

STATE OF TEXAS

Texas Water
Development Board

Annual Report

Drinking Water State Revolving Fund

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SFY **2011**

TEXAS WATER DEVELOPMENT BOARD
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Drinking Water State Revolving Fund

SFY 2011 Annual Report



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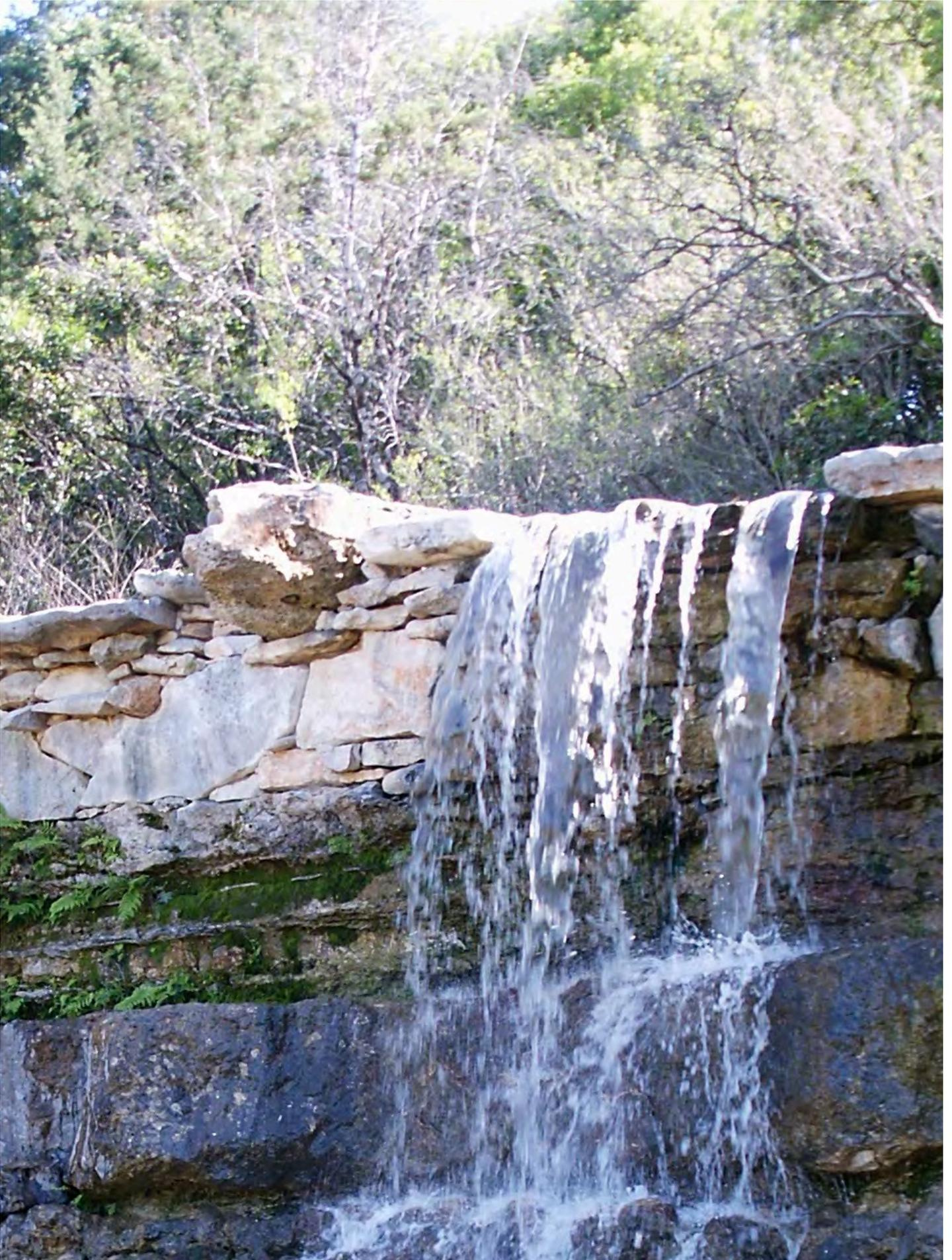
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1. Executive Summary

The Texas Water Development Board (TWDB) and the Texas Commission on Environmental Quality (TCEQ) utilize the resources of the Drinking Water State Revolving Fund (DWSRF) to collectively administer the State's DWSRF program. The TWDB administers the financial assistance aspects and TCEQ provides technical assistance under the Small Systems Technical Assistance and State Program Management set-aside funds in accordance with 40 CFR Subpart L §35.3510(b) (1) of the federal regulations. As the state primacy agency, the 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 SDWA. 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 the TCEQ.

The TWDB and the 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 State Fiscal Year (SFY) 2011 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, the financial status of the DWSRF, and compliance with federal DWSRF requirements.

The purpose of the DWSRF is to provide below-market interest 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 ob-

jectives of SDWA. Since the inception of the program in 1997, and continuing through August 31, 2011, the State's DWSRF program has received a total of \$1,066,878,350 in EPA Capitalization Grants including the American Recovery and Reinvestment Act (ARRA) Appropriation. Over 14 years, the TWDB has and will contribute \$181,247,725 in total state match. The State has made a total of 176 commitments to DWSRF projects for \$1,257,778,941. A summary of this data can be found in Tables 1 and 1C.

For the SFY 2011 Intended Use Plan (IUP), the TWDB's Base DWSRF program received project information forms (PIFs) from 216 potential applicants. Of these, four were deemed ineligible, resulting in 212 eligible projects totaling \$1,516,185,000. Using project details outlined in the PIFs, TCEQ staff ranked the projects in accordance with federal DWSRF regulations and TWDB rules. The TWDB staff then prepared the SFY 2011 project priority list (PPL) for the IUP based on the ranking by TCEQ. A total of seven projects received commitments totaling \$36,712,700 [Table 1A]; one of the seven was the Del Rio project that was recommitted to fund construction for \$9,645,000 and split from the planning phase that was closed in 2009. In SFY 2011, \$100,073,925 in funds were also disbursed to 25 ARRA projects. That amount includes \$23,422,041 to the two ARRA provisional projects, which utilize a combination of Base and ARRA funds. The Base and ARRA project descriptions and details are found in Appendix B.



2. Introduction

This past year has been one of challenge for our economy, our state budgets, our water systems, and our water supplies. The drought has caused awareness of the scarcity and value of our water to rise to the top of the list of concerns for Texans. The viability of our water and wastewater systems directly impacts the health of the citizens, the economy and living resources. Conservation and planning have never seemed more important.

This year has also brought an expansion in enforcement from EPA Region 6 as they try to protect our water from contaminants that are difficult and expensive to remove. Again, the small systems unable to afford highly technical removal systems are most affected. TWDB solicited specifically for arsenic related projects for the SFY 2011 Intended Use Plan (IUP) in order to help violators comply. Three arsenic related projects are currently pursuing DWSRF loans to correct their Maximum Contaminant Level (MCL) violations.

Over the past few years the federal program requirements have expanded, in some cases proving the law of unintended consequences. The Green Project Reserve is causing the TWDB to bypass numerous projects of higher ranking and greater need in order to fund projects with green components. The additional subsidy requirement is creating a stalling effect on the DWSRF, as entities decline assistance other than loan forgiveness. In the last two years, TWDB has seen several invited entities pass on loan assistance and delay projects in order to wait for the next round of loan forgiveness. Between the combined set asides and the required 30 percent additional subsidization requirement, the program is left with 54 percent of the grant to revolve. This amount could be reduced to 39 percent if the full amount of the set asides is taken. The perfect storm of a low interest rate environment, a smaller portion of the fund revolving, and the historical installment nature of the portfolio has resulted in significant financial stress to the program.

The additional federal requirements in concert with the uncoordinated and escalating reporting requirements put increasing pressure on the program.

TWDB is initiating new management policies to support the fiscal health of the fund to continue to serve the communities in Texas. The need to separate projects into components that are ready to proceed in order to draw down funds more expeditiously has led to a policy of making separate commitments for the Planning, Acquisition, and Design (PAD) phase of a project and the Construction (C) phase. Additionally, TWDB recently implemented a policy to close all loan funds into escrow, releasing funds to the entity as they provide documentation on allowable expenses. TWDB does not anticipate closing new assistance agreements in installments, as done in the past.

Efficiencies have become very important with reduced staffing resources and financial resources for most state and federal agencies. One way to help water systems that find themselves in need of financial and technical assistance is the newly formed Texas Water Infrastructure Coordinating Committee (TWICC) which is made up of several federal and state funding and technical assistance agencies. TWDB also strategically partners with the state's primacy agency, the Texas Commission on Environmental Quality (TCEQ), to target priorities and funding.



3. Goals and Achievements

The overall goals of the DWSRF program are:

- Ensure public health protection;
- Identify and provide funding for maintaining and/or bringing Texas' public water systems into compliance with the SDWA;
- Support affordable drinking water and sustainability; and
- Maintain the long-term financial health of the DWSRF program fund.

The TWDB provides administration of the DWSRF program to offer below-market interest rates and long-term financing, helping Texas public water systems to provide sufficient quality and quantity of affordable potable water. In addition, the TCEQ provides technical and programmatic assistance to improve public health protection programs and support the needs of the PWSs.

A. Short-Term Goals of the Texas DWSRF

1. Goal: Evaluate the pre-design funding (PDF) option in order to expeditiously utilize capitalization grant funds through separation of the planning, acquisition, and design (PAD) phase from the construction phase of projects. SFY 2012 solicitation packets will contain the revised methodology for application and funding in phases.

The pre-design funding option allows an applicant to receive a single loan commitment for both the PAD and construction portions of a project. The PAD must be approved and the construction portion of the project must be deemed ready to proceed before funds for the construction phase will be released. This option is now only being considered for projects where there are no significant permitting, social, contractual, environmental, engineering, or financial issues. Additionally, the PDF option will

only be considered where construction of the project will begin within 18 months of the date of commitment. A loan utilizing the PDF option must close within one year of receiving a commitment.

2. Goal: Ensure compliance with the SDWA by working with the TCEQ to ensure that public water systems are in compliance with established standards and to provide all possible technical and financial assistance. For SFY 2011, the TWDB, in partnership with the TCEQ, will conduct pre-application meetings for 100 percent of the projects within the fundable range in an effort to fund higher priority projects with water quality or pollution control issues.

The TWDB held seven pre-application meetings for DWSRF applicants during SFY 2011. Five of the seven water systems that attended a pre-application meeting received a commitment of financial assistance. The other two systems withdrew their applications. More pre-application meetings are scheduled for fall 2011.

As part of the pre-application meeting, TCEQ contractors work with entities on the financial, managerial and technical (FMT) needs of the water system. TCEQ prepares an FMT report and submits it to TWDB before a water system can close on financial assistance.

3. Goal: Work closely with the TCEQ and systems in violation of the arsenic maximum contaminant level (MCL) to provide funding assistance to eligible projects.

The TWDB has monthly coordination meetings with the TCEQ that include discussion of systems that face arsenic contamination challenges. In SFY 2010, a focused solicitation

was sent to all systems that exceeded the arsenic MCL. In SFY 2011, the TWDB was able to provide subsidized assistance to Bruni Rural Water Supply Corporation to build an arsenic removal system that was otherwise unaffordable

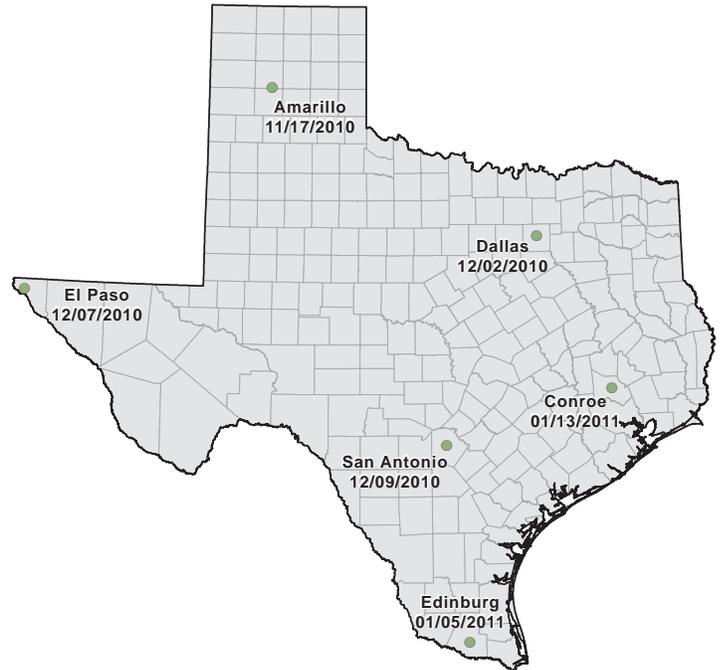
4. Goal: Participate in outreach meetings and trade association conferences, where possible, to provide information on DWSRF funding opportunities. Hold workshops for utilities, entities, and the public on all rule, policy, and guidance changes to the SRF programs.

During SFY 2011, the TWDB held workshops around the state to share information about the DWSRF. The workshops focused on the changes to the program and how to apply for funding in the upcoming cycle of the Intended Use Plans. During SFY 2011, six workshops were held in conjunction with the SFY 2012 project solicitation. These workshops were held between November 17, 2010, and January 13, 2011, in the cities of Amarillo, Dallas, El Paso, San Antonio, Edinburg and Conroe. The deadline for SFY 2012 projects to be submitted was March 1, 2011. See Exhibit A (Map of Workshop Locations.)

Three Consultant Workshops were held in Dallas, San Antonio, and Houston to communicate the recent changes to the SRF program. In addition, Small Communities Outreach Workshops were coordinated with TCEQ to target small communities with arsenic or other system problems that may need funding assistance. Exhibit booths were utilized at eighteen other conferences held in eight different cities. Table 5 shows the list of conferences for SFY 2011.

5. Goal: Support components of the state drinking water and source water protection programs by directing the necessary resources toward the state's most pressing compliance and public health needs.

Exhibit A. Map of Workshop Locations



In our efforts to target the most important projects with the TCEQ, we have prioritized and invited the highest ranked projects on the Project Priority List for the last two IUP years. TCEQ ranked and rated projects and we worked to ensure that funding was made available to those who needed to repair their water systems. All four entities that closed loans this year helped to assist communities to come into compliance with the SDWA. Exhibit D shows that 100 percent of the projects using DWSRF assistance are addressing compliance.

6. Goal: Continue development of a comprehensive financial assistance program management information system known as Texas Water Infrastructure System Expansion (TxWISE).

The TWDB continues to move forward with the Texas Water Information System Expansion (TxWISE) project in partnership with Northbridge Environmental Consulting. TxWISE Phase 1 was completed in

October 2009; Phase 2 integrated Inspection and Field Support System (IFSS) and Contract Administration System functionality and was deployed to production on October 28, 2010.*

TxWISE Phase 3 is expected to be a 2-year project. Project planning began in April 2011. Design and development tasks are scheduled to extend through the 2012/2013 biennium. Scheduled for deployment in November 2012, TxWISE Phase 3 will replace an outdated, unsupported, Financial Information System (FIS) with an integrated solution that will:

- Meet the increased regulatory requirements expected to be implemented under the Finance Reform Bill, regulatory changes under the Depository Trust Corporation and the Internal Revenue Service.
- Resolve data redundancy and data synchronization issues caused by data duplication in two systems (Project data in TxWISE; Financial data in FIS).
- Enable TWDB staff to access both project and financial data on water-related projects, grants, loans, and contracts in one, integrated solution.
- Transfer TxWISE from Microsoft Access to a web-based platform, which will:
 - Provide the TxWISE user community, particularly those in outlying Inspection and Field Support offices, with a more responsive system.
 - Reduce maintenance and support costs associated with current Microsoft Access technology.
 - Align TxWISE with Agency-supported technology, thereby allowing Agency Information Technology staff to more readily support and update the system.

- Provide enhanced system security by incorporating the existing TWDB security security module to control user authentication and access to application, and access to application, and role-based security to mitigate security breaches to the network and applications.
- Bring TxWISE into alignment with both federal and state accessibility requirements.

7. Goal: Encourage and increase project and system sustainability through promotion of asset management training during SFY 2011 and improving the state's capacity development program. Consider requiring asset management plans from applicants beginning in 2012.

During SFY 2011, the TWDB incorporated the addition of Asset Management points in addition to the points awarded by the TCEQ.

In October 2010, the EPA released a Sustainability Policy that focused on support to water systems that use "comprehensive planning processes to pursue water infrastructure investments that are cost-effective over their life cycle." Additionally, the FFY 2010 DWSRF Capitalization Grant included a programmatic condition to ensure that additional subsidization is used to fund infrastructure that is sustainable for communities that lack FMT to become and remain sustainable. EPA has incorporated FMT into the Sustainability Policy for DWSRF. The TWDB amended the SFY 2011 IUP to add rating criteria related to effective management as notice for the rating of SFY 2012 projects being solicited during that period. The amendment was approved by the TWDB on March 9, 2011, following the public comment period.

* Phase 1 and Phase 2 are described in more detail in the SFY 2009 Annual Report

As detailed in Appendix B, projects received during the SFY 2012 IUP solicitation were awarded points based upon the following:

- an asset management plan;
- the proposed project addresses goals in a water conservation plan or energy audit;
- the proposed project is consistent with a municipal, regional, and/or state watershed protection plan;
- integrated water resource management plan;
- regional facility plan, regionalization or consolidation plan; or,

- any plan developed pursuant to legislative-authority.

In order to receive points, the PIF must include necessary portions of the entity’s asset management plan. A project can also receive a point to develop an asset management plan if they intend to complete the work as part of the proposed project. Appendix B outlines the rating points initiated in the Draft SFY 2012 IUP, published in June 2011.

8. Goal: Apply to the EPA Region 6 for a Federal Fiscal Year (FFY) 2011 DWSRF Capitalization Grant in the approximate amount of \$86,254,000.

Exhibit B. Effective Management Rating Criteria

- 1 pt Asset management plan contains an inventory of assets.
- 1 pt Asset management plan contains an assessment of the criticality and condition of the assets.
- 1 pt Asset management plan contains the prioritization of capital projects needed
- 1 pt Asset management plan contains a budget.
- 1 pt Asset management plan contains the development of a public education plan.
- 1 pt Entity is planning to prepare an asset management plan as part of the proposed project.
- 1 pt Asset-management training has been administered to the entity’s governing body and employees.
- 1 pt Proposed project addresses a specific goal in a water conservation plan.
- 1 pt Proposed project addresses a specific goal in a energy assessment, audit, or optimization study conducted within the past three years.
- 1 pt Project is consistent with a municipal and/or state watershed protection plan, water efficiency plan, integrated water resource management plan, or any plan developed pursuant to legislative authority.
- 2 pt Project is consistent with a regional facility plan, regionalization or consolidation plan, or any plan developed pursuant to legislative authority.

The FFY 2010 Capitalization Grant in the amount of \$86,254,000 was received in September 2011, and was the capitalization grant used for the SFY 2011 DWSRF IUP. The FFY 2011 DWSRF Capitalization Grant in the amount of \$59,854,000 was applied for in March 2011, and is anticipated to be awarded in early SFY 2012 for the SFY 2012 DWSRF IUP.

B. Long-Term Goals of the Texas DWSRF

1. Goal: Restore and maintain the quality and quantity of the state’s public drinking water by developing a financial and technical assistance program capable of funding annually all projects which pose the most serious risk to public health and compliance with the SDWA.

Because the compliance with the Safe Drinking Water Act and the public health of the state’s drinking water are the basis of the state’s priority system for projects submitted for consideration on the IUP, TWDB invites the projects with the most health risk annually. The prioritization ensures projects that would assist communities to achieve or maintain compliance are invited first.

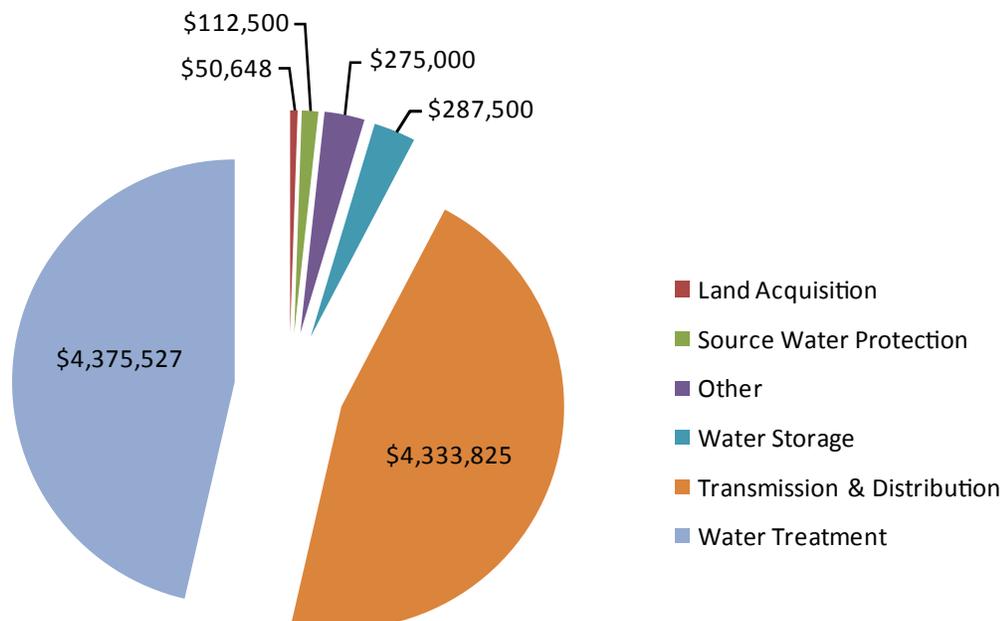
Data obtained from the environmental benefits report illustrates the closed SFY 2011 projects by category. (Exhibit C. Source: PBR)

2. Goal: 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. The TWDB will continue to give priority to projects to help meet water quality standards.

