, entry points/intakes, emergency interconnections, generators, wiring harness locations, and other features as determined by TCEQ.
2. GPS data collectors will obtain accurate georeferenced locational data of critical facilities infrastructures. GPS data collectors will have received training and certification from a qualified GPS trainer.
3. All GPS data should be exported into a TCEQ-specified format.

***Critical Facilities Infrastructure Mapping (CFIM) activities***

*This project was initiated in FY 2008 and continued in FY 2009. During FY 2009, the contractor continued to collect data from small systems (>3,300 pop). Data collection from the majority of small systems was completed during FY 2009. TCEQ used data from this project during Hurricane Ike for the Strike Team and GIS staff in order to locate facilities for field assessments.*

**Program Element 2:                   Administer & Provide Technical Assistance Through Source Water Protection Programs 1452(g)(2)(B)**

This program element will establish Source Water Protection (SWP) Programs in regional areas of the State and will monitor these public drinking water sites through the source water assessment (SWA) software.

Strategic Plan Linkage:

EPA Goal:                   **Goal 2.1.1 Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health, support economic and recreational activities, and provide healthy habitat for fish, plants, and wildlife.**

TCEQ Strategy:           **Strategy 02-01-01 Ensure the delivery of safe drinking water to all citizens through monitoring and oversight of drinking water sources consistent with the requirements of the Safe Drinking Water Act.**

Objective:                 ***To implement SWP for multiple PWSs in a large region of the state through August 31, 2009 at a cost not to exceed \$741,949 for FY 2009.***

## Task 2.1

Contact PWSs in areas of the state for the purpose of establishing Source Water Protection (SWP) Programs.

### DELIVERABLES AND OUTPUTS:

1. TCEQ shall direct contractor to implement SWP in two small areas that include seven PWSs to evaluate reports, best management practices (BMP) implementation, meetings, site visits, potential contamination inventories and electronic data management and outreach and education.
2. Contractor completes deliverables in time provided and according to specifications. Evaluate both on a continuing basis and provide feedback for improvement.
3. Identify population served by vulnerable water sources protected by a Source Water Protection program.

### **Source water protection activities**

*The contractor implemented source water protection (SWP) projects for six public water systems using alluvial aquifers as a source. Groundwater sources drawing from alluvial aquifers are vulnerable to various types of point and non-point source pollution from both groundwater and surface water. Multiple meetings and site visits were conducted, individual protection strategy reports were developed, the TCEQ was provide the potential source of contamination data sets, and Best Management Practice (BMPs) recommendations were made.*

*The contractor was timely and completed work according to specifications. Ongoing evaluations and corrections required for continued data quality reviews were performed during FY 2009.*

## Task 2.2

Augment, enhance, and maintain SWA software used to assess statewide PWSs for contamination susceptibility.

- Ensure consistent and reliable operation of the SWA software used for statewide source water susceptibility assessment.

### DELIVERABLES AND OUTPUTS:

1. TCEQ shall enter into a source water assessment and protection (SWAP) cooperative maintenance agreement with the United States Geological Survey (USGS) to include:
  - Source water susceptibility assessment maintenance,
  - Software enhancements,
  - Upgrades,
  - Training,
  - Assistance, and
  - Documentation.

2. USGS shall, as applicable:
  - Provide software technical support, maintenance, and training to TCEQ. Support shall include code repair and revision as necessary to maintain function, write, and install code for any methodology changes.
  - Improve delineation methodology to reflect influence of chemicals and attenuation.
  - Improve non-point source methodology and improve SWA base map layers.
  - Make modifications as may be necessary to ensure that SWA software is compatible with associated software and technologies in order to remain operational.
3. USGS augmentation and maintenance assignments are subject to TCEQ review, oversight, and approval.
4. Resulting products augment, enhance, sustain, and otherwise improve the quality and accuracy of state source water assessment results for PWSs and are supposed to drive source water protection.

***The United States Geographical Survey (USGS) software activities***  
*USGS maintained the functionality of the Source Water Assessment and Protection Decision Support Software (SWAP-DSS) code and continued to participate in, and respond quickly to, the change control and error tracking process TCEQ has in place. Deliverables included upgrading the software to Visual Basic NET, improving alluvial well methodology, enabling the use of polygon sources of contamination in addition to point sources for susceptibility assessment, onsite trainings of TCEQ staff on code improvements, documentation on methodology improvements, and upgrading the software to handle the latest ESRI code changes. The improved assessment software results in more accurate assessments which lead to focused source water protection plans.*

- Task 2.3. Identify public water supply ground water sources that are under the direct influence of surface water (GUI).
- Protect public health by requiring enhanced treatment of PWS sources that are GUI.