Seven commitments were made in SFY 2011 to fund water projects that were highly ranked on the Project Priority List

Four water systems closed DWSRF loans in SFY 2011. Of those four, all of the water system loans were to assist non-compliant systems to come into compliance (Exhibit D). Data obtained from the environmental benefits report illustrates the compliance categories.

Exhibit C. Drinking Water SRF Projects By Category



3. Goal: Maintain the fiscal integrity of the DWSRF in perpetuity 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 provides for long-term inflation and produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on state bonds.

The fiscal integrity of the fund is monitored quarterly through cash flow and capacity analyses. Efficient and effective use of program resources remains a top priority of the program given the economic pressure of low investment rates and repayments at low interest rates. Prepayments of loans impacts the fund as those loans were made at a higher interest rate. Prepayments are evaluated on a case by case basis to determine the best use of the asset in meeting the program long term goals in conjunction with federal regulations.

4. Goal: 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.

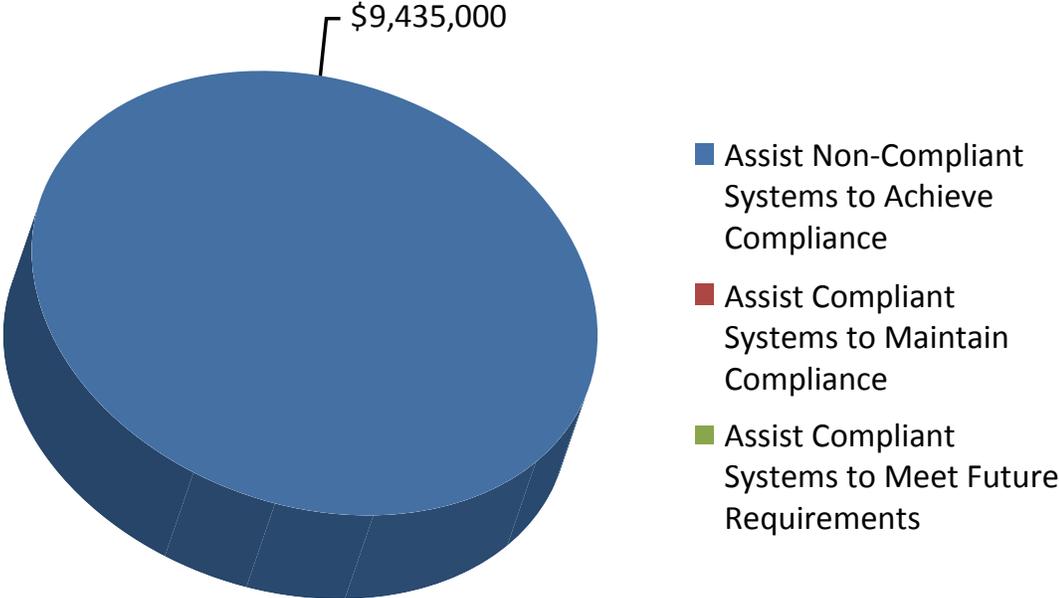
The SFY 2011 IUP and FFY 2010 capitalization grant requires that the TWDB make available 30 percent of the grant as subsidy. In SFY 2011, the TWDB committed loans that included loan forgiveness to five disadvantaged communities totaling

\$26,757,700. Two of the projects were given 100 percent loan forgiveness, one qualified for 75 percent loan forgiveness, and the other two received 70 percent loan forgiveness. The one disadvantaged community that did not receive loan forgiveness did benefit from an extended loan term of thirty years. See “Section IV. Subsidies to Promote Sustainability” for individual descriptions of the subsidized projects.

5. Goal: Continue assessing DWSRF demand, capacity, and sustainability to determine when leveraging may be a viable option.

The TWDB maintains a long term goal of leveraging the program to meet the considerable drinking water needs of Texas. This requires efficient and effective use of program resources. The TWDB has begun to close loans fully into escrow which increases the incentive to complete projects more quickly and increases the program’s cash flow. However, recent grant conditions with a requirement to allot 30 percent of the capitalization grant in subsidy undermines our ability to leverage the program in the future. The 30 percent additional subsidy requirement further exacerbated the issues already existing because of the numerous set-asides.

Exhibit D. Drinking Water SRF Compliance Purpose





4. Subsidies to Promote Sustainability

According to recent EPA guidance, additional subsidies should be directed to:

- 1) Repair, replacement and upgrade of infrastructure in existing communities;
- 2) Investigations, studies, or plans that improve the technical, financial and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and/or
- 3) Preliminary planning, alternatives assessment and eligible capital projects that reflect the full life cycle costs of infrastructure assets, conservation

of natural resources, and alternative approaches to integrate natural or “green” systems into the built environment.

Given the EPA guidance and the mandate to give 30 percent of the capitalization grant in subsidies to projects in communities that could not otherwise afford such projects; TWDB gave the subsidies to disadvantaged communities and targeted the projects needed for repair and upgrade of infrastructure. In SFY 2011, the TWDB committed loans with loan forgiveness to five disadvantaged communities totaling \$26,757,700. The following communities have received subsidies from the FFY 2010 capitalization grant:

- **Bruni Rural Water Supply Corporation** serves a disadvantaged community of Bruni, Texas, located in Webb County, with a population of approximately 420. This project will install an arsenic removal system to address exceedance of the arsenic MCL. Loan forgiveness of 70 percent will make this project feasible for a community that cannot otherwise afford to add the needed media adsorption treatment system to its facilities. TWDB made a commitment on May 5, 2011, to the project for **\$375,000**.

- **Eastland County Water Supply District** serves disadvantaged communities of approximately 10,000 in and around Ranger and Eastland, Texas in Eastland County. This project proposes to replace or rehabilitate the District’s aging raw water pump station, raw water transmission line, and water treatment plant. Constructed in 1952 and expanded in 1992, the facilities have a nominal capacity of 6.0 million gallons per day. The older facilities are deteriorated, processes antiquated, and the plant has problems with high total organic carbon and trihalomethane levels. Plant improvements will include new chemical feed systems, improved coagulation facilities, filter upgrades, solids handling systems. The pump station at Lake Leon and transmission line to

- the plant on RR 2461 will be evaluated and deficient components partially or completely replaced. The improvements in energy efficiency will qualify as “green”. The TWDB made a commitment to the project on March 17, 2011, and the District will qualify for a 70 percent loan forgiveness and loan totaling **\$11,650,000**.

- **Stephens Regional Special Utility District** serves disadvantaged communities with populations totaling approximately 3,000 in Stephens County near Breckenridge, Texas. This project will construct a surface water treatment plant near the City of Breckenridge and water lines to connect four of the District’s pressure planes. The District currently purchases treated water from Breckenridge through a contract that will expire in 2012. The District has entered into a raw water purchase agreement with the Brazos River Authority to buy water from Possum Kingdom Reservoir. They will build a membrane surface water treatment plant, with microfiltration followed by reverse osmosis. The new lines will provide water efficiency by curtailing leaks. The TWDB made a commitment to the project on January 20, 2011, and closed on April 28, 2011 for a loan and 75 percent loan forgiveness totaling **\$5,800,000**.

• **Roscoe, Texas** is a disadvantaged community in Nolan County with a population of approximately 1,400. The project includes a reverse osmosis groundwater treatment system to treat high levels of nitrates along with distribution system improvements including line replacement and the installation of a Supervisory Control and Data Acquisition (SCADA) system. Facilities will include a building to house the treatment unit and the means to route the waste stream to the wastewater collection system. The new distribution system and SCADA will improve water efficiency. TWDB made a commitment to the project on May 4, 2011,

and the entity qualifies for 100 percent loan forgiveness in the amount of **\$1,765,000**.

• **La Feria, Texas** is a disadvantaged community with a population of approximately 7,000 located in Cameron County, near the Texas – Mexico border. This project proposes to install a solar power system at the City’s water treatment plant to offset electrical costs. The water treatment plant consumes about 345,000 kilowatt hours of electricity per year. TWDB made a commitment to the project on May 4, 2011, and qualifies for 100 percent loan forgiveness in the amount of **\$7,167,700**.



The Bastrop County fire devastated drought-stricken central Texas in September 2011. Before it was spent, 1,645 homes were destroyed and two lives lost, making it the most destructive single wildfire in Texas history.

Thirteen public water systems in the Bastrop area were impacted by the wildfire. Additionally, in recent months numerous public water systems have inquired about DWSRF availability to make infrastructure changes to alleviate source water quantity issues related to the drought.

This picture depicts an elevated storage tank near Bastrop, with the fire burning in the background.



5. Green Project Reserve

The SFY 2011 DWSRF IUP is funded by FFY 2010 capitalization grant which requires that not less than 20 percent of the federal funds made available for the program be used by the state to fund project components that are considered to be “green” as a part of a Green Project Reserve (GPR) project. EPA considers several projects types as categorically qualified for Green Project Reserve funding. Categorically qualified projects must demonstrate at least a 20 percent savings in energy, an increase in water efficiency, or utilize green storm water practices that demonstrate new or innovative approaches to sustainable water management. Categorically qualified Green Project Reserve projects fall into four distinct categories:

- Water Efficiency Projects
- Energy Efficiency Projects
- Green Infrastructure Projects
- Environmentally Innovative Projects

Projects funded under the GPR must meet the general eligibility criteria for the DWSRF program. The GPR may fund planning, design, or construction components. The SFY

2011 IUP reserved 20 percent of the capitalization grant for these projects. The TWDB has developed “Green Project Information Worksheets” to facilitate a uniform approach to demonstrate eligibility to be funded under GPR and EPA guidelines.

For the SFY 2011 DWSRF IUP, the required minimum amount of funds for green projects is \$17,250,800. Seven rounds of invitations have been sent to projects identified as containing green components. Of the 22 projects on the green fundable list, only eight have been verified as green upon further review. The TWDB is continuing to invite other potential green projects off the SFY 2011 IUP in SFY 2012 in order to reach the required 20 percent GPR.

Any shortfalls in the SFY 2011 GPR requirement will roll forward to the first SFY 2012 projects invited for green.

The seven GPR projects with associated green budgets totaling \$14,650,000 as follows:

- **Eastland County Water Supply District**, \$104,000 for renewable energy source in solar panels on new water treatment plant building and water line replacement;
- **Stephens Regional Special Utility District**, \$750,000 for microfiltration pretreatment and high efficiency variable frequency drive pumps and motors;
- **City of Roscoe**, \$464,000, replacement and repair of leaking distribution system;

- **City of La Feria**, \$2,212,000, automatic meter reading meters, leak detection equipment, and distribution line replacement;
- **North San Saba Water Supply Corporation**, \$100,000 to replace and repair transmission main and distribution lines;
- **City of Burnet**, \$1,375,000 to replace leaking distribution lines; and,
- **City of Del Rio**, \$9,645,000 distribution line replacements.



6. Timely and Expeditious Use of Funds

In order to use funds more efficiently, the TWDB initiated new programmatic policies and processes by dividing projects into phases that are ready to proceed to expedite the draw of the federal funds. The Planning, Acquisition, and Design and Construction configuration for applicants is the result of this initiative. Under this new approach, TWDB will focus on funding PAD and Construction as separate components to promote a more efficient and expeditious use of funds. As a result, funding will be awarded for activities to be accomplished quickly and not tied up for long periods of time.

The TWDB is also taking an active approach to managing stalled projects. The Executive Administrator created the Project Oversight group during SFY 2011 with the specific task of monitoring project status and managing project progress from the beginning of a project through close out. Projects that have stalled, or have experienced continued delays are being directly contacted by our engineering and project oversight staff and asked for an updated schedule to ensure the project will be moving forward in a timely manner.

Outlay reporting is the mechanism used by borrowers to request DWSRF reimbursement for project costs. Borrowers are normally required to produce outlay requests on a quarterly basis during planning and design phases and on a monthly basis during construction. As a standard practice, letters are sent to borrowers who do not submit timely outlays. The goal of the follow up is to maintain contact with the entities to assist with any problems or delays as they arise. If for any reason there is an issue or question regarding an outlay, the project oversight lead or engineer will contact the client directly to request additional information.

In order to better coordinate scarce funding, the TWDB led the creation and implementation of the Texas Water Infrastructure Coordinating Committee (TWICC) which is made up of several federal and state funding and technical assistance agencies. This cooperation and collaboration between agencies promotes a more efficient use of resources, and better opportunities to jointly fund projects. This initiative is described later in this report.



7. Performance Evaluation Follow Up

The State is required to comply with Section 1452 of the Safe Drinking Water Act (SDWA) and 40 CFR 35.3570(c), the capitalization grant conditions, and operating agreement conditions. The annual Performance Evaluation Review was held during March 21 through 23, 2011. The review is based upon the TWDB SFY 2010 Annual Report, onsite discussions, file reviews, and completion of the standardized national EPA checklists of program evaluation questions. The Draft Performance Evaluation Report (PER) was received from EPA on May 3, 2011, and the final PER was received by TWDB on September 13, 2011.

Recommendations and Follow Up Action Items received in SFY 2011

FINAL SFY 2010 DWSRF base program annual PER review action items:

Action Item: Operating Agreement

Update the DWSRF Operating Agreement between the TWDB and EPA to current operating practices. (TWDB with EPA assistance, 12-31-2011.)

Response: The TWDB is working with EPA to update the Operating Agreement for DWSRF. The TWDB is exploring a joint Operating Agreement to include the CWSRF.

Action Item: Disbursement Packages

The budgeted, current and total charges should be noted on disbursement packages for invoices submitted, prior to outlay, to enhance clarity of the accounting verification done prior to outlay payments being made. (TWDB, EPA will follow up on this recommendation during the next onsite review. If further discussion is needed TWDB should contact EPA outside of the context of the PER.)

Response: Contractor agreements and invoices are between our Financial Assistance Recipient and their Contractor. Invoices are

certified by our Financial Assistance Recipient and often signed off on by their contracted Project Engineering Contractor. TWDB has a detailed Outlay process that clearly lists the contractor's charges, the invoice date, invoice number, and invoice amount. Our system can easily filter to check for duplicate invoice submission, all invoices submitted by a particular contractor, invoice number, dates, amounts, etc. In addition, the system also tracks expenses by budget line items approved and monitored by the TWDB Review Engineer in association with the approved contracts. For each outlay there is a detail listing of all invoices by budget category (invoices follow as back-up in the order in which they are listed) and a summary recap of the budgeted amounts, current expenses, previous expenses and available balances.

Action Item: Single Audit tracking chart

EPA recommends that a brief description of relevant Single Audit findings be inserted in the comment field of the Single Audit tracking chart, or on a separate document, to ensure that any findings are followed up on by TWDB to verify that they are resolved. (TWDB, EPA will follow up on this recommendation during the next onsite review. If further discussion is needed, TWDB should contact EPA outside of the context of the PER.)

Response: The TWDB and EPA are discussing the comment field and its use in the Single Audit tracking chart. The TWDB does not believe the change is in line with the original purpose of the tracking chart.

Action Item: Unliquidated Obligations

Continue efforts to reduce the unliquidated obligation balance for the DWSRF program.

Response: TWDB is working to reduce the unliquidated obligations with many management and program changes discussed in this report. (Section 6. Timely and Expeditious Use of Funds).

Mid-year DWSRF ARRA program annual PER review: The ARRA mid-year performance evaluation for DWSRF was held during March 21 through 23, 2011.

Action item: Cross-cutter agency list in project files

In order to ensure transparency in meeting program requirements for the ARRA projects, EPA advises the TWDB to insert the project specific mailing lists of crosscutter agencies contacted for environmental findings into the ARRA project files. (TWDB, Prior to next onsite review in September, 2011.)

Response: The list of contacted agencies is in the TWDB environmental review manual. If necessary, TWDB can insert project specific mailing lists used for environmental findings into the master project files.

Action item: Single audit tracking chart

Insert a brief description of relevant single audit findings in the comment field of the Single Audit tracking chart, or in a separate document or report to ensure that findings are followed up on and resolved. (TWDB, EPA will work with TWDB outside of the context of the PER to discuss how best to ensure that single audit findings are addressed.)

Response: The TWDB and EPA are discussing the comment field and its use in the Single Audit tracking chart. The TWDB does not

believe the change is in line with the original purpose of the tracking chart.

EPA REVIEW of the State Auditor's Office audit for the SFY 2010, as required by the Single Audit Act.

Audit Finding 11-192: The ARRA Section 1512 Report was submitted for the Quarter ending June 30, 2010 but did not include all of the transactions within the reporting period.

Response: TWDB developed and implemented controls to ensure that the information reported included all activity in the reporting period and was supported by TWDB accounting records.

Audit Finding 11-193: Sub-recipient monitoring findings for ARRA Central Contractor Registration and for obtaining sub recipient single audits or provided certification that the sub recipient was exempt from single audit requirements.

Response: TWDB developed tracking documents to rectify the monitoring and documentation of sub recipients' requirements.

NOTE: As of the date of the publication of this Annual Report, the Texas Water Development Board has addressed all outstanding PER items and all outstanding SAO items to the satisfaction of all.





8. Bypass Procedures

The TWDB Executive Administrator may decide to bypass, or skip, higher ranked projects in favor of lower ranked projects to ensure that funds available are utilized in a timely manner and that statutory and capitalization grant requirements are met. Entities with projects that are bypassed are not invited to submit an application. Reasons for bypassing projects in SFY 2011 include but are not limited to the following:

Disadvantaged Community – A minimum of 30 percent of the capitalization grant is made available in the form of additional subsidies to projects proposed by disadvantaged communities. In the event that the amount of subsidized assistance for disadvantaged community projects does not equal 30 percent of the capitalization grant, the Executive Administrator may bypass projects to get projects that are eligible for subsidy. Bypass of non-disadvantaged community projects is used only to ensure that a minimum of 30 percent of the capitalization grant is made available to communities in the form of additional subsidies.

Green Project Reserve – A minimum of 20 percent of the capitalization grant is allocated for the green project reserve and is required by federal law to be used for green component costs associated with eligible DWSRF projects. (See Section 5 Green Project Reserve for detail.) In the event that DWSRF projects within the fundable range do not contain green component costs equaling at least 20 percent of the capitalization grant, the Executive Administrator may bypass projects for systems with projects that contain green component costs that in total meet the federal requirement.

Small Communities – A minimum of 15 percent of the capitalization grant will be made available to small communities (systems serving populations less than 10,000). In the event that small community projects within the fundable range do not equal 15 percent of the capitalization grant, the Executive Administrator may bypass projects to include additional small community projects outside the

fundable range. Bypass of large community projects (systems serving populations of 10,000 or greater) is used only to ensure that a minimum of 15 percent of the capitalization grant is made available to small communities.

Project Repetition – A project that receives a commitment under the SFY 2011 IUP will not be considered eligible for funding the same project phase in any future IUP.

Source Water Protection Reserve – An amount not to exceed 10 percent of the funds available may be reserved for source water protection projects, which involve preventing the pollution of the groundwater, lakes, rivers, and streams that serve as sources of drinking water for local communities.

Emergency Relief – The TWDB will consider funding emergency projects involving systems that have failed or pose an imminent threat of failure in response to an emergency situation. Entities will be required to demonstrate that a proposed emergency project results from the occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from any natural or man-made cause, including fire, flood, earthquake, wind, storm, wave action, oil spill or other water contamination, volcanic activity, epidemic, air contamination, blight, drought, infestation, explosion, riot, hostile military or paramilitary action, other public calamity requiring emergency action, or energy emergency as defined in Texas Government Code §418.004.

In summary, the TWDB used the Green Project Reserve bypass procedure in SFY 2011 to bypass a total of 106 projects on the Project Priority List. As of August 31, 2011, the bypass was used to ensure an adequate amount in green component costs were funded to reach the 20 percent requirement of the capitalization grant. This resulted in invitations being made to projects ranking number 7 to 179.



9. Other Program Accomplishments and Challenges

Emergency Relief

The TWDB will consider funding emergency projects involving systems that have failed or pose an imminent threat of failure in response to an emergency situation.

Emergency Relief projects were initially eligible for addition in the amended SFY 2011 DWSRF IUP, finalized in March 2011. Projects determined to be eligible in accordance with the Emergency Relief Policy as determined by the Executive Administrator will be rated by TCEQ and added to the category "Emergency Relief Projects" on the PPL. Funding can be provided, if available, by any funds remaining from the SFY after all PPL projects that are ready to proceed have received an invitation; or alternatively, if additional funds are made available through deobligation or closure of previous loan commitments or repayments. Rating, project schedule, amount of funds needed, disadvantaged community designation, and population served, will be taken into consideration prior to invitation of the project for funding.

In SFY 2011, one entity in need of a new water source applied for assistance and was offered a loan, but they declined assistance and have reapplied for disadvantaged funding in the SFY 2012 IUP.

Texas Water Infrastructure Coordinating Committee (TWICC)

The TWICC membership has representatives from the TWDB, TCEQ, Texas Department of Rural Affairs, Texas Secretary of State, U.S. Department of Agriculture-Rural Development, Border Environmental Cooperation Commission, Community Resource Group, and Texas Rural Water Association. Guidance is provided from EPA Region 6. TWICC

is open to other state and federal agencies. TWICC meets bi-monthly to discuss agency program status and available funding for systems in need of state and/or federal financial and technical assistance. Through coordination with the TWICC, entities may be invited to future meetings to present project information to member agencies and ask questions regarding program requirements, program funds available, and obtain points of contact for application coordination.

To address the goals and objectives of the TWICC, four subcommittees were created in 2010 - 2011:

Finance - The purpose of this subcommittee is to coordinate externally with systems seeking financial assistance, conduct project screenings, analyze available program funding opportunities, and recommend strategies to coordinate the financial request among the respective agencies. To request assistance from the TWICC Finance Subcommittee, interested systems must complete the project profile form and submit to: twicc@twdb.state.tx.us

Targeting/Priorities - The purpose of this subcommittee is to establish priorities for the TWICC, including strategies to assist systems with affordable and innovative technology solutions to comply with Safe Drinking Water Act and Federal Pollution Control Act standards. Additionally, the Targeting/Priorities Subcommittee coordinates strategies to target available financial assistance to various groups including systems affected by new federal standards and rule revisions.

Marketing/Outreach - This subcommittee is responsible for the development of outreach and marketing strategies for the TWICC, including website development, representation at events such as the TCEQ's annual Public Drinking Water Conference, and strategies to

educate the public about the TWICC mission and ability to assist systems in need of funding from state and/or federal agencies.

Uniform Standards - The purpose of this subcommittee is to analyze areas of uniformity between the various state and federal financial assistance programs. Namely, the Uniform Standards Subcommittee has focused on general requirements that are required for every agency and strategies to provide a single set of requirements for applicants seeking to utilize planning and design documents for phased or combined funding from different agencies.

During SFY 2011, TWICC met six times and the sub-committees held several conference calls. By the end of the SFY, TWICC was able to draft a TWICC web page and place it in production. The web site for TWICC is www.twicc.org. In August 2011, TWICC gave its first presentation and hosted a work session at the TCEQ Public Drinking Water Conference. In addition, TWICC unveiled the new project profile form at the conference to begin formal interaction with Texas drinking water systems to discuss infrastructure funding and technical assistance.

10. Acronyms

American Recovery and Reinvestment Act of 2009 Construction	ARRA
Drinking Water State Revolving Fund	C
Environmental Protection Agency	DWSRF
Federal Fiscal Year	EPA
Financial, Managerial, and Technical Evaluations	FFY
Green Project Reserve	FMT
Intended Use Plan	GPR
Maximum Contaminant Level	IUP
Planning, Acquisition, and Design	MCL
Project Information Forms	PAD
Project Priority List	PIFs
Projects Benefit Report	PPL
Safe Drinking Water Act	PBR
State Fiscal Year	SDWA
State Revolving Fund	SFY
Texas Commission of Environmental Quality	SRF
Texas Water Development Board	TCEQ
Texas Water Information System Expansion	TWDB
Texas Water Infrastructure Coordinating Committee	TxWISE
	TWICC

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Perpetuity Flow Model of DWSRF

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Table 1 - DWSRF Fund Status							
FFY	SFY/ IUP	Grant Award #	SRF Grant	State Match 20%	Match provided from State	State Match provided or to be provided	Total Match Funds
1997	1997	FS-99679501	\$ 70,153,800	\$ 14,030,760	\$ -	\$ -	\$ -
1998	1998	FS-99679502	\$ 54,014,400	\$ 10,802,880	\$ 13,166,911	\$ -	\$ 13,166,911
1999	1999	FS-99679503	\$ 56,612,200	\$ 11,322,440	\$ 5,843,600	\$ 3,000,000	\$ 8,843,600
2000	2000	FS-99679504	\$ 58,836,500	\$ 11,767,300	\$ 3,750,000	\$ -	\$ 3,750,000
2001	2001	FS-99679505	\$ 59,079,800	\$ 11,815,960	\$ 4,098,104	\$ 10,000,000	\$ 14,098,104
2002	2002	FS-99679506	\$ 62,023,700	\$ 12,404,740	\$ 4,098,104	\$ 14,500,000	\$ 18,598,104
2003	2003	FS-99679507	\$ 61,651,000	\$ 12,330,200	\$ 3,130,403	\$ 20,000,000	\$ 23,130,403
2004	2004	FS-99679508	\$ 63,953,900	\$ 12,790,780	\$ 3,130,403	\$ 10,000,000	\$ 13,130,403
2005	2005	FS-99679509	\$ 63,818,500	\$ 12,763,700	\$ 3,636,971	\$ 12,800,000	\$ 16,436,971
2006	2006	FS-99679510	\$ 67,799,550	\$ 13,563,165	\$ 3,636,971	\$ 9,000,000	\$ 12,636,971
2007	2007	FS-99679511	\$ 67,801,000	\$ 13,560,200	\$ 3,735,026	\$ 9,622,377	\$ 13,357,403
2008	2008	FS-99679512	\$ 67,112,000	\$ 13,422,400	\$ 5,172,346	\$ 8,253,332	\$ 13,425,678
2009	2009	FS-99679513	\$ 67,112,000	\$ 13,422,400	\$ -	\$ 13,422,400	\$ 13,422,400
2009	ARRA	2F-96692301	\$ 160,656,000	\$ -	\$ -	\$ -	\$ -
	2010	No Grant Used	\$ -	\$ -	\$ -	\$ -	\$ -
2010	2011	FS-99679514	\$ 86,254,000	\$ 17,250,800	\$ 3,837,234	\$ 13,413,566	\$ 17,250,800
	Totals		\$ 1,066,878,350	\$ 181,247,725	\$ 57,236,073	\$ 124,011,675	\$ 181,247,748

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Table 1A - Commitments SFY 2011					
PIF #	Project	Commitment Date	SFY IUP	IUP Amount	Commitment Amount
8558	Bruni Rural WSC	5/4/2011	2011	\$ 375,000	\$ 375,000
8534	Del Rio*	5/4/2011	2011	\$ 41,654,656	\$ 9,645,000
8463	Eastland Co WSD	3/17/2011	2011	\$ 11,650,000	\$ 11,650,000
8542	La Feria	5/4/2011	2011	\$ 13,455,624	\$ 7,167,700
8514	North San Saba WSC	6/22/2011	2011	\$ 2,605,000	\$ 310,000
8660	Roscoe	5/4/2011	2011	\$ 1,765,000	\$ 1,765,000
8601	Stephens Regional SUD	1/20/2011	2011	\$ 5,800,000	\$ 5,800,000
Totals	7			\$ 77,305,280	\$ 36,712,700

* \$9,645,000 of a \$10 million commitment transferred from 2009 to 2011 IUP; Del Rio; L090092.

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Table 1B - Commitment Statistics AS OF 8-31-2011								
IUP YR	Required additional subsidization	Total Disadvantaged Committed	Original commitment amounts	IUP Total	% \$ Com / \$ IUP	Actual Com Made	Potential Applicants on IUP	% # Com / # Potential
1997		\$ 20,783,000	\$ 42,323,000	\$ 1,368,764,000	3.09%	6	281	2.14%
1998		\$ 8,375,000	\$ 69,730,000	\$ 316,020,620	22.07%	11	142	7.75%
99/00		\$ 38,307,235	\$ 92,832,235	\$ 297,355,000	31.22%	18	102	17.65%
2001		\$ 21,240,000	\$ 75,945,000	\$ 319,245,000	23.79%	7	75	9.33%
2002		\$ 19,430,000	\$ 33,335,000	\$ 606,065,000	5.50%	6	77	7.79%
2003		\$ 16,130,000	\$ 40,135,000	\$ 313,410,000	12.81%	6	69	8.70%
2004		\$ 11,225,000	\$ 90,914,706	\$ 478,520,000	19.00%	9	49	18.37%
2005		\$ 17,460,000	\$ 138,950,000	\$ 329,700,000	42.14%	10	58	17.24%
2006		\$ 29,311,000	\$ 68,901,000	\$ 272,071,000	25.32%	12	64	18.75%
2007		\$ 34,180,000	\$ 175,526,000	\$ 368,084,000	47.69%	28	82	34.15%
2008		\$ 47,760,000	\$ 155,780,000	\$ 426,855,000	36.49%	11	83	13.25%
2009 ⁽²⁾		\$ 19,480,000	\$ 33,670,000	\$ 450,530,230	7.47%	16	77	20.78%
ARRA	\$ 77,114,880	\$ 108,199,300	\$ 154,229,760	\$ 3,427,683,900	4.50%	25	608	4.11%
2010 ⁽¹⁾	\$ -	\$ 19,150,000	\$ 48,794,540	\$ 4,681,494,000	1.04%	5	687	0.73%
2011 ⁽²⁾	\$ 25,876,200	\$ 31,055,700	\$ 36,712,700	\$ 1,516,185,000	2.42%	6	212	2.83%
Total	\$ 102,991,080	\$ 442,086,235	\$ 1,257,778,941	\$ 15,171,982,750	8.29%	176	2666	6.60%

⁽¹⁾Includes ARRA provisional projects (only portion taken from the Base program)

⁽²⁾Amounts reflect the transfer of Del Rio's \$9,645,000 of the \$10 million commitment from IUP Year 2009 to IUP 2011 including the transfer of \$9,645,000 in disadvantage funding.

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Table 1C - Commitments Summary

IUP YR	# Commitments	Original Loan Commitments	Loan Forgiveness or Grants	Original commitment amounts	Small Communities Funding	Net commitment amounts after lapses and withdraws. Some IUP years adjusted
1997	6	\$ 41,070,000	\$ 1,253,000	\$ 42,323,000	\$ 5,955,000	\$ 31,645,000
1998	11	\$ 69,730,000	\$ -	\$ 69,730,000	\$ 14,560,000	\$ 67,540,000
99/00	18	\$ 86,805,000	\$ 6,027,235	\$ 92,832,235	\$ 34,965,000	\$ 102,025,235
2001	7	\$ 69,730,000	\$ 6,215,000	\$ 75,945,000	\$ 26,665,000	\$ 80,965,000
2002	6	\$ 30,544,000	\$ 2,791,000	\$ 33,335,000	\$ 28,745,000	\$ 20,082,000
2003	6	\$ 35,732,000	\$ 4,403,000	\$ 40,135,000	\$ 7,840,000	\$ 36,140,863
2004	9	\$ 90,182,000	\$ 732,706	\$ 90,914,706	\$ 9,320,000	\$ 36,515,000
2005	10	\$ 136,331,000	\$ 2,619,000	\$ 138,950,000	\$ 22,715,000	\$ 126,735,000
2006	12	\$ 68,691,000	\$ 210,000	\$ 68,901,000	\$ 36,001,000	\$ 57,766,000
2007	28	\$ 175,526,000	\$ -	\$ 175,526,000	\$ 50,894,000	\$ 156,372,000
2008	11	\$ 153,979,000	\$ 1,801,000	\$ 155,780,000	\$ 25,235,000	\$ 128,460,000
2009 ⁽²⁾	15	\$ 33,670,000	\$ -	\$ 33,670,000	\$ 14,705,000	\$ 27,389,740
ARRA	25	\$ 46,030,460	\$ 108,199,300	\$ 154,229,760	\$ 49,118,300	\$ 154,229,760
2010 ⁽¹⁾	5	\$ 48,794,540	\$ -	\$ 48,794,540	\$ 12,650,000	\$ 36,135,157
2011 ⁽²⁾	7	\$ 15,302,000	\$ 21,410,700	\$ 36,712,700	\$ 15,417,700	\$ 36,712,700
Totals	176	\$ 1,102,117,000	\$ 155,661,941	\$ 1,257,778,941	\$ 354,786,000	\$ 1,098,713,456

⁽¹⁾Includes ARRA provisional projects (only portion taken from the Base program)

⁽²⁾Reflects the transfer of Del Rio's of \$9,645,00 of the \$10 million commitment from IUP Year 2009 to 2011.

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Table 1 D - Construction Funds Drawn						
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
97-10	443,449,265	101,092,432	544,541,697	48,806,149	4,496,509	53,302,658
ARRA	20,753,743	0	20,753,743	55,896,742	0	55,896,742
2011	47,492,717	30,268,869	77,761,586	854,947	253,486	1,108,433
	\$511,695,725	\$131,361,301	\$643,057,026	\$105,557,838	\$4,749,995	\$110,307,833

SFY	Total Federal Drawn	Total State Actual Match	Total Drawn
97-10	492,255,414	105,588,941	597,844,355
ARRA	76,650,485	0	76,650,485
2011	48,347,664	30,522,355	78,870,019
	\$617,253,563	\$136,111,296	\$753,364,859

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Table 2 - Grant Payments by Quarter				
	SFY 2011			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4
	Grant Payments			
SFY 2009	\$ 7,037,640	\$ 7,037,640	\$ 7,100,600	
Set-Asides				
Loan Fund	\$ 7,037,640	\$ 7,037,640	\$ 7,100,600	
State Match (20%)	\$ 1,407,528	\$ 1,407,528	\$ 1,420,120	
2009 ARRA	\$ 4,346,934	\$ -	\$ 8,693,868	\$ 4,346,932
Set-Asides	\$ 491,190		\$ 982,380	\$ 491,188
Loan Fund	\$ 3,855,744		\$ 7,711,488	\$ 3,855,744
State Match (20%)				
SFY 2010	\$ 6,973,280	\$ 3,450,160	\$ 3,450,160	\$ 9,000,000
Set-Asides	\$ 6,900,320	\$ 3,450,160	\$ 3,450,160	
Loan Fund	\$ 72,960			\$ 9,000,000
State Match (20%)	\$ 1,394,656	\$ 690,032	\$ 690,032	\$ 1,800,000
Quarterly Commitments Required	\$ 13,768,528	\$ 9,135,200	\$ 16,922,240	\$ 14,655,744

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Table 2A - Binding Commitments by Quarter					
	SFY 97 - SFY 10	SFY 2011			
		Qtr 1	Qtr 2	Qtr 3	Qtr 4
		Binding Commitments			
IUP 1997 – 2010	\$ 1,230,711,241				
Adjustment for Del Rio*	\$ (9,645,000)				
IUP 2011*			5,800,000	30,602,700	310,000
QUARTERLY TOTAL		-	5,800,000	30,602,700	310,000
Cumulative Binding Commitments	\$ 1,221,066,241	\$1,221,066,241	1,226,866,241	1,257,468,941	1,257,778,941
Cumulative Binding Commitments as a % of Required	124.94%	123.20%	122.66%	123.62%	121.90%
Cummulative Required Binding Commitments	\$977,344,678	\$991,113,206	\$1,000,248,406	\$1,017,170,646	\$1,031,826,390

⁽²⁾Amounts reflect the transfer of Del Rio's \$9,645,000 of the \$10 million commitment from IUP Year 2009 to IUP 2011.

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Table 3 - Grant Summaries								
FFY	Grant Award #	Grant	Loan portion of grant	TCEQ 10% Set-Aside	SWP 15% Set-Aside	TCEQ 2% Small Systems (SS)	TWDB Admin Set-Aside	In-kind
1997	FS-99679501	\$ 70,153,800	\$ 64,847,648	\$ 2,500,000	\$ -	\$ -	\$ 2,806,152	\$ -
1998	FS-99679502	\$ 54,014,400	\$ 49,139,400	\$ 4,875,000	\$ -	\$ -	\$ -	\$ -
1999	FS-99679503	\$ 56,612,200	\$ 44,284,672	\$ 4,505,732	\$ 5,661,220	\$ -	\$ 2,160,576	\$ -
2000	FS-99679504	\$ 58,836,500	\$ 54,246,988	\$ 4,505,732	\$ 83,780	\$ -	\$ -	\$ -
2001	FS-99679505	\$ 59,079,800	\$ 50,915,312	\$ 5,900,000	\$ -	\$ -	\$ 2,264,488	\$ -
2002	FS-99679506	\$ 62,023,700	\$ 52,529,766	\$ 5,900,000	\$ -	\$ 1,240,474	\$ 2,353,460	\$ -
2003	FS-99679507	\$ 61,651,000	\$ 52,207,808	\$ 5,900,000	\$ -	\$ 1,180,000	\$ 2,363,192	\$ -
2004	FS-99679508	\$ 63,953,900	\$ 53,897,562	\$ 6,395,390	\$ -	\$ 1,180,000	\$ 2,480,948	\$ -
2005	FS-99679509	\$ 63,818,500	\$ 53,694,240	\$ 6,381,850	\$ -	\$ 1,276,370	\$ 2,466,040	\$ -
2006	FS-99679510	\$ 67,799,550	\$ 57,429,348	\$ 6,381,850	\$ -	\$ 1,276,370	\$ 2,711,982	\$ -
2007	FS-99679511	\$ 67,801,000	\$ 55,985,268	\$ 6,779,955	\$ -	\$ 1,200,000	\$ 3,835,777	\$ -
2008	FS-99679512	\$ 67,112,000	\$ 54,596,522	\$ 6,711,200	\$ -	\$ 1,342,240	\$ 4,407,151	\$ 54,887
2009	FS-99679513	\$ 67,112,000	\$ 56,374,080	\$ 6,711,200	\$ -	\$ 1,342,240	\$ 2,684,480	\$ -
ARRA	2F-96692301	\$ 160,656,000	\$ 154,229,760	\$ -	\$ -	\$ -	\$ 6,426,240	\$ -
2010	FS-99679514	\$ 86,254,000	\$ 72,453,360	\$ 8,625,400	\$ -	\$ 1,725,080	\$ 3,450,160	\$ -
Totals		\$ 1,066,878,350	\$ 926,831,734	\$ 82,073,309	\$ 5,745,000	\$ 11,762,774	\$ 40,410,646	\$ 54,887

SWP = Source Water Protection

SS = Small Systems

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Table 3A - Grant Drawn								
FFY	Grant Award #	Grant Drawn	Loan Portion Drawn	TCEQ Drawn	SWP Drawn	SS Drawn	4% Admin Drawn	In-kind
1997	FS-99679501	\$ (70,153,800)	\$ (64,847,648)	\$ (2,500,000)	\$ -	\$ -	\$ (2,806,152)	\$0
1998	FS-99679502	\$ (54,014,400)	\$ (49,139,400)	\$ (4,875,000)	\$ -	\$ -	\$ -	\$0
1999	FS-99679503	\$ (56,612,200)	\$ (44,284,672)	\$ (4,505,732)	\$ (5,661,220)	\$ -	\$ (2,160,576)	\$0
2000	FS-99679504	\$ (58,836,500)	\$ (54,246,988)	\$ (4,505,732)	\$ (83,780)	\$ -	\$ -	\$0
2001	FS-99679505	\$ (59,079,800)	\$ (50,915,312)	\$ (5,900,000)	\$ -	\$ -	\$ (2,264,488)	\$0
2002	FS-99679506	\$ (62,023,700)	\$ (52,529,766)	\$ (5,900,000)	\$ -	\$ (1,240,474)	\$ (2,353,460)	\$0
2003	FS-99679507	\$ (61,651,000)	\$ (52,207,808)	\$ (5,900,000)	\$ -	\$ (1,180,000)	\$ (2,363,192)	\$0
2004	FS-99679508	\$ (63,953,900)	\$ (53,897,562)	\$ (6,395,390)	\$ -	\$ (1,180,000)	\$ (2,480,948)	\$0
2005	FS-99679509	\$ (63,818,500)	\$ (53,694,240)	\$ (6,381,850)	\$ -	\$ (1,276,370)	\$ (2,466,040)	\$0
2006	FS-99679510	\$ (26,100,871)	\$ (15,730,669)	\$ (6,381,850)	\$ -	\$ (1,276,370)	\$ (2,711,982)	\$0
2007	FS-99679511	\$ (11,815,732)	\$ -	\$ (6,779,955)	\$ -	\$ (1,200,000)	\$ (3,835,777)	\$0
2008	FS-99679512	\$ (12,460,591)	\$ -	\$ (6,711,200)	\$ -	\$ (1,342,240)	\$ (4,407,151)	\$0
2009	FS-99679513	\$ (10,319,682)	\$ -	\$ (6,711,200)	\$ -	\$ (924,002)	\$ (2,684,480)	\$0
ARRA	2F-96692301	\$ (129,100,548)	\$ (125,759,497)	\$ -	\$ -	\$ -	\$ (3,341,051)	\$0
2010	FS-99679514	\$ (8,002,524)	\$ -	\$ (4,571,477)	\$ -	\$ -	\$ (3,431,047)	\$0
Totals		\$ (747,943,748)	\$ (617,253,562)	\$ (78,019,386)	\$ (5,745,000)	\$ (9,619,456)	\$ (37,306,344)	\$0

SWP = Source Water Protection

SS = Small Systems

**Texas Water Development Board
SFY 2011 Drinking Water State Revolving Fund
Annual Report**

Table 3B - Grant Balances								
FFY	Grant Award #	Grant Remaining	Loan Portion Remainder	TCEQ Remainder	SWP Remainder	SS Remainder	4% Admin Remainder	In-kind
1997	FS-99679501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1998	FS-99679502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	FS-99679503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2000	FS-99679504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	FS-99679505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2002	FS-99679506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	FS-99679507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2004	FS-99679508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	FS-99679509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006	FS-99679510	\$ 41,698,679	\$ 41,698,679	\$ -	\$ -	\$ -	\$ -	\$ -
2007	FS-99679511	\$ 55,985,268	\$ 55,985,268	\$ -	\$ -	\$ -	\$ -	\$ -
2008	FS-99679512	\$ 54,651,409	\$ 54,596,522	\$ -	\$ -	\$ -	\$ -	\$ 54,887
2009	FS-99679513	\$ 56,792,318	\$ 56,374,080	\$ -	\$ -	\$ 418,238	\$ -	\$ -
ARRA	2F-96692301	\$ 31,555,452	\$ 28,470,263	\$ -	\$ -	\$ -	\$ 3,085,189	\$ -
2010	FS-99679514	\$ 78,251,476	\$ 72,453,360	\$ 4,053,923	\$ -	\$ 1,725,080	\$ 19,113	\$ -
Totals		\$ 318,934,602	\$ 309,578,172	\$ 4,053,923	\$ -	\$ 2,143,318	\$ 3,104,302	\$ 54,887

SWP = Source Water Protection

SS = Small Systems

**Texas Water Development Board
SFY 2011 Drinking Water State Revolving Fund
Annual Report**

Table 4 - Total Construction Draws			
SFY	Federal Construction	Actual State Match Drawn	Total Funds Drawn
1998 - 2010	\$ 492,255,414	\$ 105,588,941	\$ 597,844,355
ARRA	\$ 76,650,485	\$ -	\$ 76,650,485
2011	\$ 48,347,664	\$ 30,522,355	\$ 78,870,019
Totals	\$ 617,253,563	\$ 136,111,296	\$ 753,364,859