**DELIVERABLES AND OUTPUTS:**

1. TCEQ shall enter a cooperative agreement with the United States Geological Survey (USGS) to determine GUI sources by:
  - Providing source sampling capabilities for microparticulate analyses (MPA).

- Refining existing USGS-developed screening software to rank and prioritize sources for MPA sampling.
2. USGS shall, as applicable:
    - Provide continuous monitoring of physiochemical parameters (i.e., temperature, pH, specific conductance, turbidity, etc.) at subject source locations to identify optimal timing for sample collection.
    - Conduct MPA sampling as directed including *ad hoc* 'responsive' sampling for sites posing immediate public health impacts.
    - Provide updates, technical support, and maintenance of screening software.
    - Provide regularly-scheduled progress reports, white papers, and presentations as required.
  3. USGS assignments are subject to TCEQ review, oversight, and approval.
  4. Resulting products enable TCEQ to more accurately assess and identify PWS sources that are GUI.

***Microparticulate analyses (MPA) activities***

*In FY 2009, the MPA contract encountered difficulties due to severe drought conditions which precluded obtaining wet-phase samples. However, the USGS still collected eleven MPA samples from six PWSs. Six individual groundwater sources were identified as GUI and notified of enhanced treatment requirements. In addition, USGS provided responsive sampling to evaluate a high-profile situation at Rim Rock Ranch; this PWS was under a boil water notice for an extended period and TCEQ received numerous complaints from customers and inquiries from legislators related to highly turbid water conditions.*

**Program Element 3:                    Develop and Implement A Capacity Development Strategy 1452(g)(2)(8)**

This program element will provide technical assistance to public water systems to help assess and maintain their administrative and technical abilities in order to meet state capacity requirements.

Strategic Plan Linkage:

EPA Goal:                            **Goal 2.1.1 Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health, support economic and recreational**

**activities, and provide healthy habitat for fish, plants, and wildlife.**

TCEQ Strategy: **02-01-02 Provide regulatory oversight of water and sewer utilities to ensure that charges to customers are necessary and cost-based; and to promote and ensure adequate customer service.**

Objective: ***To assist public water systems on a statewide basis in developing and implementing the Capacity Development Strategy requirement of the SDWA through August 31, 2009 at a cost not to exceed \$1,551,153 for FY 2009 and \$446,475 in ULO funds.***

Task 3.1: Implement programs to increase the financial, managerial and technical abilities of public water systems.

- Identify public water systems that need assistance in developing, increasing, and maintaining their financial, managerial, and technical (FMT) abilities to meet state and federal requirements.
- Identify public water systems that need assistance in consolidating.
- Conduct assessments of and provide assistance to these systems.
- Continue to develop innovative approaches to moving systems to compliance.
- Prohibit nonviable public water systems from coming into existence.
- Encourage and promote regionalization and partnerships where applicable to increase compliance and affordability.
- Evaluate and facilitate potential acquisition, merger, or lease of ownership of water systems to ensure FMT abilities.
- Identify and rank public water systems and their proposed projects for the DWSRF.
- Assess DWSRF applicants.
- Assist water utilities in meeting new mapping requirements.

#### **DELIVERABLES AND OUTPUTS:**

TCEQ will:

1. Identify public water systems that need assistance and assessments.
2. Execute and manage a contract with a contractor for assignments to conduct FMT assessments, consolidation

- assessments, consolidation facilitation assistance, financial, managerial and technical assistance, and other special assistance and assessment projects as needed.
3. Review and evaluate contractor reports.
  4. Review and evaluate business plans and FMT capabilities.
  5. Propose and evaluate new programs to continue improving FMT capacities of public water systems.
  6. Analyze and rank DWSRF Intended Use Plan (IUP) applicants.
  7. Develop FMT reports for DWSRF loan applicants.
  8. Coordinate activities with the Texas Water Development Board.
  9. Increase the number of viable systems through reviews.
  10. Convert water utility maps to an electronic format that can be made available on the agency website.
  11. Provide better public access to electronic maps by improving website links.
  12. Enhance the TCEQ's Water Utilities Database (WUD) by developing a bi-directional flow tool which will allow internal and external users the ability to determine whether it would be possible for the TCEQ to issue a permit to a water and/or wastewater service provider based on current Certificate of Convenience and Necessity (CCN) service boundaries.

Contractor will:

1. Conduct assignments.
2. Provide reports.
3. Provide maps.
4. Meet deliverables.
5. Provide presentations as requested by TCEQ.