**Texas Water Development Board
SFY 2011 Drinking Water State Revolving Fund
Annual Report**

TABLE 5 - Marketing Conferences

#	Conferences Attended	Location
1	Texas Association of Counties, Annual Conference and Exposition	Austin, Texas
2	The Art of Water Supply, Short Course presentations	Alpine, Texas
3	17th Annual Texas Midwest Conference	Abilene, Texas
4	27th Annual Trade show and Market Symposium for the Association of General Contractors of Texas	Austin, Texas
5	98th Annual Conference of the Texas Municipal League	Corpus Christi, Texas
6	Trinity-Glenn Rose Groundwater Conservation District Open House	San Antonio, Texas
7	Municipal CIP Funding Seminar	San Marcos, Texas
8	53rd Annual Texas County Judges & Commissioners Continuing Education Conference	Austin, Texas
9	TWDB Conservation Planning Workshop	Waco, Texas
10	Texas Water Utilities Association (TWUA)	Corpus Christi, Texas
11	Texas Water Conservation Association (TWCA)	Austin, Texas
12	Texas Rural Water Association (TRWA)	Austin, Texas
13	Kimley-Horn Funding Presentation	Austin, Texas
14	Water Environment Association of Texas (WEAT) & TX. American Water Works Association	Fort Worth, Texas
15	Houston-Galveston Area Council - Wastewater Regionalization Workshop	Houston, Texas
16	Association of Water Board Directors (AWBD)	Fort Worth, Texas
17	TCEQ Public Drinking Water Conference	Austin, Texas
18	Texas Association of Counties, Annual Conference and Exposition	Austin, Texas

**Texas Water Development Board
SFY 2011 Drinking Water State Revolving Fund
Annual Report**

Table 6 - Sources and Uses of Funds	
Statement of Sources and Uses of Capital for Loans & Debt Service	
SOURCES:	SFY 2011
Historical Federal grants including SFY11(with set asides) excl ARRA	\$ 906,222,350
Historical Federal grants including SFY11- ARRA	\$ 160,656,000
Historical State match including SFY11	\$ 181,247,748
Anticipated Federal Fiscal Year 2011 Grant	\$ 59,854,000
Anticipated State Match - Required 20% (FFY 2011 Grant)	\$ 11,970,800
Interest Repayments from Loans as of 08.31.11	\$ 54,174,821
Principal Repayments from Loans as of 08.31.11	\$ 191,212,640
Investment Earnings on funds as of 08.31.11	\$ 15,601,980
Projected Fee Income	\$ 260,393
Total Sources:	\$ 1,581,200,732
USES: (Please see Table 3 for break out by set-aside type)	
Expended Set-Asides:	
Administrative reimbursements	\$ 37,306,344
TCEQ	\$ 78,019,386
2% TCEQ (Small Systems)	\$ 9,619,456
TxWISE	\$ 54,887
SWP	\$ 5,745,000
Unexpended Set-Asides:	
Set Asides from previous grants	\$ 9,356,430
Projected Set-Asides (FFY 2011 Grant):	\$ 20,350,360
Total Set-Aside uses:	\$ 160,451,863
Loans and Grants:	
Loans - Closed	\$ 665,475,580
Loans - Binding Commitments	\$ 205,338,420
ARRA Loans - Closed	\$ 62,835,144
ARRA Loans - Binding Commitments	\$ 11,834,856
Principal forgiveness - Closed	\$ 23,076,337
Principal forgiveness - Binding Commitments	\$ 22,316,462
ARRA Principal forgiveness - Closed	\$ 86,349,639
ARRA Principal forgiveness - Binding Commitments	\$ 21,815,018
Principal Payments, 'match bond'	\$ 20,183,089
Interest Payments, 'match bond'	\$ 29,298,748
Projected Commitments (FFY 2011 Grant):	\$ 51,474,440
Projected Commitments from 9/1/11 - 8/31/12:	\$ 9,325,000
Total Uses:	\$ 1,369,774,596
Net Sources (Uses)	\$ 211,426,136

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Perpetuity Model

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED ANNUAL CASH FLOW COVERAGE
AS OF AUGUST 31, 2011**

**Operational Minimum DSC: 1.10
Lowest Total DSC: 0.19**

Fiscal Year	Funds On Hand Restricted To Debt Service & Year End Balance	Loan Receipts 9/1 - 5/31 (2) Interest	Projected Loan Receipts (3) Interest
2012 (1)	\$28,664,379	\$7,954,147	
2013	30,224,796	7,706,804	\$43,364
2014	31,468,765	7,319,406	85,076
2015	32,222,141	6,904,702	125,129
2016	32,455,119	6,459,394	163,518
2017	32,137,642	5,996,796	193,614
2018	31,231,191	5,521,027	185,541
2019	29,688,906	5,014,994	177,435
2020	27,460,129	4,472,987	169,297
2021	24,677,791	3,913,953	161,125
2022	21,700,377	3,348,820	152,919
2023	17,996,565	2,792,622	144,680
2024	13,578,749	2,267,847	136,407
2025	8,495,293	1,747,188	128,098
2026	3,957,131	1,252,644	119,755
2027	451,781	935,809	111,377
2028		666,407	102,963
2029		532,882	94,513
2030		423,635	86,027
2031		315,449	77,505
2032		242,425	68,945
2033	391,847	169,485	60,348
2034	683,481	95,707	52,646
2035	879,101	41,128	45,838
2036	1,001,626	30,954	39,924
2037	1,093,204	16,178	34,904
2038	1,152,135	7,849	30,637
2039	1,190,620		26,331
2040	1,216,951		21,986
2041	1,238,937		17,603
2042	1,256,540		13,181
2043	1,269,721		8,718
2044	1,278,439		5,161
2045	1,283,600		2,517
2046	1,286,117		794
2047	1,286,910		
		\$76,151,233	\$2,887,875

**TEXAS WATER DEVELOPMENT BOARD
 DRINKING WATER STATE REVOLVING FUND
 PROJECTED ANNUAL CASH FLOW COVERAGE
 AS OF AUGUST 31, 2011**

Projected Investment Income (4)	Total Existing Match Bond Debt Service (5)	Total Debt Service Coverage (6)
\$34,613	\$8,258,034	4.44
	8,248,851	4.60
	8,301,215	4.68
	8,341,876	4.71
	8,375,514	4.67
	8,416,223	4.55
	8,444,029	4.37
	8,483,192	4.11
	8,350,757	3.84
	7,837,040	3.67
	7,861,183	3.21
	7,887,005	2.65
	7,907,908	2.02
	6,743,834	1.54
	5,125,203	1.04
	4,297,433	0.35
	3,294,077	0.23
	3,289,691	0.19
	2,607,714	0.20
	972,068	0.40

\$133,042,847

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED ANNUAL CASH FLOW COVERAGE
AS OF AUGUST 31, 2011**

Balance	Loan Receipts 6/1 - 8/31		Balance	Total Loan Receipts From Current and Projected Loans
	Interest			Principal
\$28,395,104	\$1,829,692		\$30,224,796	\$28,676,258
29,726,112	1,742,653		31,468,765	34,534,598
30,572,032	1,650,110		32,222,141	38,490,492
30,910,096	1,545,023		32,455,119	43,718,224
30,702,517	1,435,125		32,137,642	46,292,622
29,911,829	1,319,362		31,231,191	49,144,281
28,493,730	1,195,177		29,688,906	50,058,353
26,398,144	1,061,986		27,460,129	51,886,459
23,751,656	926,135		24,677,791	51,947,598
20,915,829	784,548		21,700,377	50,066,769
17,340,933	655,633		17,996,565	49,297,975
13,046,862	531,886		13,578,749	47,995,214
8,075,094	420,199		8,495,293	47,163,488
3,626,745	330,387		3,957,131	46,138,796
204,328	247,453		451,781	38,740,139
(2,798,466)	182,811		(2,615,655)	36,774,517
(2,524,707)	150,542		(2,374,165)	30,792,641
(2,662,296)	132,380		(2,529,916)	27,834,385
(2,098,052)	115,757		(1,982,295)	27,647,871
(579,115)	98,448		(480,667)	26,464,394
311,370	80,477		391,847	25,779,953
621,679	61,802		683,481	22,658,353
831,833	47,268		879,101	19,079,859
966,066	35,560		1,001,626	13,690,470
1,072,504	20,700		1,093,204	8,773,187
1,144,286	7,849		1,152,135	5,410,410
1,190,620			1,190,620	5,334,677
1,216,951			1,216,951	4,331,983
1,238,937			1,238,937	3,875,328
1,256,540			1,256,540	3,843,711
1,269,721			1,269,721	3,848,133
1,278,439			1,278,439	3,056,007
1,283,600			1,283,600	2,262,975
1,286,117			1,286,117	1,469,030
1,286,910			1,286,910	674,164
1,286,910			1,286,910	
	\$16,608,960			\$947,753,315

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED SOURCES OF REVENUES
AS OF AUGUST 31, 2011**

Fiscal Year	Loan Receipts	Loan Receipts
	9/1 - 5/31 Principal	9/1 - 5/31 Interest
2012 (1)	\$21,732,069	\$7,954,147
2013	23,921,927	7,706,804
2014	23,995,747	7,319,406
2015	24,726,747	6,904,702
2016	23,211,747	6,459,394
2017	22,532,747	5,996,796
2018	23,111,747	5,521,027
2019	24,751,747	5,014,994
2020	24,972,747	4,472,987
2021	24,160,747	3,913,953
2022	24,136,747	3,348,820
2023	23,248,747	2,792,622
2024	22,976,747	2,267,847
2025	21,771,747	1,747,188
2026	15,332,747	1,252,644
2027	15,041,747	935,809
2028	9,705,996	666,407
2029	6,709,000	532,882
2030	6,526,000	423,635
2031	5,316,000	315,449
2032	4,610,000	242,425
2033	4,567,000	169,485
2034	4,217,000	95,707
2035	1,967,000	41,128
2036	1,853,000	30,954
2037	1,580,000	16,178
2038	1,500,000	7,849
2039	497,000	
2040	36,000	
2041		
2042		
2043		
2044		
2045		
2046		
2047		
	\$408,710,450	\$76,151,233

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED ANNUAL CASH FLOW COVERAGE
AS OF AUGUST 31, 2011**

Income to be Used Within the Same Fiscal Year

Projected Loan Receipts (7) Principal	Projected Loan Receipts (7) Interest	Projected Investment Income (8)
		\$34,613
\$3,827,422	\$43,364	
7,656,496	85,076	
11,487,228	125,129	
15,319,626	163,518	
18,569,285	193,614	
18,577,357	185,541	
18,585,463	177,435	
18,593,602	169,297	
18,601,773	161,125	
18,609,979	152,919	
18,618,218	144,680	
18,626,492	136,407	
18,634,800	128,098	
18,643,143	119,755	
18,651,521	111,377	
18,659,935	102,963	
18,668,385	94,513	
18,676,871	86,027	
18,685,394	77,505	
18,693,953	68,945	
15,628,353	60,348	
12,561,859	52,646	
9,494,470	45,838	
6,426,187	39,924	
3,826,410	34,904	
3,830,677	30,637	
3,834,983	26,331	
3,839,328	21,986	
3,843,711	17,603	
3,848,133	13,181	
3,056,007	8,718	
2,262,975	5,161	
1,469,030	2,517	
674,164	794	
\$410,983,231	\$2,887,875	\$34,613

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED ANNUAL CASH FLOW COVERAGE
AS OF AUGUST 31, 2011**

Total Projected Interest Income to Pay Debt Service	Loan Receipts 6/1 - 8/31 Principal	Loan Receipts 6/1 - 8/31 Interest
\$7,988,759	\$6,944,189	\$1,829,692
7,750,167	6,785,249	1,742,653
7,404,482	6,838,249	1,650,110
7,029,831	7,504,249	1,545,023
6,622,912	7,761,249	1,435,125
6,190,410	8,042,249	1,319,362
5,706,568	8,369,249	1,195,177
5,192,429	8,549,249	1,061,986
4,642,284	8,381,249	926,135
4,075,077	7,304,249	784,548
3,501,739	6,551,249	655,633
2,937,302	6,128,249	531,886
2,404,253	5,560,249	420,199
1,875,286	5,732,249	330,387
1,372,399	4,764,249	247,453
1,047,186	3,081,249	182,811
769,370	2,426,710	150,542
627,396	2,457,000	132,380
509,662	2,445,000	115,757
392,954	2,463,000	98,448
311,370	2,476,000	80,477
229,833	2,463,000	61,802
148,352	2,301,000	47,268
86,965	2,229,000	35,560
70,878	494,000	20,700
51,082	4,000	7,849
38,485	4,000	
26,331		
21,986		
17,603		
13,181		
8,718		
5,161		
2,517		
794		
\$79,073,721	\$128,059,634	\$16,608,960

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
DEBT SERVICE ON OUTSTANDING BONDS
AS OF AUGUST 31, 2011**

Fiscal Year	State Match Fixed Rate Bonds		Total Debt Service
	Principal	Interest	
2012 (1)	\$4,037,229	\$4,220,805	\$8,258,034
2013	4,218,677	4,030,174	8,248,851
2014	4,433,414	3,867,801	8,301,215
2015	4,651,490	3,690,386	8,341,876
2016	4,878,751	3,496,763	8,375,514
2017	5,129,691	3,286,532	8,416,223
2018	5,384,174	3,059,855	8,444,029
2019	5,667,411	2,815,781	8,483,192
2020	5,798,398	2,552,359	8,350,757
2021	5,558,816	2,278,224	7,837,040
2022	5,846,735	2,014,448	7,861,183
2023	6,154,030	1,732,975	7,887,005
2024	6,476,149	1,431,759	7,907,908
2025	5,632,948	1,110,886	6,743,834
2026	4,290,155	835,048	5,125,203
2027	3,672,587	624,846	4,297,433
2028	2,845,405	448,672	3,294,077
2029	2,978,560	311,131	3,289,691
2030	2,442,378	165,336	2,607,714
2031	924,742	47,326	972,068
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	\$91,021,740	\$42,021,107	\$133,042,847

FOOTNOTES:

- (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) Represents projected repayments from (a) \$217,173,276 in Board commitments which include \$103,275,000 in Mainstream and \$113,898,276 in Disadvantaged loan commitments, and (b) \$193,809,955 in excess funds available.
- (8) Assumes investment income on fund balances at 0.03% for 8 months.

Appendix B DWSRF SFY 2011 Projects

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DWSRF Grant and IUP Project Cycles for SFY 2011

SFY 2010 IUP Projects* invited & committed, October 21, 2009 - August 31, 2010 →-----

FY 2010 Appropriation's Law (P.L.111-88) Signed, October 30, 2009

SFY 2011 IUP Projects solicited, October 9, 2009 - January 8, 2010

Draft SFY 2011 IUP published, July 15, 2010

Applied for FY 2010 capitalization grant, July 15, 2010

Final SFY 2011 IUP, September 15, 2010

|SFY 2011 IUP Projects invited & committed, September 1, 2010 - August 31, 2011

SFY 2010 cap grant awarded for SFY 2011 IUP, September 27, 2010

SFY 2012 IUP Projects solicited, December 1, 2010 – March 1, 2011

Applied for 2011 cap grant, March 24, 2011

President signed FY 2011 (P.L.112-10), April 15, 2011

Draft SFY 2012 IUP, June 22, 2011

** SFY 2012 IUP final, October 20, 2011

|SFY 2012 Projects →-----



< State Fiscal Year 2010

><

State Fiscal Year 2011

><

SFY 2012

*Due to Congressional appropriations in 2009, TWDB was required to rescind the SRF rules and republish new rules and draft and implement policies in order to accommodate new grant conditions based on the annual appropriation's law. Based on the changes to the law, SFY 2010 projects could not be funded from the FFY 2010 capitalization grant and as a result loans were made from program repayments. Once new rules and corresponding policies were in place to accommodate additional subsidy and green projects, the FFY 2010 capitalization grant was used to projects on the SFY 2011 IUP.

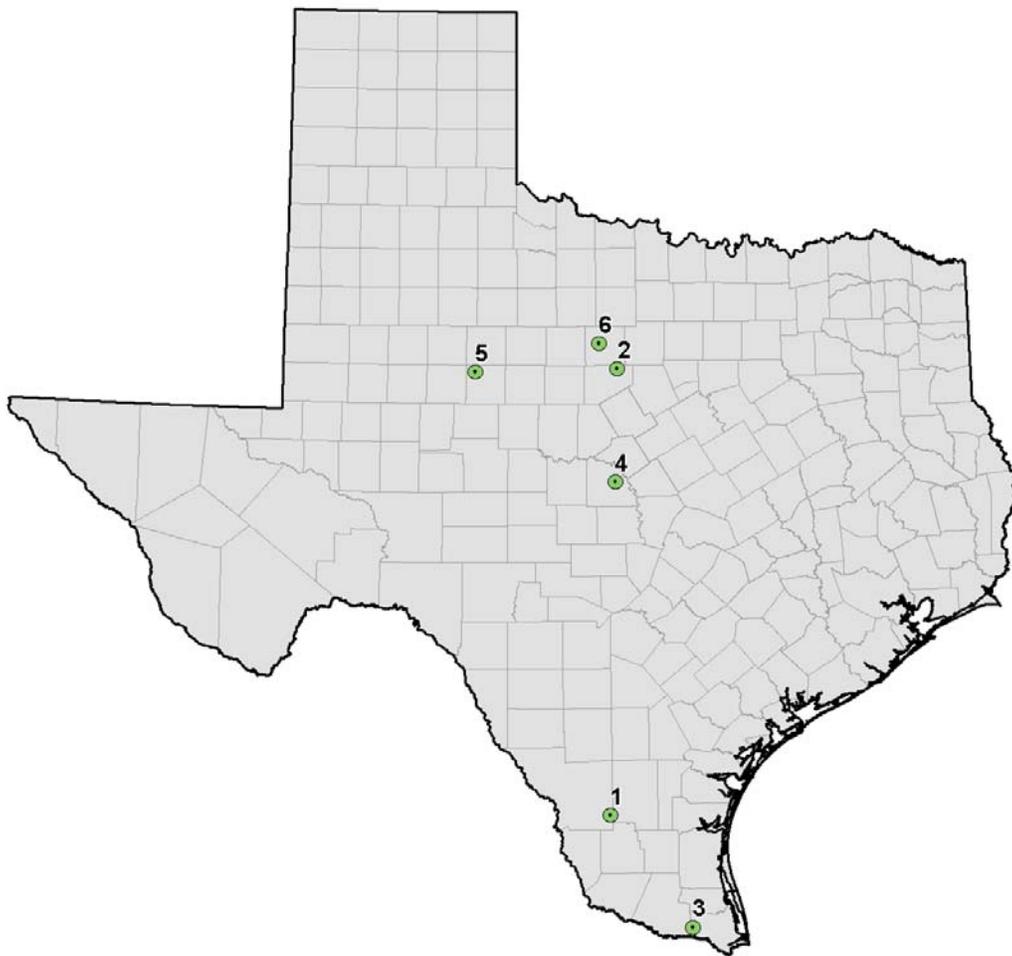
**The FFY 2011 cap grant will be used for the SFY 2012 IUP projects and is expected to be awarded during fall 2011.

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DWSRF MAP LEGEND for Loans Committed in SFY 2011			
Label	Applicant	Project Title	County
1	Bruni Rural WSC	Arsenic Removal System	Webb
2	Eastland Co WSD	New Water Treatment Plant	Eastland
3	La Feria	Water System Improvements	Cameron
4	North San Saba WSC	Transmission Line Design	San Saba
5	Roscoe	Reverse Osmosis WTP	Nolan
6	Stephens Regional Special Utility District	WTP & Transmission Lines	Eastland, Palo Pinto, Shackelford, Stephens, Throckmorton, Young

(*Does not include construction funding for City of Del Rio as planning was closed in 2009.)

DWSRF Projects Committed in SFY 2011



DWSRF SFY 2011 BASE PROGRAM NARRATIVE DESCRIPTIONS

Stephens Regional Special Utility District <i>Water Treatment Plant and Transmission Lines</i>			
County	Stephens	Project #	21655
Commitment Amount	\$5,800,000 / Disadvantaged (70%)	Commitment Date	1/20/2011
Status	Pre-Construction	Map Location	6

Description: Construct a surface water treatment plant near the City of Breckenridge and water lines to connect four of the District's pressure planes. The District currently purchases treated water from Breckenridge through a contract that will expire in 2012. The District has entered into a raw water purchase agreement with the Brazos River Authority to buy water from Possum Kingdom Reservoir. They will build a membrane SWTP, with microfiltration followed by reverse osmosis. Line work will include 3,000 feet of 12-inch, 17,000 feet of 10-inch, and 45,000 feet of 8-inch diameter pipe; with pump station improvements.

Eastland Co. WSD <i>New Water Treatment Plant</i>			
County	Eastland	Project #	61928
Commitment Amount	\$11,650,000 / Disadvantaged (70%)	Commitment Date	3/17/2011
Status	Pre-Construction	Map Location	2

Description: Replace or rehabilitate the District's aging raw water pump station, raw water transmission line, and water treatment plant. Constructed in 1952 and expanded in 1992 with the addition of a third train, the facilities have a nominal capacity of 6.0 MGD. The older facilities are deteriorated, processes antiquated, and the plant has problems with high TOC and THM levels. Plant improvements will include new chemical feed systems, improved coagulation facilities, filter upgrades, and solids handling systems. The pump station at Lake Leon and transmission line to the plant on RR 2461 will be evaluated and deficient components partially or completely replaced. The District provides treated wholesale water to the Cities of Ranger and Eastland; and through these to the City of Carbon and the Staff, Morton Valley, Olden and Westbound WSCs.