#### ***FMT Contract activities***

*During FY 2009, a contract was executed to conduct FMT activities. The contract was awarded to the Texas Rural Water Association. Different programs at TCEQ continued to identify public water systems that need assistance or an assessment. In addition to the Water Supply Division, divisions identifying and make referrals to the FMT assistance contract included: Enforcement, Field Operations, Litigation, and Small Business and Local Government Assistance. During this period the following types of assignments were completed: 5 FMT assessments, 23 consolidation assessments, 2 consolidation facilitation assistance, 389 FMT assistance visits, and 14 special assignments.*

*One success story concerns a small city named Dayton Lakes. The city's only well failed, leaving the 225 residents without water. The FMT contractor worked with the city, Community Resource Group and the Office of Rural Community Affairs to get emergency funds for the city to drill a new well.*

The FMT Assistance Contract provided financial, managerial, and technical assistance to 21 troubled water and wastewater systems in the border area. The onsite assistance varied from consolidation assessment to assistance with compliance and rate setting. In addition, water and wastewater systems in the border area were invited to attend a seminar in McAllen on July 7-8, 2009. The focus was on board training and utility rates; 32 systems from south and central Texas sent representatives to attend.

### **DWSRF IUP process**

Each year the Texas Water Development Board (TWDB) invites eligible public water systems to apply to be placed on the Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP). The IUP is a list of ranked projects that the TWDB uses to invite applicants to apply for the DWSRF loan program. Once the IUP forms are received by TWDB they send them to TCEQ. TCEQ uses compliance data and project analysis to rank the projects. Generally there are about 85 IUP applications with an additional 100 consolidation projects that require ranking. The influx of American Recovery and Reinvestment Act of 2009 (ARRA) funds created a big interest in the DWSRF program and in FY 2009 TCEQ received 735 projects which required 1,314 individual rankings on a very short timeline. Using an existing contract funded by the DWSRF 10% set-aside, TCEQ was able to hire contractors to help with the giant increase in expedited work. Once TCEQ ranked the list, TWDB re-ranked it based on ARRA parameters which included "ready to proceed". TWDB produced two IUP lists for the FY 2010 applicants; one for ARRA applicants and one for "regular" DWSRF applicants. These lists are available on the TWDB website at [www.twdb.state.tx.us](http://www.twdb.state.tx.us).

### **DWSRF FMT Reports**

In addition to the regular DWSRF FMT reports, this year TCEQ has provided the TWDB ARRA DWSRF FMT reports. There have been 17 FMT reports for entities on the ARRA IUP and 8 additional reports on provisional applicants.

### **Mapping**

All mylar, hard copy CCN maps were converted to GIS format. TCEQ also worked with computer programmers to write code so the digital mapping data could be served up on the TCEQ's website through WUD. This created the Water Utility Viewer.

Once the Water Utilities Viewer was created and online to the public, additional enhancements were made to the Viewer so that the public could access maps of a utility from its Utility Detail page in WUD. Also, an additional enhancement was made to allow the public to click on the CCN map and go back to the Utility Detail information page.

### **Business plan and FMT reviews**

TCEQ performed a total of 148 formal reviews of both business plans for new public water systems, and the financial, managerial and technical capability of applicants for certificates of convenience and necessity

*(retail water sale), or material amendments. Current economic conditions increase substantially the risk, and therefore the need for even more comprehensive review, as some applicants continue to want to expand without reliable market information supporting development projects.*

Task 3.2 Provide assistance to public water systems in the development of water conservation and/or drought contingency programs to maintain or increase abilities of public water systems to meet state requirements.

- Identify retail public water systems that need assistance in developing water conservation and/or drought contingency plans that may not have adequate capabilities to meet higher than normal peak water demands during periods of drought, development of water conservation and/or drought contingency programs to maintain or increase abilities of public water systems to meet state requirements.

**DELIVERABLES AND OUTPUTS:**

1. Provide technical assistance to retail public water supply systems in the development of water conservation and/or drought contingency plans.
2. Review and evaluate water conservation and/or drought contingency plans of retail public water systems to meet state requirements.
3. Successful implementation of water conservation and/or drought contingency plans.
4. Increase the number of viable systems.