City of La Feria <i>Water System Improvements</i>			
County	Cameron	Project #	62502
Commitment Amount	\$7,167,700 / Disadvantaged (100%)	Commitment Date	5/4/2011
Status	Pre-Construction	Map Location	3

Description: The project includes water treatment plant improvements, distribution system improvements, and an upgrade to comply with the disinfection byproducts rule. Improvements to the WTP also include electrical motor controls and installation of a SCADA system. Distribution improvements include extending water lines to provide first time service to disadvantaged areas, replacing residential water meters, and

implementing an automated meter reading and leak detection system to improve efficiency and reduce water loss and replacing asbestos cement water lines.

City of Roscoe <i>Reverse Osmosis Water Treatment Plant</i>			
County	Nolan	Project #	62503
Commitment Amount	\$1,765,000 / Disadvantaged (100%)	Commitment Date	5/4/2011
Status	Pre-Construction	Map Location	5

Description: The project includes a reverse osmosis groundwater treatment system to treat high levels of nitrates along with distribution system improvements including line replacement and the installation of a SCADA system. Facilities will include a building to house the treatment unit and the means to route the waste stream to the wastewater collection system.

Bruni Rural WSC <i>Arsenic Removal System</i>			
County	Webb	Project #	62505
Commitment Amount	\$375,000 / Disadvantaged (70%)	Commitment Date	5/4/2011
Status	Pre-Construction	Map Location	1

Description: The applicant is proposing to install an arsenic removal system on the existing public water supply. The project includes a metal building to house the media adsorption treatment system as well as a pre-treatment unit to reduce the pH of the raw water. Backwash will be discharged to the wastewater collection system.

North San Saba WSC <i>Transmission Line Design</i>			
County	San Saba	Project #	62509
Commitment Amount	\$310,000	Commitment Date	6/22/2011
Status	Active	Map Location	4

Description: Planning and design of improvements to correct deficiencies in the North San Saba Water Supply Corporation's (WSC) aging water system. The system needs a pump station and 6.5 miles of 8-inch diameter transmission line to take water purchased through the WSC's existing interconnection with the City of San Saba north to the WSC's standpipe on FM 500. The WSC currently purchases two-thirds of its water from the City. Transported water will be blended with water from the WSC's two wells which are high in radionuclides, gross alpha, and chlorides. The WSC also plans to replace several miles of undersized and leaking water line and a number of inoperable valves.

SFY 2011 Disadvantaged Projects

Entity	Project #
Bruni Water Supply Corporation	62505
Eastland County Water Supply District	61928
Stephens Regional Special Utility District	21655
City of Roscoe	62503
City of La Feria	62502

Legend and Map of the DWSRF SFY 2011 Closed Loans

DWSRF MAP LEGEND for Loans Closed in SFY 2011			
Label	Applicant	Project Title	County
1	East Tawakoni	Water Line Replacement	Rains
2	Lamar Co Water Supply District	Roxton Transmission Main	Lamar
3	Red River Co Water Supply Corporation	New Well & Transmission Lines	Red River
4	Stephens Regional Special Utility District	WTP & Transmission Lines	Eastland, Palo Pinto, Shackelford, Stephens, Throckmorton, Young

DWSRF Projects Closed in SFY 2011



Project Construction Starts				
Date of Loan	Recipient	Project No.	Loan Amount	Construction Start Date
9/18/2008	Beechwood WSC	61428	\$1,610,000	2/17/2011
6/12/2009	Bright Star-Salem SUD	61315	\$5,930,000	11/8/2010
6/27/2008	Coleman	61406	\$5,910,000	1/17/2011
10/5/2009	Edgewood	61513	\$835,000	7/8/2011
3/6/2009	Hidalgo Co MUD # 1	61424	\$5,605,000	7/25/2011
9/25/2007	Lake Livingston WSSSC	61337	\$17,500,000	3/21/2011
5/4/2009	Mexia	61435	\$4,500,000	10/28/2010
8/20/2007	Pharr	61107	\$13,310,000	10/4/2010
3/12/2008	Possum Kingdom WSC	61257	\$1,625,000	11/23/2010
1/18/2008	Seis Lagos UD	61370	\$1,350,000	5/23/2011
6/21/2007	Sonora	61318	\$3,000,000	5/20/2011
12/29/2009	South Houston	61559	\$2,010,000	9/27/2010
10/23/2009	Tyler County WSC	61377	\$2,125,000	12/20/2010
Total	n=13		\$65,310,000	

Project Construction Completions / Initiation of Operations				
Date of Loan	Recipient	Project No.	Loan Amount	Project Completion Date
10/13/2005	Alpine	61162	\$4,860,000	9/30/2010
1/22/2010	Altoga WSC	61917	\$1,060,000	2/11/2011
2/2/2010	Burnet	62167	\$977,545	3/31/2011
2/1/2002	Eagle Pass	60813	\$38,110,000	11/30/2010
3/11/2009	Eastland	61480	\$2,385,000	6/22/2011
2/24/2009	Groesbeck	61425	\$2,150,000	6/15/2011
12/30/2009	La Feria	62389	\$880,000	4/14/2011
12/23/2009	Lohn WSC	61522	\$969,740	1/31/2011
12/9/2009	Mount Vernon	62235	\$2,255,000	8/24/2011
12/23/2009	Post	61644	\$1,470,163	3/21/2011
7/24/2007	Winters	61336	\$1,680,000	4/5/2011
5/28/2008	Woodsboro	61273	\$525,000	8/24/2011
Total	n=12		\$57,322,448	

Method of Cash Draw for SFY 2011

The Drinking Water State Revolving Fund is not a leveraged Program in Texas. The Method of Cash Draw is "All Projects." The construction funds are drawn down at a 80/20 federal to state ratio.

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American Recovery and Reinvestment Act SFY 2011 Project Status Update

USE OF FUNDS

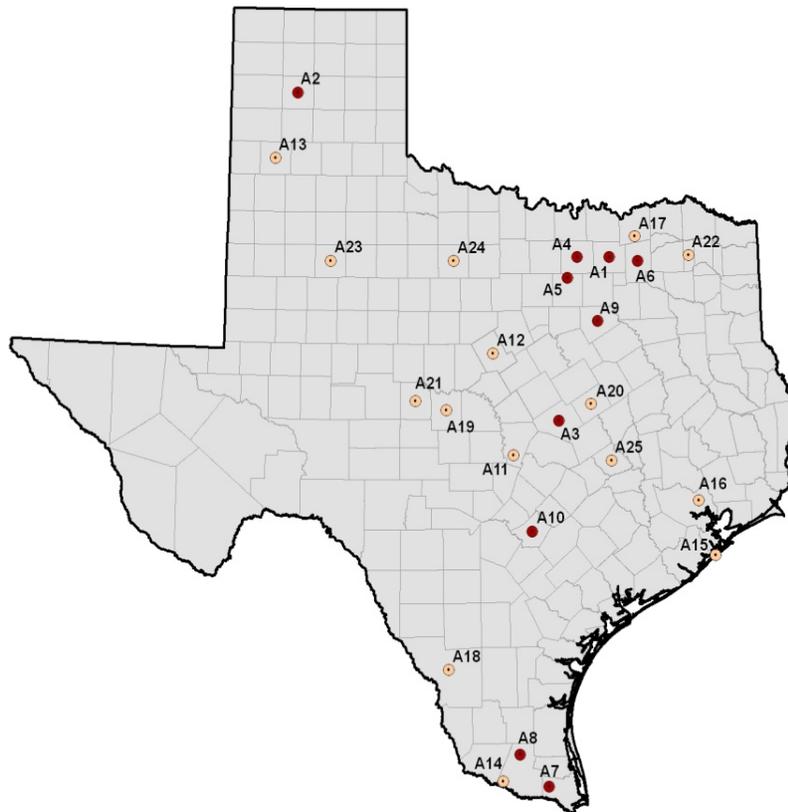
The American Recovery and Reinvestment Act (ARRA) program was required to have all construction work under contract no later than February 15, 2010. As of the end of September 2011, less than 19 months later, over 73% of the 109 ARRA construction contracts had reached 95% completion or greater. Forty-seven contracts, valued at \$51.2 million, were complete and an additional 33 contracts valued at \$80.0 million were between 95% and 99% complete. Only nine construction contracts were less than 74% complete. (These statistics are for both the DWSRF and CWSRF program.)

As TWDB moves into the latter stages of the ARRA program implementation, our attention is drawn to proper project closeout, compilation of lessons learned, and appropriate assistance to ensure timely project completion. Projects funded include elevated and ground storage tanks, water system improvements (leak detection, line replacement, pump stations, and wells), distribution monitoring, wind and solar projects and a large reclaimed water project. These ARRA funded projects have brought a wide range of sorely needed infrastructure assistance.

The TWDB hosts dedicated ARRA webpages reflecting current status of all projects, monthly reports, expenditure amounts, and rolling job creation numbers. Despite numerous reviews by EPA Region 6, EPA Office of Inspector General, EPA Headquarters (with associated contractors), Government Accountability Office, Texas State Auditors Office, Texas Governor's Office, and our own contracted Fraud, Waste, and Abuse reviews by the firm of Grant Thornton, LLC, the TWDB has not experienced any major audit findings or program management issues. The ARRA Team is proud to have been cited during many of these reviews for various 'best practices' including the thorough, professional, and innovative oversight of the ARRA funded projects.

The following sections provide the status of the projects that received loans and grants from ARRA, a description of the project being funded, and also the set-aside funds utilized to manage the ARRA initiatives. During SFY 2010, 10 zero interest loans totaling \$46,030,460 and 15 grants totaling \$108,199,300 were funded for DWSRF projects through the ARRA funds. In SFY2011, \$100,073,925 was disbursed to ARRA projects and ARRA provisional projects (Amarillo and Central Texas WSC); by August 31, 201, seven projects had been completed. The map shows the location of all ARRA funded projects, with loans in red and grants in orange.

Locations of ARRA DWSRF Projects



Loan Assistance

The following information itemizes the entities and projects that received loans from the ARRA funding:

Altoga Water Supply Corporation <i>Water System Upgrade</i>			
County	Collin	Project #	61917
Initial ARRA Funding Amount	\$1,060,000 Loan	Commitment Date	11/19/2009
Status	Complete	Map Location	A1

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 5/10/11. The final ARRA disbursement to support this project was \$1,059,999.96 with the remaining balance transferred to the Drinking Water Provisional Project – Amarillo.

Description: Altoga Water Supply Corporation (WSC), located in the City of Princeton, Collin County, is constructing water system improvements to their existing system including the construction of a new 52,000 gallon ground storage tank (GST); a new 10,000 gallon pressure tank; two (2) new 600 gallon per minute booster pumps; a new pumping station with variable frequency drives (VFDs); disinfection system and office; a new office building; replacement of approximately 11,365 linear feet (l.f.) of 4-inch water line with 8-inch C-900 PVC water line with appurtenances; purchasing and installing radio meters; and extending the existing Supervisory Control and Data Acquisition System. The system serves 216 residential customers.

The project incorporated GPR components in the amount of \$200,250. The approved components consist of high efficiency pumps and motors, variable frequency drives, photovoltaic arrays and a wind turbine system at the pump station as well as a radio read meter transmitter system for the water distribution lines.

Amarillo <i>Osage Water Treatment Plant Pump Station</i>			
County	Potter and Randall Counties	Project #	61609
Initial ARRA Funding Amount	\$2,575,016 Loan	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A2

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 92% complete) with an estimated completion date of 10/13/2012. This project is one of two DW Provisional Projects funded with ARRA funds and base state revolving funds. Amarillo has, and will continue to receive additional ARRA funds, replacing 2010 SRF base funds, as completed ARRA projects with unused funds close. The total project costs are estimated at \$18,075,000, which currently includes \$2,609,389.34 in ARRA funds. ARRA funds disbursed to support this project to date are \$2,609,389.34.

Description: The City of Amarillo (City) is replacing an existing pump station with a new combined high service and transfer pump station. The project includes a new combined high service and transfer pump station located on top of a new deep wet well, six new vertical turbine pumps with variable frequency drives (VFDs), a new electrical building, a valve vault, a meter vault, two new standby electrical power generators, and yard piping ranging from 3/8 inch to 66- inches in diameter. The existing high service pump station is over 40 years old and has an overall low efficiency rating. The new combined high service and transfer pump station will be a functional replacement of equipment including an upgrade of existing facilities on the same site. The project is expected to increase the electrical efficiency by use of new pumps and motors by at least 20%. The EPA has determined that the six vertical turbine pumps and three VFD's qualify as a green project in the estimated amount of \$4,775,000. The City is located in the Potter and Randall Counties in the Texas Panhandle. The City has an estimated population of 187,609.

Central Texas Water Supply Corporation <i>New Water Treatment Plant, Leak Detect System, Pumps</i>			
County	Bell, Burnet, Coryell, Falls, Milam, Williamson Counties	Project #	61763
Initial ARRA Funding Amount	\$9,195,444 Loan	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A3

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 94% complete) with an estimated completion date of 2/25/2012. This project is one of two Drinking Water Provisional Projects funded with ARRA funds and base state revolving funds. Central Texas WSC has, and will continue to receive additional ARRA funds, replacing 2010 SRF base funds, as completed ARRA projects with unused funds close. The total project costs are estimated at \$22,340,000, which currently includes \$9,200,703.85 in ARRA funds. ARRA funds disbursed to support this project to date are \$9,200,703.85.

Description: The Central Texas Water Supply Corporation (WSC) is using the ARRA funds to complete the following projects: (1) construct a 3 million gallon per day (mgd) surface water treatment plant (WTP) with 300,000 gallon equalization water storage tank; (2) construct on an existing Brazos River Authority (BRA) intake structure two 4 mgd raw water pumps, raw water intake screens, an electrical building, and related improvements; (3) construct a 1,000,000 gallon treated water clearwell water storage tank; (4) construct a three-pump high service pump station (HSPS); (5) construct 4,000 linear feet (l.f.) of 18-inch water line, 12,665 l.f. of 30-inch water line, and 35,300 l.f. of 24-inch water line; (6) construct a 600,000 gallon elevated storage tank (EST); and (7) purchase and install automated leak detection equipment. The WSC is a wholesale provider of water to 16 contracting entities. To meet the demands of 13 of those customers, the WSC will make improvements to their water system which will address the issues of inadequate water supply and inadequate water quality.

The project will allow the WSC to provide a consistent quality of water that meets the rules of the Safe Drinking Water Act (SDWA). The WSC will purchase and install leak detection equipment to improve water efficiency of its approximately 30-year old water transmission system. The WSC submitted three projects for the ARRA Intended Use Plan (IUP) consisting of IUP No.'s 61763, 61764 and 62353. All three have been consolidated for this loan commitment and contain project components that are considered green projects by the EPA. The green components include solar power, high efficiency pumps, energy efficient HVAC, and variable frequency drive for pumps. The WSC is located approximately 70 miles north of Austin. The WSC serves a population of approximately 28,224 persons. The WSC's water system has 16 wholesale customers, and they anticipate adding 2 additional customers.

Denton County FWSD No. 1A <i>High Efficiency Pump and Storage Facility</i>			
County	Denton	Project #	62414
ARRA Funding Amount	\$3,335,000 Loan	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A4

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 1/28/2012. The ARRA funds disbursed to date to support this project are \$3,105,000.

Description: The Denton County Fresh Water Supply District No. 1A (District) needs to make system improvements in order to be compliant with TCEQ standards with regard to storage and pumping capacities. To meet these standards, the District is constructing a one million gallon ground storage tank. The District will also expand the system pumping capacity while improving motor efficiency and making electrical improvements.

The EPA has determined that \$165,000 of the project is eligible for Green Project Reserve funding. These components include high efficiency pumps, motors and variable frequency drives which are supported by a business case.

The District is located in Southeast Denton County within the greater North Central Texas Dallas-Ft. Worth area. The District's population of 6,424 is based on the 2000 Census. The District provides water and wastewater services to 1,846 customers.

Fort Worth <i>Reclaimed Water Project</i>			
County	Tarrant	Project #	62400
ARRA Funding Amount	\$16,265,000 Loan	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A5

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 65% complete) with an estimated completion date of 1/6/2012. The ARRA funds disbursed to date to support this project are \$12,540,000.

Description: The State Water Plan includes strategies to reuse wastewater effluent in order to decrease the demand on existing raw water supplies. The City of Fort Worth

(City) is building the first stages of the future Village Creek Reclaimed Water System. This project will construct a 14 million gallon a day pump station at the Village Creek Wastewater Treatment Plant to deliver effluent to the Dallas-Fort Worth (DFW) airport and the City of Euless via a 9.5 mile pipeline. The primary customers are the City of Euless and the DFW airport; however, there are customers along the entire route. The project will also construct a two (2) mile pipeline to provide effluent to customers in the City of Arlington. The EPA has determined that the entire project is eligible for the green project reserve. This includes all construction and engineering costs, which total to \$15,859,783, are eligible for Green Project Reserve funding. The City is located at the intersection of Interstate Highways 20 and 35. The City has an estimated population of 702,850 and provides service to approximately 217,500 water connections and 208,408 wastewater connections.

Greenville			
<i>Solar Powered Epilimnetic Machines</i>			
County	Hunt	Project #	62357
ARRA Funding Amount	\$305,000 Loan	Commitment Date	10/15/2009
Status	Complete	Map Location	A6

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 10/22/10. The final ARRA disbursement to support this project was \$305,000.

Description: The City of Greenville (City) has been experiencing taste and odor problems in the its drinking water due to algae blooms in the City's 188 acre drinking water reservoir. To alleviate these problems, the City installed six (6) solar powered mixing machines to circulate water from the bottom of the reservoir to its surface to prevent algae blooms. The EPA has determined that this is a categorically "Green" project. The City is located in Hunt County along IH 30. The City is approximately 50 miles east of Dallas. The City's population of 23,960 is based on the 2000 Census. The City provides water and wastewater services to 7,727 and 7,519 customers, respectively.

La Feria			
<i>Water Treatment Plant Filter Replacement</i>			
County	Cameron	Project #	62389
ARRA Funding Amount	\$880,000 Loan	Commitment Date	11/19/2009
Status	Construction Complete	Map Location	A7

Status as of 8/31/2011: Construction and final inspection have been completed. Awaiting final accounting to close the project. The ARRA disbursement to support this project was \$880,000.

Description: The City of La Feria requested \$880,000 through the ARRA-DWSRF program for the replacement of an existing 2.0 million gallons per day (mgd) single media filter with a new 2.0 mgd multi-media filter. The existing equipment used by the filtration process will be replaced with new, more energy efficient equipment. The EPA has determined that the proposed energy efficient pump & motor, worth approximately

\$22,000, is categorically “Green”. The City is located in Cameron County along US 83, approximately 26 miles east of McAllen. La Feria’s population of 6,115 is based on the 2000 Census. The City provides water and wastewater services to 2,016 and 1,811 customers, respectively.

Mission			
<i>Water Treatment Plant Expansion</i>			
County	Hidalgo	Project #	61740
ARRA Funding Amount	\$8,285,000 Loan	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A8

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 90% complete) with an estimated completion date of 3/30/2012. The ARRA funds disbursed to date to support this project are \$5,670,000.

Description: The City of Mission will take trains one and two of the downtown water treatment plant out of service. Old age, leakage, and the inability to meet enhanced surface water treatment rule requirements make this necessary. Production will be reduced by 3.1 million gallons daily (mgd). The main project is to replace the lost production and provide some additional capacity to accommodate the growth of the city. Components of the north water treatment plant will be expanded, replaced, and upgraded to provide an additional 6.0 mgd of capacity. This will expand the City’s total capacity from 20 mgd to 22.9 mgd. The EPA has determined that variable frequency drives and leak detection equipment totaling \$36,118 are approved as categorically “Green” and are included in the GPR. The City is located in Hidalgo County along the US/Mexico border. Mission is approximately 7 miles west of McAllen. Mission’s population of 45,508 is based on the 2000 Census. The City provides water and wastewater services to 23,673 and 21,299 customers, respectively.

Mountain Peak			
<i>Production Site Wind Turbines</i>			
County	Ellis and Johnson Counties	Project #	62393
Initial ARRA Funding Amount	\$1,000,000 Loan	Commitment Date	10/15/2009
Status	Complete	Map Location	A9

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 12/17/2010. The final ARRA disbursement to support this project was \$995,000. The unused surplus funds were added to the ARRA funds for the DW Provisional Project-Central Texas WSC.

Description: The Mountain Peak Special Utility District (District) will install either one (1) wind turbine generator (WTG) of 100 kilowatt electrical power capacity or two (2) WTG of 50 kilowatt electrical power capacity each at its Plant 1 water well site. It is anticipated that all electrical power (kW) and energy (kWHrs) will be utilized within Plant

No.1 premises. In conjunction with the above, a Supervisory Control and Data Acquisition (SCADA) system will be installed to integrate the wind turbine generator(s) electrical power output into the Plant 1 electrical system and optimize electrical power and energy use at the Plant 1 site. Additionally, the SCADA system will also help with electrical power and energy use management of the District's other seven production and treatment facilities. The EPA has determined that the entire project is a categorically "Green" project. The District currently provides water service to 3,267 customers. The District serves a population of 8,112 persons. The District serves a rural area located approximately 20 miles southwest of downtown Dallas along U.S. Hwy 67 between the cities of Midlothian, Maypearl, and Venus.

Springs Hill <i>Water System Improvements</i>			
County	Guadalupe and Wilson Counties	Project #	61644
ARRA Funding Amount	\$3,130,000 Loan	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A10

Status as of 8/31/2011: Construction is estimated to be 99% complete. The project is anticipated to be complete by 1/28/2012. The ARRA funds disbursed to date to support this project are \$3,048,000.

Description: The Springs Hill Water Supply Corporation (WSC) is experiencing system low pressures and production capacity deficiencies. The project will increase the capacity of the water treatment plant from 1 to 2 million gallons per day; replace 19,500 linear feet of failing asbestos cement lines, and convert non-essential plant components to solar power. The EPA has determined that the solar panels for the water treatment plant, with an estimated cost of \$117,400, are a categorically "Green" project. The WSC is located in Guadalupe County in the City of Seguin. The WSC provides water service to approximately 6,818 customers.