***Drought and conservation assistance***

*During FY 2009 TCEQ reviewed 51 plans for non-water rights plan reviews based on the May 1, 2009 deadline requirements. These were 25 conservation plans for non-irrigation water rights holders, 16 drought plans for retail water suppliers and 10 drought plans for wholesale water suppliers. Investor owned utility drought contingency plans were reviewed and 32 memos were completed for CCN application reviews. During the same time period, staff reviewed water conservation and drought contingency plans and issued administrative completeness memos for 55 water rights applications.*

## **FIELD OPERATIONS DIVISION**

## FIELD OPERATIONS DIVISION

### Program Element 4: PWSS Inspections & Investigations

This program element will conduct field inspections, sanitary surveys, and complaint responses on existing public water supply systems to ensure that human health and the environment are protected.

Strategic Plan Linkage:

EPA Goal: **Goal 5.1.1 Improve environmental performance through compliance with environmental requirements, prevention pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation, and providing incentives for governments, business, and the public that promote environmental stewardship.**

TCEQ Strategy: **03-01-01 Promote compliance with environmental laws and regulations by conducting field inspections and responding to citizen complaints.**

Objective: *To conduct 2,535 comprehensive compliance investigations at public water systems and respond to complaints where appropriate through August 31, 2009 at a cost not to exceed \$2,693,313 for FY 2009 and \$283,587 in ULO funds.*

Task 4.1 Field Inspection, Sanitary Surveys, and Complaint Response

- Increase the total number of inspections, Comprehensive Compliance Investigations (sanitary surveys), and complaint responses.

#### DELIVERABLES AND OUTPUTS:

1. Conduct Comprehensive Compliance Investigations (sanitary surveys) of 2,535 PWSs.
2. Investigate complaints on PWSs.
3. Actual increase in the number of inspections, Comprehensive Compliance Investigations (sanitary surveys), focused investigations, and complaint responses.

#### ***Inspection and complaint response activities***

*During FY 2009, TCEQ conducted a total of 1168 comprehensive compliance investigations (CCIs), 318 complaint investigations, 90 focused investigations, 8 field citations, 15 follow-up investigations, 417 record reviews, and 22 recon investigations.*

## **COMPLIANCE SUPPORT DIVISION**

## COMPLIANCE SUPPORT DIVISION

### Program Element 5: PWSS Laboratory Inspections

This program element includes a state program to inspect public water system laboratories that analyze drinking water samples to ensure compliance with state laws and federal regulations.

Strategic Plan Linkage:

EPA Goal: **Goal 2.1.1 Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health, support economic and recreational activities, and provide healthy habitat for fish, plants, and wildlife.**

TCEQ Strategy: **Strategy 02-01-01 Ensure the delivery of safe drinking water to all citizens through monitoring and oversight of drinking water sources consistent with the requirements of the Safe Drinking Water Act.**

Objective: ***To inspect 30 PWS laboratories statewide through August 31, 2009 at a cost not to exceed \$218,979 for FY 2009.***

Task 5.1 Inspect laboratories analyzing samples for compliance with the SDWA. Work is performed and controlled according to Title 30 Texas Administrative Code Chapter 25.

#### DELIVERABLES AND OUTPUTS:

1. Laboratory inspections.
2. Completion of laboratory inspections.

#### ***Laboratory inspection activities***

*During FY 2009 TCEQ inspected 65 drinking water laboratories. These inspections were to insure laboratory compliance with accreditation standards.*

## **ENFORCEMENT DIVISION**

## ENFORCEMENT DIVISION

### PROGRAM ELEMENT 6: ENFORCEMENT CASES

This program element includes a state program to develop enforcement cases from investigations referred by Water Supply, Field Operations and Compliance Support divisions.

Strategic Plan Linkage:

EPA Goal: **Goal 5.1.1 Improve environmental performance through compliance with environmental requirements, prevention pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation, and providing incentives for governments, business, and the public that promote environmental stewardship.**

TCEQ Strategy: **03-01-02 Ensure compliance with environmental laws and regulations by taking swift, sure and just enforcement actions to address violations situations.**

Objective *To address significant noncompliance and significant deficiencies through August 31, 2009 at a cost not to exceed \$169,102.*

Task 6.1 Initiate Enforcement Actions

- Calculate penalties, determine technical corrective requirements and negotiate agreed enforcement order cases to settlement or pursue other appropriate legal remedies.

#### DELIVERABLES AND OUTPUTS:

Address significant noncompliance and significant deficiencies consistent with the Enforcement Division's policies and procedures.

#### **Enforcement activities**

*During FY 2009 TCEQ undertook appropriate enforcement actions for violations. Ninety-two cases were initiated. Seventy orders were issued, and an additional seven compliance agreements were issued. For more information on the enforcement program, annual enforcement reports are available at the TCEQ website <http://www.tceq.state.tx.us/compliance/enforcement/reports>.*