Disadvantaged Communities Grants

The following information itemizes the entities and projects that received grants from the ARRA funding:

Burnet <i>Replace Steel Water lines</i>			
County	Burnet	Project #	62167
ARRA Funding Amount	\$977,545 Grant	Commitment Date	11/19/2009
Status	Complete	Map Location	A11

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 8/11/11. The ARRA disbursement to support this project was \$977,545.

Description: City of Burnet's (City) project will relocate water lines and bores along the United States 281 and State Highway 29 in the city. The project was originally designed as part of a larger joint City and Texas Department of Transportation (TxDOT) project that involved the rehabilitation of pavement on the highways. The TxDOT project is being postponed and the City is now performing the project independently in order to remove future conflicts with the TxDOT project. The City is located approximately 60 miles northwest of Austin, Texas on State Highway 29. The City provides service to approximately 1,788 water customers and 1,642 wastewater customers.

Comanche <i>Distribution System Replacement</i>			
County	Comanche	Project #	62367
ARRA Funding Amount	\$1,502,360 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A12

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 1/28/2012. The ARRA funds disbursed to date to support this project are \$1,393,343.61.

Description: The City of Comanche (City) is constructing water distribution system improvements. The project will replace water lines that the City has determined to be either very old, deteriorated and contributing to significant water loss or small in diameter that serve areas that have experienced low system pressures. The City will replace approximately 10,900 linear feet of old 10-inch, 8-inch and 3-inch water line with new 10-inch and 8-inch C-900 PVC water line. The City is located approximately 110 miles west of Waco. The City's 2009 population estimate is 4,482 persons. The City has 1,827 water and 1,746 wastewater connections as of 2008.

Dimmitt <i>New Well, Supervisory Control and Data Acquisition System, Pump Station and Line</i>			
County	Castro	Project #	62010
ARRA Funding Amount	\$5,565,000 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A13

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 94% complete) with an estimated completion date of 1/27/2012. The ARRA funds disbursed to date to support this project are \$4,927,382.55.

Description: The City of Dimmitt (City) has a water system dating from the 1920s, and it depends on groundwater sources. No surface water is available. According to the engineering report, the current wells that are in operation are at maximum capacity and exhaust the possibility of increasing capacity from existing wells. This, along with fairly constant water demand, creates water needs of 1,137 acre-feet in 2030. To meet these needs new wells are being developed for the Ogallala Aquifer. The system itself is in a state of decay, the water distribution lines within the City are in need of replacement due to leakages and breaks. Pressure residuals are below 35 pounds per square inch as required by the TCEQ. The City has identified needs in the areas of transmission,

volume, storage, communications, and pressure maintenance within its existing water distribution system. The project includes two (2) new wells south of the existing primary well field and approximately 3.5 miles of 18-inch transmission pipeline from the wells to the existing South Ground Storage Tank; a pump station with two 2,000 gallon per minute pumps; and approximately 14,000 linear feet (l.f.) of 16-inch transmission line from the existing 16-inch transmission line to the west side pressure plane; a Supervisory Control and Data Acquisition system to regulate and monitor all the system; rehabilitation of three existing above ground storage tanks; and the replacement of approximately 1,600 l.f. of 14-inch, 15,000 l.f. of 10-inch and 16,750 l.f. of 6-inch water lines. The City is located along the State Highway 385 in Castro County. With a population of 4,375, the City provides water and wastewater services to 1,464 customers.

Elsa <i>Water System Rehabilitation</i>			
County	Hidalgo	Project #	61772
ARRA Funding Amount	\$4,361,000 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A14

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 88% complete) with an estimated completion date of 3/30/2012. The ARRA funds disbursed to date to support this project are \$3,819,121.67.

Description: The City of Elsa's (City's) water system was inspected in April 2009. The TCEQ noted numerous violations. Rehabilitation of the water system will include improvements to the treatment plant components including clarifiers, filters, pumps, ground storage tanks, and an elevated storage tank. The water distribution system will replace approximately 21,000 feet of line and other system appurtenances. The current treatment limit is 1.872 million gallons daily and no change will be made to the capacity at this time. The City is located in Hidalgo County 5 miles East of U.S. Highway 281. The City provides water service to approximately 1,741 water connections.

Galveston <i>Water Line, Storage Tank, PS Valves</i>			
County	Galveston	Project #	61752
ARRA Funding Amount	\$17,160,000 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A15

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 84% complete) with an estimated completion date of 4/28/2012. The ARRA funds disbursed to date to support this project are \$13,354,905.50.

Description: The City of Galveston's (City) water distribution system currently has insufficient capacity to serve the west end of Galveston Island. The City has been cited by the TCEQ for both insufficient storage and pressure. The City has entered into an agreed order with the TCEQ that requires the City to meet the minimum total capacity of 0.6 gallons per minute per connection requirement, and a minimum elevated storage capacity of 100 gallons per connection, among other conditions. The City submitted five

ARRA DWSRF projects to alleviate their capacity problems. These projects consist of the following:

- 1.) IUP No. 61752 Pressure Sustaining Valves Project - The project includes a 16-inch pressure sustaining valve installed on Jones Rd. and a 10-inch pressure sustaining valve installed on Seawall Blvd. near 81st St. These valves are necessary to maintain the water volume and pressure for the west end of Galveston.
- 2.) IUP No. 61753 16-inch Water Line Project- The project consists of approximately 8,393 linear feet of 16-inch water line to supplement the existing 16-inch water line and to serve the west end of Galveston. This line will feed the Jamaica Beach elevated storage tank (EST).
- 3.) IUP No. 61755 Isla del Sol EST– This project consists of a new 2.0 million gallon a day (mgd) elevated storage tank and a disinfection system.
- 4.) IUP No. 61756 White Sands EST– The project is a rehabilitation of the White Sands EST, which sustained Hurricane Ike damage. Improvements include: a new PVC coated fence, inside and outside tank coating, and drainage pipe supports.
- 5.) IUP No. 61757 Jamaica Beach EST and pump station- This project consists of a new 2.0 mgd elevated storage tank, disinfection system and pumping station.

All of the ARRA DWSRF IUP's have been consolidated into IUP No. 61752. The City is located approximately 50 miles south of Houston on State Highway 87. The City provides water service to approximately 25,409 water connections and approximately 21,909 wastewater connections.

Harris County WCID No. 36 <i>Water Line Replacement</i>			
County	Harris	Project #	61960
ARRA Funding Amount	\$7,150,000 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A16

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 82% complete) with an estimated completion date of 3/14/2012. The ARRA funds disbursed to date to support this project are \$5,102,254.86.

Description: The Harris County Water Control and Improvement District No. 36 (District) was created in 1943. The water distribution system has been in services for over 60 years. The distribution system's 6-inch and 8-inch water lines are predominantly cast or ductile iron pipe with some asbestos-cement pipe. Smaller 2-inch lines are cast iron pipe with no visible interior or exterior coating. The combination of age, ground chemistry and ground movement has resulted in a line failure rate that the District has determined to be unacceptable due to safety, reliability and economical concerns. The current improvements are a continuation of the District's ongoing efforts to replace aging and deteriorated water system infrastructure, thereby reducing the number of service interruptions and the potential for system contamination during line breaks. The District is located approximately 12 miles east of downtown Houston at the intersection

of Interstate Highway 10 and the Sam Houston Tollway. The District serves a population of approximately 9,427, providing water service to approximately 3,258 water connections and 2,623 wastewater connections.

Honey Grove <i>New Deep Water Well</i>			
County	Fannin	Project #	61847
ARRA Funding Amount	\$857,850 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A17

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 1/28/2012. The ARRA funds disbursed to date to support this project are \$790,362.

Description: The City of Honey Grove (City) is constructing a new deep water well and associated water line. The City's existing water supply is provided by two wells that draw from the Woodbine Aquifer. Both of the wells are over 40 years old and have recently required emergency repairs to seal holes that developed in the well casings. This is due to the corrosive conditions of the water supply combined with the wells age and has resulted in temporary reductions of up to 65 percent in the City's water supply. The project will provide a safe and reliable water supply for the City and minimize the adverse impact of any future emergency repairs to the water supply system. The City is located approximately 90 miles northeast of Dallas along State Highway 34 in Fannin County. The City's population of 1,746 is based on the 2000 Census. The City provides water and wastewater services to 758 and 699 customers, respectively.

Laredo <i>Water Capital Improvements</i>			
County	Webb	Project #	61651
ARRA Funding Amount	\$48,196,000 Grant	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A18

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 64% complete) with an estimated completion date of 10/30/2012. The ARRA funds disbursed to date to support this project are \$34,850,636.23.

Description: The City of Laredo's (City) water system is in need of substantial renovation and upgrades. As part of their Water Master Plan, the City has determined that the Lower Plant portion of their Jefferson Street water treatment plant has reached the end of its useful life. To ensure a sufficient quality and quantity of water is supplied to residents, the City has decided to abandon the Lower Plant (10 Million Gallons per Day (mgd) capacity) and expand the Upper Plant (from 50 to 65 mgd capacity). In addition, the City will rehabilitate two booster pump stations and replace approximately 68,855 linear feet of deteriorated water line. The work for the projects consists of five construction contracts. The City is located approximately 150 miles south of San Antonio along the United States border with Mexico. The City serves a population of 226,862. The City currently provides service to 52,577 water and 50,437 wastewater customers.

Lohn Water Supply Corporation <i>Line Storage</i>			
County	McCullough	Project #	61522
Initial ARRA Funding Amount	\$970,000 Grant	Commitment Date	11/19/2009
Status	Complete	Map Location	A19

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 5/5/11. The final ARRA disbursement to support this project was \$969,740.15. The unused, surplus funds were transferred to the ARRA funds available for the DW Provisional Project-Central Texas WSC.

Description: The Lohn Water Supply Corporation (WSC) is making improvements to its water system which include pumping, storage, approximately 12.5 miles of 2-inch to 5-inch diameter water distribution lines, new residential meters, and Supervisory Control and Data Acquisition (SCADA) system in order to address issues with pressure, service, and water loss within the system. The WSC is located along the Farm to Market 504 in McCulloch County. With a population of 163 as of 2000, the WSC provides water services to 62 customers.

Marlin <i>Elevated Storage Tank, Distribution Lines</i>			
County	Falls	Project #	61970
ARRA Funding Amount	\$4,000,000 Grant	Commitment Date	12/17/2009
Status	Under Construction	Map Location	A20

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 96% complete) with an estimated completion date of 1/28/2012. The ARRA funds disbursed to date to support this project are \$3,815,086.60.

Description: The City of Marlin (City) is using the ARRA funding to continue improvements within their existing water storage and distribution facilities. The improvements include a new 500,000 gallon elevated storage tank, approximately 6 miles of 6 through 18-inch replacement water mains, and Supervisory Control and Data Acquisition system improvements to address issues with pressure, service, and water loss within the system. The City is located approximately 30 miles southeast of Waco along State Hwy 6. The City serves a population of approximately 6,628. The City currently provides service to 2,606 water and wastewater customers.

Millersview-Doole Water Supply Corporation <i>New Surface Water and Groundwater Plants, Well Improvements, Solar Panels</i>			
County	Concho, McCulloch, Runnels, and Tom Green Counties	Project #	61930
ARRA Funding Amount	\$10,895,000 Grant	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A21

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 98% complete) with an estimated completion date of 2/28/2012. The ARRA funds disbursed to date to support this project are \$10,065,102.70.

Description: The Millersview-Doole Water Supply Corporation (WSC) is currently under a TCEQ enforcement action due to exceeding the regulatory standards for radionuclides within their current water supply. The WSC is also experiencing interruptions in service due to issues ranging from electrical supply, equipment failures, line breaks, and storage capacity. The improvements scheduled to be completed under the funds will provide adequate quantity and quality of water to the WSC's existing customers and customers awaiting service. The WSC is constructing the following projects:

Project 61930 – The construction of a 1.5 million gallons per day membrane and reverse osmosis water treatment plant; raw water storage pond, brine evaporation ponds. Other improvements include the construction of an in-line booster pump station; installation of over 40 miles of water distribution pipelines; and the installation of supervisory control and data acquisition system. Project 62372 – The installation of a solar panel at remote pump stations; remote read residential water meters; and new, more energy efficient well pump and electrical service at their well site #2. The WSC is located in Concho County and serves customers in Concho, McCulloch, Runnels and Tom Green Counties. The Corporation provides water service to approximately 1,425 customers.

Mount Vernon <i>Water Line Replacement</i>			
County	Franklin	Project #	62235
ARRA Funding Amount	\$2,255,000 Grant	Commitment Date	11/19/2009
Status	Construction Complete	Map Location	A22

Status as of 8/31/2011: Construction and final inspection have been completed. Awaiting final accounting to close the project. The ARRA disbursement, to date, to support this project is \$2,061,886.47.

Description: The City of Mount Vernon's (City) aging downtown distribution system has exceeded its design life and has become a maintenance problem. The City's booster pumps at the water treatment plant (WTP) have also exceeded their design life and are in need of replacement. Therefore the City is updating the high service pump station at the WTP and replacing approximately 50,000 linear feet of distribution line. The City is located approximately 100 miles northeast of downtown Dallas along U.S. Interstate Highway 30. The City currently provides service to 1,240 water and 1,111 wastewater customers. The City serves a population of 2,573.

Post <i>New Ground Storage Tanks</i>			
County	Garza	Project #	61644
Initial ARRA Funding Amount	\$1,504,545 Grant	Commitment Date	10/15/2009
Status	Complete	Map Location	A23

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 6/9/11. The final ARRA disbursement to support this project was \$1,470,162.70. The unused, surplus funds were transferred to the ARRA loan for the DW Provisional Project-Amarillo.

Description: The City of Post (City) serves as a regional supplier to the nearby communities of Cedar Hill, Caprock and Slaton. Due to noted pressure and disinfection problems, the City is constructing pump station improvements, replacing 21,750 linear feet of transmission lines, as well as making improvements to the systems valves. The City serves a rural area located approximately 50 miles southeast of Lubbock along U.S. Hwy 84. The City serves a population of approximately 3,780. The City currently provides service to 1,438 water and 1,258 wastewater customers.

Shackelford Water Supply Corporation <i>Distribution System Expansion</i>			
County	Shackelford and Throckmorton Counties	Project #	61894
ARRA Funding Amount	\$2,355,000 Grant	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A24

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 1/29/2012. The ARRA funds disbursed to date to support this project are \$2,300,336.73.

Description: The Shackelford Water Supply Corporation (WSC) is constructing water distribution system improvements that include construction of approximately 62 miles of new 2- inch through 8-inch PVC water lines, construction of a new 250,000 gallon single pedestal elevated storage tank, and installation of new valves, meters, Supervisory Control and Data Acquisition system, and appurtenances. These improvements are needed to improve water service to existing customers and to provide service to areas without adequate water supplies. The WSC serves a rural area located approximately 50 miles northeast of Abilene along U.S. Hwy 180. The WSC serves a population of 2,000. The WSC currently provides water service to 822 customers.

Somerville <i>Electronic Flow Monitoring</i>			
County	Burleson	Project #	62410
ARRA Funding Amount	\$450,000 Grant	Commitment Date	10/15/2009
Status	Complete	Map Location	A25

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 12/13/2010. The final ARRA disbursement to support this project was \$450,000.

Description: The City of Somerville (City) is installing leak detection equipment to locate water leakage within the distribution system and installing approximately 900 new water meters equipped with automatic meter reading (AMR) equipment to correct inaccurate water metering. The project is intended to reduce the City water system's unaccounted

water loss and thereby increase its overall efficiency. The leak detection equipment will identify water distribution system losses resulting from leaking pipes and connections. The installation of accurate meters equipped with an AMR register will allow for the accurate measurement of water consumed by the customer and will allow the storage of up to 90 days of water use records. The aggressive use of these two flow monitoring techniques should allow the unaccounted for water loss to be reduced to below ten percent (10%). The EPA has determined that this project is a categorically "Green" project. The City serves a rural area located approximately 75 miles east of Austin along State Hwy 36. The City serves a population of 2,200. The City currently provides service to 730 water and 651 wastewater customers.

ARRA Set-Aside Activity Status

Federal regulations allow States to set aside capitalization grant funds for purposes other than loans to water systems. The TWDB set-aside is 4% for administration of the ARRA program. It is estimated that the last construction contract will be completed in May of 2012 and there will be final close out and other related activity continuing through the end of that year. TCEQ did not request set-aside funding for their evaluation of potential projects from ARRA funds, as all Drinking Water projects had been evaluated as base program applicants.

The total 4% TWDB ARRA administrative set-aside for the DWSRF was \$ **6,426,240**. The balance remaining in the administrative set-aside is \$3,089,189, [Table 3 B.]

Project Benefits Reporting Summaries

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DWSRF Project Management System - Loan List Report for the Period: 9/2010 - 8/2011

Borrower	Loan Number	Loan Amount	Loan Execution Date
East Tawakoni	61743	1,000,000	10/21/2010
Lamar Co. WSD	61524	1,385,000	12/16/2010
Red River Co WSC	61515	1,250,000	06/17/2011
Stephens Regional SUD	21655	1,740,000	04/28/2011
Stephens Regional SUD	21655	4,060,000	04/28/2011

Total Loan Amount for the Period: (9/2010 - 8/2011) 9,435,000

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Texas Summary Report for Drinking Water Benefits

Loans

Projects

Borrowers

	Assistance Dollars	Numbers	Assistance Dollars	Principal Forgiveness	Numbers	Population	Numbers
Total	\$5,375,000	4	\$9,435,000	\$4,060,000	4	34,668	4
Assist Non-Compliant Systems to Achieve Compliance	\$5,375,000	4	\$9,435,000	\$4,060,000	4	34,668	4
Planning and Design Only							
Treatment	\$1,345,417	2	\$4,375,527	\$3,030,110	2	28,411	2
Transmission & Distribution	\$3,321,435	4	\$4,333,825	\$1,012,390	4	34,668	4
Source	\$112,500	1	\$112,500		1	5,400	1
Storage	\$287,500	1	\$287,500		1	5,400	1
Purchase of Systems							
Restructuring							
Land Acquisition	\$33,148	2	\$50,648	\$17,500	2	28,411	2
Other	\$275,000	1	\$275,000		1	5,400	1
Assistance to Disadvantaged Communities	\$4,375,000	3	\$8,435,000	\$4,060,000	4	33,811	3

Dates from 9/1/2010 thru 8/31/2011

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Appendix C DWSRF Grant Compliance

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Compliance with FFY 2010 Capitalization Grant Conditions

Texas has an operating agreement for its DWSRF program that was executed in 1999. The TWDB has agreed to follow the administrative and programmatic conditions in each of the DWSRF capitalization grant Assistance Agreements. In partnership with EPA, the TWDB adheres to all grant conditions that are finalized and attached to the individual grants. This year's conditions are based upon the FFY 2010 Appropriation. Each condition will be satisfied in the most appropriate and expeditious way that is suitable to EPA in a manner that complies with the governing statutes under Texas' jurisdiction. Each Assistance Agreement is reviewed by staff to make sure that the TWDB can comply with its terms and conditions. Any changes or corrections are given to EPA 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 that they progress as timely and expeditiously as possible to construction.

1. Timeliness [40 CFR Chapter 1, Subchapter B and 40 CFR Parts 31, 32, 34, and 35]

The TWDB has agreed to expeditiously initiate and timely complete the project work for which assistance has been awarded under the Assistance Agreement.

2. Recipient Standards [40 CFR Part 31]

The TWDB agreed to comply with all standard grant requirements and regulations regarding administration, property management, procurement and financial management as well as the records and facilities of its contractors and their subcontractors, all of which is subject to audit and inspection by the Comptroller General of the United States and the EPA in accordance with OMB Circulars A-87, A-102, A-110, and A-133. The TWDB's standards governing procurement comply with 40 CFR Part 31.36, Part 33 and OMB Circular A-102 and it will maintain a financial management system that meets the requirements of 40 CFR Part 31.20.

3. EPA-ACH Payment System

Cash draw-downs are made only as actually needed for disbursements. The TWDB will provide timely reporting of cash disbursements and balances

through the annual submission within 15 working days following the end of each calendar year of the Federal Cash Transactions Report (SF-272) and will impose the same standards of timing and reporting on secondary recipients.

4. Salary Limitations [40 CFR 31.36(j)(I)]

In accordance with 40 CFR 31.36(j)(I), the TWDB will limit the EPA's participation in the salary paid to individual consultants to the maximum hourly rate for a level four of the Executive Schedule, which is currently \$74.50 per hour (2010) and \$596.00 per day. This limit applies to consultation services of designated individuals with specialized skills who are paid at a daily or hourly rate.

5. Drug-Free Workplace Certification

The TWDB makes an ongoing, good faith effort to maintain a drug-free workplace pursuant to the requirements set forth in 40 CFR §§36.200 – 36.230. In accordance with these requirements, the TWDB has identified its workplaces; this information will be kept on file during the performance of the FFY 2011 capitalization grant award.

6. Prohibition on Funding from FY 2010 Appropriations

The TWDB has and will comply with the Congressional prohibition on using FY 2010 appropriations to provide funds to the Association of Community Organizations for Reform Now (ACORN) or any of its subsidiaries. None of the funds provided pursuant to the FY 2011 CWSRF Grant Assistance Amendment were used for subawards/subgrants or contracts to ACORN or its subsidiaries.

7. Hotel and Motel Fire Safety Act of 1990 [40 CFR §30.18]

The TWDB has agreed to ensure that all space used for conferences, meetings, conventions and training seminars funded in whole or in part with federal funds complies with the protection and control guidelines of the Act.

8. Lobbying and Litigation

The Executive Administrator of the TWDB has implemented procedures to ensure that no grant funds have been or are being used to engage in lobbying the Federal Government or in litigation against the United States. The TWDB shall ensure that no federal grant funds will be used for litigation against the

United States or for lobbying or other political activities in accordance with OMB Circular Nos. A-21, A-87 or A-122.

9. Anti-Lobbying Prohibition [40 CFR Part 34]

The TWDB has agreed to adhere to the prohibition of using project funds to lobby the Federal Government or in litigation against the United States. The Executive Administrator agrees to ensure that no grant funds awarded pursuant to this Assistance Agreement will be used to engage in lobbying the Federal Government or in litigation against the United States unless authorized under existing law. The TWDB shall abide by OMB Circular Nos. A-21, A087 or A-122, as applicable, which prohibits such use of federal funds as well as 40 CFR Part 34.

10. Management Fees

Management fees or similar charges in excess of the direct costs and approved indirect rates are not allowable and will not be used to improve or expand the project funded under this Agreement, except to the extent authorized as a direct cost or carrying out the scope of work.

11. Audit Rules [OMB Circular A-133]

In accordance with OMB Circular A-133, the TWDB agreed to obtain a single audit from an independent auditor if it expends more than \$500,000 in total Federal funds in FFY 2009. The TWDB will submit a copy of the SF-SAC and a Single Audit Report package within nine (9) months after the end of its fiscal year or 30 days after receiving the report from the auditor. The TWDB's complete Annual Financial Report (AFR) and the State's Comprehensive Annual Financial Report (CAFR) will be submitted upon receipt.

12. National Terms and Conditions for Subawards

The TWDB agreed to (1) establish all subaward agreements in writing; (2) maintain primary responsibility for ensuring the successful completion of the EPA-approved project; (3) ensure that any subawards comply with the standards set forth in §210(a)-(d) of OMB Circular A-133 and will not be used to acquire commercial goods or services for the TWDB; (4) ensure that any subawards are awarded to eligible subrecipients and that proposed subaward costs are necessary, reasonable, and allocable; (5) ensure that any subawards to §501(c)(4) organizations do not involve lobbying; (6) monitor the performance of its recipients to ensure that they comply with all applicable

statutes, regulations, and terms and condition which flow down to the subaward; (7) obtain the EPA's consent before making a subaward to a foreign or international organization, or a subaward to be performed in a foreign country; and (8) obtain approval from the EPA for any new subaward work that is not outlined in the approved work plan in accordance with 40 CFR Parts 30.25 and 31.30, as applicable.

13. Transaction Responsibilities [2 CFR Part 180, Subpart C and 2 CFR Part 1532]

The TWDB agreed to fully comply with 2 CFR Part 180, Subpart C relating to "Responsibilities of Participants regarding Transactions Doing Business with Other Persons", as implemented by the regulations set forth in 2 CFR Part 1532.

14. Trafficking Victims Protection Act [22 USC §7104(g)]

The TWDB agreed to inform the EPA immediately of any information received from any source that alleges a violation of §106(g) of the Trafficking Victims Protection Act of 2000, as amended. No recipient of Federal funds may engage in severe forms of trafficking in persons during the period of time that the award is in effect; nor may a recipient procure a commercial sex act during the period of time that the award is in effect or use forced labor in the performance of the award.

15. Utilization of Small, Minority and Women's Business Enterprises [40 CFR Part 33]

The TWDB has complied with and agrees to continue complying with the EPA program for Utilization of Disadvantaged Business Enterprises (DBE) in procurement under assistance agreement. The Table below represents the DBE activity in SFY 2011. TWDB submitted a completed Standard Form 5700-52A within 30 days after each federal fiscal year quarter in which sub-agreements were 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.

DWSRF FY 2011 MBE/WBE Procurement Activity						
		FY 2011 MBE Actual			FY 2011 WBE Actual	
Total 2011 Procurements	MBE Goals	Dollar Value	% of Procurement	WBE Goals	Dollar Value	% of Procurement
\$16,015,044		\$1,848,510	11.54%		\$3,522,171	21.99%
Construction	34.8%	\$1,447,335	9.04%	6.7%	\$1,636,900	10.22%
Supplies	9.7%	\$154,187	0.96%	5.2%	\$911,760	5.69%
Equipment	7.2%	-	0.00%	4.1%	\$590,000	3.68%
Services	16.1%	\$246,988	1.54%	21.3%	\$383,511	2.39%
	Overall DBE Procurements				33.54%	

16. Submission of Financial Status Report

The TWDB has agreed to submit a final Financial Status Report (SF-269) in accordance with 40 CFR §§31.41(b) and 31.50(b) within 90 days after the expiration of the budget period end date.

17. Recycle Uses EPA Order 1000.25 and Executive Order 13423

The TWDB has agreed to comply with the policies set forth in EPA Order 1000.25 and Executive Order 13423 (relating to Strengthening Federal Environmental, Energy and Transportation Management) dated January 24, 2007 and will use recycled paper and double-sided printing for all reports that are prepared as part of this Agreement and submitted to the EPA.

B. Programmatic Conditions

1. Federal Reporting Requirements: Additional Subsidization – 30 percent Requirement

In accordance with 40 CFR §§31.40, 35.3165 and 35.3570 and programmatic condition no. 32 in the EPA Capitalization Grant Assistance Amendment, the TWDB also agreed to provide information in its Annual Report on the compliance with the additional subsidies requirements.

In the EPA Grant Assistance Amendment, the EPA specified that the TWDB use at least 30 percent of the funds provided by the Capitalization Grant to provide additional subsidization in the form of principal forgiveness, negative interest rate loans or grants. The EPA further specified that priority for additional subsidies should be given to communities that could not otherwise afford the projects. Moreover, the

subsidies were to be directed to (a) repair, replace, and upgrade infrastructure in existing communities; (b) investigations, studies and plans that, once implemented, would improve the technical, financial and managerial capacities of the recipients; and (c) preliminary planning, alternatives assessment, and eligible capital projects that reflect the full life-cycle costs of infrastructure assets, the conservation of natural resources and alternative “green” approaches.

Given, the EPA guidance (above) and the mandate to give subsidies to projects in communities that could not otherwise afford such projects, we report that the following communities have received subsidies from the FFY 2010 capitalization grant:

- **Bruni Rural Water Supply Corporation** serves the disadvantaged community of Bruni, Texas, located in Webb County, with a population of approximately 420. This project is to install an arsenic removal system that will address the water quality compliance issues. The loan forgiveness of 70% will make this project feasible for a community that cannot otherwise afford to add the needed media adsorption treatment system to the water treatment. The TWDB committed to financing this project on May 5, 2011. The Corporation qualifies for a loan in the amount of **\$112,000** with the loan forgiveness component totaling **\$375,000**.
- **Eastland County Water Supply District** serves disadvantaged communities of approximately 10,000 in and around the cities of Ranger and Eastland, Texas, both of which are located in Eastland County. This project proposes to replace or rehabilitate the District's aging raw water pump station, raw water transmission line, and water treatment plant. Constructed in 1952 and expanded in 1992, the facilities have a nominal capacity of 6.0 MGD. The older facilities are deteriorated; the processes are antiquated, and the plant has problems with high TOC and THM levels. Plant improvements will include new chemical feed systems, improved coagulation facilities, filter upgrades, and solids handling systems. The pump station at Lake Leon and transmission line to the plant on RR 2461 will be evaluated and deficient components partially or completely replaced. The improvements in energy efficiency will qualify as “green”. The TWDB committed to financing the project on March 17, 2011. The District will qualify for 70% loan forgiveness, leaving a remaining loan component totaling **\$11,650,000**.
- **Stephens Regional Special Utility District** serves disadvantaged communities with populations totaling approximately 3,000 in Stephens

County near Breckenridge, Texas. This project will construct a surface water treatment plant near the City of Breckenridge and water lines to connect four of the District's pressure planes. The District currently purchases treated water from Breckenridge through a contract that will expire in 2012. The District has entered into a raw water purchase agreement with the Brazos River Authority to buy water from Possum Kingdom Reservoir. They will build a membrane SWTP, with microfiltration followed by reverse osmosis. The new lines will provide water efficiency by curtailing leaks. The TWDB committed to financing the project in January 20, 2011. The loan closed on April 28, 2011 for a total of **\$5,800,000** with a **\$1,740,000** loan component and 75% loan forgiveness totaling **\$4,060,000**.

- **Roscoe, Texas** is a disadvantaged community in Nolan County with a population of approximately 1,400. The project includes a reverse osmosis groundwater treatment system to treat high levels of nitrates along with distribution system improvements including line replacement and the installation of a Supervisory Control and Data Acquisition (SCADA) system. Facilities will include a building to house the treatment unit and the means to route the waste stream to the wastewater collection system. The new distribution system and SCADA will improve water efficiency. The TWDB committed to financing the project on May 4, 2011. The City qualifies for 100% loan forgiveness in the amount of **\$1,765,000**.
- **La Feria, Texas** is a disadvantaged community with a population of approximately 7,000 located in Cameron County, near the border of Mexico. This project proposes to install a solar power system at the City's water treatment plant to offset electrical costs. The WTP consumes about 345,000 KW hours of electricity per year. The TWDB committed to financing the project on May 4, 2011; the City qualifies for 100% loan forgiveness in the amount of **\$7,167,700**.

3. Green Infrastructure Projects

In accordance with 40 CFR §§31.40, 35.3165 and 35.3570 and programmatic condition no. 32 in the EPA Capitalization Grant Assistance Amendment, the TWDB has agreed to provide information in its Annual Report relating to compliance with the Green Project Reserve requirement. In recent years the federal appropriations law for the DWSRF added a requirement that not less than 20 percent of the federal funds made available for this program be used by the state to fund project components that are considered to be green as a part of a Green Project Reserve (GPR) project.

Green projects still must meet the general eligibility criteria for the DWSRF program. The GPR may fund planning, design, or construction components. Green project funding will be offered to entities that meet the green project guidelines identified by the EPA.

Commencing with the ARRA GPR requirement, the TWDB has solicited projects for the GPR since 2009. The SFY 2011 IUP reserved 20 percent of the capitalization grant for these projects. The TWDB has developed "Green Project Information Worksheets" in order to facilitate a uniform approach to providing business case information should it be required. Seven rounds of invitations have been sent to those projects identified as GPR in the Project Information Forms submitted for the SFY 2011 IUP. Of the 22 projects on the Green fundable list, only four have been determined to be green when all of the information was fully evaluated.

The TWDB is continuing to invite other possible green projects in SFY 2012 in order to reach the required 20 percent GPR. For the SFY 2011 DWSRF IUP, the minimum amount of funds for green projects is approximately **\$17,250,800**. The seven GPR projects with associated green budgets totaling \$14,650,000 as follows:

- Eastland County Water Supply District - an amount of **\$104,000** has been allocated for GPR for renewable energy source in solar panels on new WT plant building and water line replacement;
- Stephens Regional Special Utility District – an amount of **\$750,000** has been allocated for GPR for microfiltration pretreatment and high efficiency VFD pumps and motors;
- City of Roscoe – an amount of **\$464,000** has been allocated for GPR to replace and/or repair a leaking distribution system;
- City of La Feria – an amount of **\$2,212,000** has been allocated to GPR for AMR meters, leak detection equipment, and distribution line replacement;
- North San Saba Water Supply Corporation – an amount of **\$100,000** has been allocated for GPR to replace and repair transmission main and distribution lines;
- City of Burnet – an amount of **\$1,375,000** has been allocated for GPR to replace leaking distribution lines.
- City of Del Rio – an amount of **\$9,645,000** has been allocated for GPR for distribution line replacements.

4. Davis-Bacon Act Requirements

Under the FY 2010 appropriation for the DWSRF program, Congress has mandated that Davis-Bacon Act prevailing wage rate requirements apply to the construction, alteration and repair of treatment works carried out in whole or in part with DWSRF funds. The TWDB is implementing this mandate by (1) advising all DWSRF applicants of the need to comply with Davis-Bacon prevailing wage rate requirements during pre-application meetings prior to the submission of an application for financial assistance; (2) requiring in all TWDB resolutions making a binding commitment for a CWSRF loan that recipients comply with Davis-Bacon Act prevailing wage rate legislation; and (3) by ensuring that all loan closing ordinances, resolutions and/or loan (forgiveness) agreements contain a clause mandating compliance with Davis-Bacon Act requirements.

Project Engineering and Review (PERD) is a division of the Office of Construction of the TWDB responsible for the engineering and environmental assessment aspects of funding packages provided to applicants. Among other responsibilities, PERD project engineers are provide guidance to project owners on the Davis-Bacon Act requirements utilizing the TWDB Davis-Bacon (DBA) Guidance for CW & DW SRF Projects, DB-0156. PERD ensures receipt of the monthly DBA Certification of Compliance form when project owners submit the monthly Outlay Report, form DB-0154.

The Inspection and Field Support Services (IFSS) is another division of the Office of Construction Assistance of the Texas Water Development Board. IFSS's primary duty is to perform periodic field inspections of construction projects funded by the TWDB during the construction phase. Included in IFSS Field staff duties are verification that project owners follow the TWDB Davis-Bacon (DBA) Guidance for CW & DW SRF Projects, DB-0156, to comply with the DBA requirements on a quarterly inspection basis by verifying the following:

- Wage Determination and DBA poster WH-1321 are posted at each contract site;
- Weekly contractor(s) certified payrolls and certification submitted to the owner are current;
- Periodic on-site interviews have been conducted and documented by the owner using the Suggested Labor Standards Interview form, SF-1445; and,
- Owner's Monthly DBA Certificate of Compliance is submitted with the

monthly Outlay Report to the TWDB using form DB-0154 .

If a project is required to comply with the DBA, the IFSS preconstruction conference (PCC) report documents and confirms that the owner is aware that DBA compliance is required and compliance procedures are being followed. IFSS monthly inspection reports also serve to document compliance. Non compliance issues are noted in each monthly inspection report until issues have been resolved and confirmation is then noted in the subsequent inspection report.

- 5. Federal Regulatory Requirements.** The TWDB agreed to comply and has complied with the requirements outlined in 40 CFR Part 35, Subpart L (Drinking Water State Revolving Fund Interim Rule dated August 7, 2000).
- 6. Program Administration.** The TWDB has agreed to and has administered the DWSRF program in accordance with the Operating Agreement executed by and between the Texas Water Development Board and the EPA on or around January 6, 1999, the Application for Federal Assistance dated August 18, 2010, the Intended Use Plan, and the EPA-approved Set Aside Work Plan, which are incorporated by reference in the Assistance Agreement.
- 7. Grant Capitalization Payment.** The TWDB agreed and has received each grant capitalization payment in the form of an increase to the ceiling of funds available through either the Automated Clearing House (ACH) or the Automated Standard Application for Payments (ASAP) in accordance with the schedule specified in the Assistance Agreement. Changes will only be made to the schedule through an amendment to the grant agreement in accordance with 40 CFR §35.3560(a).
- 8. Cash Draw Rules.** The TWDB agreed to and has complied with the cash draw rules outlined in 40 CFR §§35.3560(c)-(g) and 35.3565 and the Guide to Using EPA's Automated Clearing House for the Drinking Water State Revolving Fund Program.
- 9. Schedule of Estimated Cash Draws.** The TWDB has provided a quarterly schedule of estimated cash draws to the EPA no later than September 30th of each fiscal year. The schedule has been and will be developed to conform with the procedures applicable to cash draws and shall be of sufficient detail to allow the EPA and the State to jointly develop and maintain a forecast of cash draws.

- 10. Equipment Purchases.** All equipment purchases under this grant, as well as the disposition of such equipment, are done in accordance with 40 CFR §31.32.
- 11. Biennial and Annual Reports.** The Biennial Report is due in even years beginning with November 30, 2000 and must satisfy the requirements of 40 CFR §35.3570(a). The Annual Report is due no later than November 30th of each year and must satisfy the requirements of 40 CFR §31.40(a). A combined report may be submitted annually in lieu of two separate reports. The TWDB agreed to and has complied with these reporting conditions through one Annual report.
- 12. Federal Cross-Cutters.** The TWDB agreed to and has ensured that all recipients of SRF funds directly made available by this grant will comply with the applicable Federal cross-cutting authorities specified in 40 CFR §35.3575. The TWDB has and will inform the EPA when consultation or coordination with other Federal agencies is necessary to resolve issues regarding compliance with cross-cutter requirements. All projects funded in this program are subject to the cross-cutters.
- 13. Accounting Systems.** The TWDB has established an accounting system and internal controls to ensure the proper recording and safeguarding of all DWSRF funds in accordance with generally accepted accounting principles (GAAP), as promulgated by the Government Accounting Standards Board (GASB). The TWDB maintains separate accounting records for the DWSRF Project Account and accounts related to set-aside activities in accordance with 40 CFR §35.3550(i).
- 14. Annual Performance Report.** The TWDB has agreed to and has reported annually on the indicators that measure the pace of the DWSRF program as part of its Biennial and Annual reports. The TWDB also agreed to and has provided complete and accurate data in a timely manner to the Drinking Water National Information Management System (DWNIMS) each year.
- 15. Set-Aside Workplans.** The TCEQ has developed set-aside workplans in accordance with 40 CFR §35.3540(c)(3) for each set aside activity to be performed by the Texas Commission on Environmental Quality (TCEQ). This work plan was approved by the EPA before cash draws are allowed for set-aside activities.
- 16. Quality Assurance Project Plan (QAPP).** If environmentally-related measurements of data generation are proposed, the TWDB has agreed to

submit a Quality Assurance Project Plan consistent with 40 CFR §31.45 to the EPA for review and approval.

17. Capacity Development Authority Report. The TWDB has agreed to submit within 30 days of the end of each Federal fiscal year a report documenting the status of the State's compliance with the requirements of the Capacity Development Authority and the Capacity Development Strategy Program.

18. Environmental Results. The TWDB agreed to provide in its Biennial and Annual Reports, or in its Annual Review, information regarding environmental results in the following areas: (1) achievement of the outputs and outcomes established in the Intended Use Plan and set-aside work plans; (2) the reasons for delays if established outputs or outcomes were not met; and (3) any additional pertinent information on environmental results.

19. The TWDB agreed that the cash draw proportionality for its DWSRF program cash draws from the ACH system will be applied in accordance with regulations governing cash draws, per 40 CFR 35.3560(g) of the DWSRF Interim Final Rule and the "Guide to using EPA's Automate Clearinghouse for the Drinking Water State Revolving Fund Program."

DWSRF Appendix D Disadvantaged Evaluation Process and Ranking Criteria Comparison

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	All Criteria Used to Rate DWSRF Projects	Current Points (FY11)	Proposed Points (FY12)
PWS Criteria	Microbiological Factors	$(TCV=s)+(ACV=s)+(TT)-1$	$[(TCV=s)+(ACV=s)+(TT)-1] \times 10$
	Chronic Chemical	Result/MCL	$(Result/MCL) \times 10$
	Acute Chemical	$(Result/MCL) \times 3$	$[(Result/MCL) \times 3] \times 10$
	Carcinogen	$(Result/MCL) \times 2$	$[(Result/MCL) \times 2] \times 10$
	Lead / Copper	$(\text{Greater of } (Pb90/0.015) \text{ or } (Cu90/1.3)) \times 2$	$[(\text{Greater of } (Pb90/0.015) \text{ or } (Cu90/1.3)) \times 2] \times 10$
	Filtration	12.00	120.0
	Population Factor		
	0-100	0.00	0.0
	101-1,000	1.00	10.0
	1,001-10,000	2.00	20.0
	10,001-100,000	3.00	30.0
	100,001+	4.00	40.0
	Secondary Compliance Factors	$(Result/MCL) \times 0.5$	$[(Result/MCL) \times 0.5] \times 10$
	Physical Deficiency Factor		
	Pressure <20 psi	1.00	10.0
	No disinfection	1.00	10.0
	Pressure >20 & <35 psi	0.20	2.0
	Other Secondary MCLs	0.20	2.0
Production <85%	0.25	2.5	
Storage <85%	0.25	2.5	
Water Loss >25%	0.25	2.5	
Consolidation Factor	$(\text{Sum of factors for all other entities}) \times 0.5$	$[(\text{Sum of factors for all other entities}) \times 0.5] \times 10$	
SWP Criteria	Groundwater System Vulnerability	6.00	60.0
	Surface Water System Vulnerability	6.00	60.0
	Best Management Practices	3.00	30.0
Effective Management Criteria – NEW	Compliance with GASB 34	N/A	0.0
	Asset mgmt. plan contains inventory of assets	N/A	0.5
	Asset mgmt. plan contains condition of assets	N/A	0.5
	Asset mgmt. plan contains prioritized projects	N/A	0.5
Effective Management Criteria – NEW	All Criteria Used to Rate DWSRF Projects	Current Points (FY11)	Proposed Points (FY12)
	Asset mgmt. plan contains budget	N/A	0.5
	Asset mgmt. plan contains public education plan	N/A	0.5
	Entity is planning to prepare an asset mgmt. plan	N/A	1.0
	Asset mgmt. training administered	N/A	0.5
	Project Addresses Goal in Water Conservation Plan	N/A	1.0
	Project Involves Use of Reclaimed Water	N/A	1.0
	Project Addresses Goal in Energy Efficiency Plan	N/A	1.0
	Project Consistent with a Water Plan	N/A	1.0
	Project Consistent with a Regional or Consolidation Plan	N/A	2.0
Disadvantaged / Affordability Factor	1.00	10.0	

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Appendix D. Disadvantaged Community Eligibility Criteria

TWDB staff determines Disadvantaged Community eligibility. A community is a disadvantaged community if it meets the criteria for a disadvantaged community presently or becomes a disadvantaged community as a result of a proposed project.

Eligibility Criteria – An eligible disadvantaged community consists of all of the following:

1. the service area of a political subdivision or the service area of a community that is located outside the political subdivision, and
2. has an adjusted median household income that is no more than 75% of the adjusted state median household income for the most recent year for which statistics are available, and
3. if the service area is not charged for sewer services, has a household cost factor for water rates that is greater than or equal to 1.0%; or, if the service area is charged for water and sewer services, has a combined household cost factor for water and sewer rates that is greater than or equal to 2.0%.

An eligible disadvantaged community may also include an owner of a community water system that is ordered by the TCEQ to provide service to a disadvantaged community, provided that the financial assistance is for the sole purpose of providing service to a disadvantaged community.

The TWDB may alter or add to these criteria to provide financial assistance to an entity that cannot otherwise afford a DWSRF loan.

Required Information – The criteria for determining eligibility for Disadvantaged Community funding consists of the adjusted annual median household income, household costs for water and sewer, and costs for the proposed project. There are two methods to determine the adjusted annual median household income.

a. Use the following formula:

$$\frac{(2000 \text{ Annual Median Household Income}) \times (7/09 \text{ Texas Consumer Price Index})}{(2000 \text{ Texas Consumer Price Index})}$$

OR

b. Use data from a survey approved by the Executive Administrator of a statistically acceptable sampling of customers in the service area completed in accordance with the most current TWDB in Socioeconomic Surveys Guidelines (WRD-285). The Socioeconomic Survey Guidelines are provided to the entity by TWDB staff during the solicitation process.

Other Required Information – Other required information is calculated as follows:

$$\begin{aligned}
 \text{Average Annual Water Bill} &= \frac{(\text{Avg. \# of persons/household}) \times (2,325 \text{ gallons/person/month})}{\text{x (Monthly water rate) x (12)}} \\
 \text{Average Annual Sewer Bill} &= \frac{(\text{Avg. \# of persons/household}) \times (1,279 \text{ gallons/person/month})}{\text{x (Monthly sewer rate) x (12)}} \\
 \text{Household Cost Factor} &= \frac{(\text{Average Annual Water Bill}) + (\text{Annual Loan Cost})}{(\text{Adjusted Median Household Income})} \\
 \text{Combined Household Cost Factor} &= \frac{(\text{Avg. Annual Water Bill}) + (\text{Avg. Annual Sewer Bill}) + (\text{Annual Loan Cost})}{(\text{Adjusted Median Household Income})}
 \end{aligned}$$

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

DWSRF Attachment A: SFY 2011 Annual Financial Report

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Texas Water Development Board

**DRINKING WATER
STATE REVOLVING FUND**

Annual Financial Report

For the Year Ended
August 31, 2011

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General Purpose Financial Statements:

- Exhibit I – Combined Statement of Net Assets
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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

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Drinking Water State Revolving Fund

Exhibit I - Combined Statement of Net Assets - Proprietary Funds

August 31, 2011

	Total Enterprise Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash Equivalents	\$ 5,695,756.68
Short Term Investments	181,512,645.39
Receivables from:	
Federal	2,295,965.96
Interest and Dividends	3,700,750.44
Loans and Contracts	28,676,258.00
Total Current Assets	221,881,376.47
Non-Current Assets:	
Loans and Contracts	507,958,825.60
Total Non-Current Assets	507,958,825.60
Total Assets	729,840,202.07
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts Payable	15,388.00
Interfund Payables	4,037,229.00
Due to Other Funds	665,779.30
Due to Other Agencies	2,190,374.54
Deferred Revenue	11,289,592.60
Total Current Liabilities	18,198,363.44
Non-Current Liabilities:	
Interfund Payable	86,984,511.00
Total Non-Current Liabilities	86,984,511.00
Total Liabilities	105,182,874.44
NET ASSETS	
Unrestricted	624,657,327.63
Total Net Assets	\$ 624,657,327.63

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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, 2011

	Total Enterprise Funds (Exhibit F-2)
OPERATING REVENUES:	
Interest and Investment Income	\$ 10,058,170.73
Net Increase (Decrease) Fair Market Value	120,792.69
Other Operating Revenue	1,052,335.71
Total Operating Revenues	11,231,299.13
OPERATING EXPENSES:	
Salaries and Wages	3,641,619.86
Payroll Related Costs	657,756.64
Professional Fees and Services	357,767.45
Travel	31,192.77
Materials and Supplies	16,496.99
Communication and Utilities	51,919.29
Repairs and Maintenance	35,264.11
Rentals and Leases	19,475.87
Printing and Reproduction	439.66
Interest	4,116,689.00
Other Operating Expenses	5,977.14
Total Operating Expenses	8,934,598.78
Operating Income (Loss)	2,296,700.35
NONOPERATING REVENUES (EXPENSES):	
Federal Revenue	140,941,893.25
Federal Grant Pass-Through Revenue (Expense)	(11,125,835.59)
Other Benefit Payments	(6,674,491.73)
Other Nonoperating Revenue (Expenses)	(50,443,278.42)
Total Nonoperating Revenue (Expenses)	72,698,287.51
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	74,994,987.86
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:	
Transfers In	3,837,234.00
Total Other Revenue, Expenses, Gain/Losses and Transfers	3,837,234.00
Change in Net Assets	78,832,221.86
Total Net Assets - Beginning	545,825,105.77
Total Net Assets, August 31, 2011	\$ 624,657,327.63

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Drinking Water State Revolving Fund

Exhibit III - Combined Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended August 31, 2011

	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to Suppliers for Goods and Services	\$ (492,102.15)
Payments to Employees for Salaries	(3,922,458.97)
Payments to Employees for Benefits	(704,139.41)
Payments to Employees for Other (Travel)	(36,759.46)
Payments for Other Expenses	(7,437.20)
Net Cash Provided by Operating Activities	(5,162,897.19)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Federal Grants	140,761,437.07
Proceeds from State Appropriations	3,837,234.00
Proceeds from Advances from Other Funds	8,809,896.00
Payments of Interest	(4,038,698.17)
Payments for Grant Disbursements	(57,117,770.15)
Payment for Federal Grant Pass-Through	(10,600,392.00)
Repayments of Advances from Other Funds	(4,951,545.00)
Net Cash Provided by Noncapital Financing Activities	76,700,161.75
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	185,031,855.82
Proceeds from Interest Income	367,817.06
Proceeds from Investment Income	9,320,565.31
Proceeds from Principal Payments on Non-Program Loans	50,613,760.00
Payments for Non-program Loans Provided	(148,312,896.27)
Payments to Acquire Investments	(181,667,692.89)
Net Cash Provided by Investing Activities	(84,646,590.97)
Net (Decrease) in Cash and Cash Equivalents	(13,109,326.41)
Cash and Cash Equivalents--September 1, 2010	18,805,083.09
Cash and Cash Equivalents--August 31, 2011	\$ 5,695,756.68

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Drinking Water State Revolving Fund

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

For the Fiscal Year Ended August 31, 2011

	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (8,829,135.24)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories:	
Classification Differences	3,436,757.63
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	
Increase (Decrease) in Payables	482,055.20
Increase (Decrease) in Due to Other Funds	(252,574.78)
Total Adjustments	<u>3,666,238.05</u>
Net Cash Provided by Operating Activities	<u>\$ (5,162,897.19)</u>
Non-Cash Transactions	
Net Increase (Decrease) in Fair Value of Investments	120,792.69

Notes
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Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

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

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***

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

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***

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

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

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 meet the definition above. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

Interfund Activities and Balances

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

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, 2011, the fair value of investments is as presented below.

Governmental and Business-Type Activities	Fair Value
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	55,420,494.60
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	126,092,150.79
Total	\$ 181,512,645.39

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, 2011, 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, 2011, the agency's credit quality distribution of securities and repurchase agreements with credit risk exposure was as follows.

UNAUDITED

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)	\$126,092,150.79	AA+

NOTE 3: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2011, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-10	Additions	Deductions	Balance 08-31-11	Amts Due within 1 year	Amounts due Thereafter
Notes and Loans Payable (Interfund)	\$87,163,389.00	\$8,809,896.00	\$4,951,545.00	\$91,021,740.00	\$4,037,229.00	\$86,984,511.00
Total Business-Type Activities	\$87,163,389.00	\$8,809,896.00	\$4,951,545.00	\$91,021,740.00	\$4,037,229.00	\$86,984,511.00

UNAUDITED

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
2012	\$4,037,229.00	\$4,220,805.16
2013	4,218,677.00	4,030,174.28
2014	4,433,414.00	3,867,801.10
2015	4,651,490.00	3,690,386.04
2016	4,878,751.00	3,496,763.36
2017-2021	27,538,490.00	13,992,749.80
2022-2026	28,400,017.00	7,125,116.22
2027-2031	12,863,672.00	1,597,311.48
Total Requirements	\$ 91,021,740.00	\$42,021,107.44

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, 2011 follows:

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Texas Water Development Board (580)

Interfund Receivables and Payables – Current			
Current Portion	Interfund Receivable	Interfund Payable	Purpose
ENTERPRISE (05)			
Appd Fund 0371, D23 Fund 0371			
Appd Fund 9999, D23 Fund 0951	\$4,037,229.00		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		\$4,037,229.00	Match Bonds
Total Interfund Receivable/Payable	\$4,037,229.00	\$4,037,229.00	

Interfund Receivables and Payables – Non-current			
Non-current Portion	Interfund Receivable	Interfund Payable	Purpose
ENTERPRISE (05)			
Appd Fund 0371, D23 Fund 0371			
Appd Fund 9999, D23 Fund 0951	\$86,984,511.00		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		\$86,984,511.00	Match Bonds
Total Interfund Receivable/Payable	\$86,984,511.00	\$86,984,511.00	

NOTE 5: Contingent Liabilities

Outstanding Loan and Grant Commitments

At August 31, 2011, 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:

	For Loans	For Grants	Total
Drinking Water State Revolving Fund (DWSRF)	\$215,763,276.36	\$35,976,480.31	\$251,739,756.67
Total Commitments	\$215,763,276.36	\$35,976,480.31	\$251,739,756.67

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, 2011.

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, 2011 the balance of these bonds owned by the Board was \$536,635,083.60. In general, the majority of these bonds pays 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 2042. 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, 2011, the amount of Federal Funds available through the Automated Standard Application for Payments that remain undrawn for the Drinking Water State Revolving Fund is \$255,499,315.05.

NOTE 8: Status of Available Administrative Funding

The Texas Water Development Board has been awarded grants for this program totaling \$1,066,878,350.00. The remaining administrative funding at August 31, 2011, relative to the 4% cap is \$3,104,301.33. During Fiscal Year 2011, \$5,162,897.19 was drawn against the administration portion of the grant to reimburse expenses incurred in General Revenue, while another \$105,591.42 was accrued as a receivable as of August 31, 2011.

Loans issued in Fiscal Year 2011 resulted in the collection of administrative cost recovery charges. The Texas Water Development Board has collected service charges totaling \$18,376,577.00 from DWSRF loan recipients. In Fiscal Year 2011, \$118,277.00, 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. Deposits of match funds have been made to the fund bringing the total match for federal reporting purposes to \$181,247,745.00. During Fiscal Year 2011, \$13,413,566.00 of state match bond proceeds were transferred.

Combining Statements

UNAUDITED

Drinking Water State Revolving Fund

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

August 31, 2011

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit I)
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$ 5,290,508.45		\$ 405,248.23		\$ 5,695,756.68
Short Term Investments	168,609,206.99		12,903,438.40		181,512,645.39
Receivables from:					
Federal	-	105,591.42		2,190,374.54	2,295,965.96
Interest and Dividends	3,689,718.94		11,031.50		3,700,750.44
Loans and Contracts	28,676,258.00				28,676,258.00
Total Current Assets	206,265,692.38	105,591.42	13,319,718.13	2,190,374.54	221,881,376.47
Non-Current Assets:					
Loans and Contracts	507,958,825.60				507,958,825.60
Total Non-Current Assets	507,958,825.60	-	-	-	507,958,825.60
Total Assets	714,224,517.98	105,591.42	13,319,718.13	2,190,374.54	729,840,202.07
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable		15,388.00			15,388.00
Interfund Payables	4,037,229.00				4,037,229.00
Due to Other Funds	575,575.88	90,203.42			665,779.30
Due to Other Agencies	-			2,190,374.54	2,190,374.54
Deferred Revenue			11,289,592.60		11,289,592.60
Total Current Liabilities	4,612,804.88	105,591.42	11,289,592.60	2,190,374.54	18,198,363.44
Non-Current Liabilities:					
Interfund Payables	86,984,511.00				86,984,511.00
Total Non-Current Liabilities	86,984,511.00	-	-	-	86,984,511.00
Total Liabilities	91,597,315.88	105,591.42	11,289,592.60	2,190,374.54	105,182,874.44
NET ASSETS					
Unrestricted	622,627,202.10	-	2,030,125.53	-	624,657,327.63
Total Net Assets	\$ 622,627,202.10	\$ -	\$ 2,030,125.53	\$ -	\$ 624,657,327.63

UNAUDITED

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, 2011

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit II)
OPERATING REVENUES:					
Interest and Investment Income	\$ 9,636,580.57		\$ 421,590.16		\$ 10,058,170.73
Net Increase (Decrease) Fair Market Value	112,337.20		8,455.49		120,792.69
Other Operating Revenue			1,052,335.71		1,052,335.71
Total Operating Revenues	9,748,917.77	-	1,482,381.36	-	11,231,299.13
OPERATING EXPENSES:					
Salaries and Wages	-	3,641,619.86	-	4,167,240.00	7,808,859.86
Payroll Related Costs	-	657,756.64	-	767,354.00	1,425,110.64
Professional Fees and Services	-	357,767.45	-	3,395,701.00	3,753,468.45
Travel	-	31,192.77	-	142,220.00	173,412.77
Materials and Supplies	-	16,496.99	-	60,401.00	76,897.99
Communication and Utilities	0.02	51,919.27	-	-	51,919.29
Repairs and Maintenance	-	35,264.11	-	-	35,264.11
Rentals and Leases	-	19,475.87	-	-	19,475.87
Printing and Reproduction	-	439.66	-	-	439.66
Interest	4,116,689.00	-	-	-	4,116,689.00
Other Operating Expenses	-	5,977.14	-	2,592,919.59	2,598,896.73
Total Operating Expenses	4,116,689.02	4,817,909.76	-	11,125,835.59	20,060,434.37
Operating Income (Loss)	5,632,228.75	(4,817,909.76)	1,482,381.36	(11,125,835.59)	(8,829,135.24)
NONOPERATING REVENUE (EXPENSES):					
Federal Revenue	124,998,147.90	4,817,909.76	-	11,125,835.59	140,941,893.25
Other Benefit Payments	(6,674,491.73)				(6,674,491.73)
Other Nonoperating Revenue (Expenses)	(50,443,278.42)				(50,443,278.42)
Total Nonoperating Revenue (Expenses)	67,880,377.75	4,817,909.76	-	11,125,835.59	83,824,123.10
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	73,512,606.50	-	1,482,381.36	-	74,994,987.86
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:					
Transfers In	3,837,234.00	-	-	-	3,837,234.00
Total Other Revenue, Expenses, Gain/Losses and Transfers	3,837,234.00	-	-	-	3,837,234.00
Change in Net Assets	77,349,840.50	-	1,482,381.36	-	78,832,221.86
Total Net Assets - Beginning	545,277,361.60	-	547,744.17	-	545,825,105.77
Total Net Assets, August 31, 2011	\$ 622,627,202.10	\$ -	\$ 2,030,125.53	\$ -	\$ 624,657,327.63

UNAUDITED

Drinking Water State Revolving Fund

Exhibit SA-2 - Combining Statement of Expenses - Set Aside Programs
For the Fiscal Year Ended August 31, 2011

	PWSS Program Administration	PWSS Enforcement	PWSS Homeland Security	Source Water Protection	Capacity Development	Inspection and Investigation	Technical Assistance	Laboratory Accreditation	Support Services	Totals (Exhibit F-2)
OPERATING EXPENSES:										
Salaries and Wages	\$ 199,300.00	\$ 108,355.00	\$ -	\$ 164,025.00	\$ 754,246.00	\$ 1,667,739.00	\$ -	\$ 145,841.00	\$ -	\$ 3,039,506.00
Payroll Related Costs	49,524.00	27,681.00	-	40,813.00	190,581.00	421,930.00	-	36,825.00	-	767,354.00
Professional Fees and Servi	915,889.00	-	72,788.00	419,978.00	819,358.00	18,630.00	1,137,058.00	12,000.00	-	3,395,701.00
Travel	42,636.00	98.00	1,541.00	-	57,069.00	34,272.00	6,604.00	-	-	142,220.00
Materials and Supplies	17,782.00	1,571.00	850.00	-	20,284.00	19,914.00	-	-	-	60,401.00
Other Operating Expenses	1,790,440.54	-	750.00	53,511.00	330,750.00	(61,031.95)	399,829.00	-	78,671.00	2,592,919.59
Indirect	77,102.00	35,478.00	-	60,582.00	275,820.00	631,553.00	-	47,199.00	-	1,127,734.00
Total Operating Expenses	\$ 3,092,673.54	\$ 173,183.00	\$ 75,929.00	\$ 738,909.00	\$ 2,448,108.00	\$ 2,733,006.05	\$ 1,543,491.00	\$ 241,865.00	\$ 78,671.00	\$ 11,125,835.59

Schedules

UNAUDITED

Texas Water Development Board (580)
 Schedule 6 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2011

Recipient	Original Amount	Outstanding Balance	Due From	Due To
Drinking Water State Revolving Fund				
AGUA SUD	\$ 215,000.00	\$ 150,000.00	8/1/2011	8/1/2040
ALEDO, CITY OF	3,545,000.00	2,855,000.00	8/15/2009	8/15/2028
ALPINE, CITY OF	4,131,000.00	3,441,000.00	3/1/2007	3/1/2036
ALTOGA WSC	1,059,999.96	1,059,999.96	6/1/2013	6/1/2032
ALVORD, CITY OF	360,000.00	255,000.00	10/1/2004	10/1/2023
ALVORD, CITY OF	360,000.00	285,000.00	10/1/2006	10/1/2025
AMARILLO CITY OF	14,985,000.00	14,985,000.00	5/15/2012	5/15/2031
ANAHUAC, CITY OF	700,000.00	445,000.00	8/1/2006	8/1/2025
ARLINGTON, CITY OF	33,155,000.00	27,455,000.00	6/1/2009	6/1/2028
BALLINGER, CITY OF	5,250,000.00	3,555,000.00	6/1/2004	6/1/2023
BALLINGER, CITY OF	2,830,000.00	2,440,000.00	6/1/2009	6/1/2038
BAYTOWN AREA WATER AUTHORITY	9,975,000.00	7,195,000.00	5/1/2007	5/1/2026
BEECHWOOD WSC	540,000.00	426,000.00	7/1/2009	7/1/2038
BENTON CITY WSC	145,000.00	111,000.00	10/1/2001	10/1/2030
BLOSSOM, CITY OF	65,000.00	60,000.00	1/1/2011	1/1/2039
BOLIVAR PENINSULA SUD	1,200,000.00	1,190,000.00	2/15/2010	2/15/2027
BOLIVAR PENINSULA SUD	2,360,000.00	2,350,000.00	2/15/2010	2/15/2028
BOLIVAR PENINSULA SUD	840,000.00	830,000.00	2/15/2010	2/15/2036
BOLIVAR PENINSULA SUD	5,070,000.00	5,060,000.00	2/15/2010	2/15/2038
BONHAM, CITY OF	6,200,000.00	4,970,000.00	2/15/2007	2/15/2036
BRADY, CITY OF	6,115,000.00	4,200,000.00	5/1/2002	5/1/2031
BRIGHT STAR-SALEM SUD	2,620,000.00	2,530,000.00	9/1/2011	9/1/2030
BROOKELAND FWSD	1,945,000.00	1,330,000.00	9/1/2001	9/1/2020
BROWN CO WID #1	16,245,000.00	13,760,000.00	2/1/2009	2/1/2028
BROWNWOOD, CITY OF	6,145,000.00	4,625,000.00	3/15/2006	3/15/2025
BURLESON CO MUD #1	1,440,000.00	1,273,000.00	6/1/2005	6/1/2034
BURLESON CO MUD #1	120,000.00	102,000.00	6/1/2006	6/1/2035
CENTRAL TEXAS WSC	20,247,143.64	18,807,143.64	3/15/2010	2/15/2030
CISCO, CITY OF	1,220,000.00	915,000.00	2/15/2010	2/15/2038
CISCO, CITY OF	305,000.00	170,000.00	2/15/2010	2/15/2038
COCKRELL HILL, CITY OF	205,000.00	205,000.00	4/1/2012	4/1/2031
COLEMAN, CITY OF	2,985,000.00	2,645,000.00	4/1/2010	4/1/2039
COMMERCE, CITY OF	109,000.00	109,000.00	2/15/2013	2/15/2040
COMMERCE, CITY OF	23,000.00	23,000.00	2/15/2013	2/15/2040
DEL RIO, CITY OF	5,845,000.00	2,524,000.00	6/1/2001	6/1/2020
DEL RIO, CITY OF	5,400,000.00	2,700,000.00	6/1/2002	6/1/2021
DEL RIO, CITY OF	6,220,000.00	3,945,000.00	6/1/2004	6/1/2022
DEL RIO, CITY OF	430,000.00	215,000.00	6/1/2011	6/1/2040
DENTON CO FWSD #1A	3,105,000.00	3,105,000.00	12/15/2011	12/15/2030
DEPORT, CITY OF	350,000.00	205,000.00	9/1/2001	9/1/2020
DIBOLL, CITY OF	260,000.00	-	2/15/2006	2/15/2011
EAGLE PASS, CITY OF	7,455,000.00	3,395,000.00	12/1/2003	12/1/2032
EAGLE PASS, CITY OF	5,400,000.00	4,735,000.00	12/1/2004	12/1/2033
EAGLE PASS, CITY OF	11,545,000.00	9,240,000.00	12/1/2005	12/1/2034
EAST CEDAR CREEK FWSD	730,000.00	625,000.00	7/1/2008	7/1/2027
EAST MEDINA CO SUD	3,200,000.00	1,845,000.00	7/1/2002	7/1/2021
EAST TAWAKONI, CITY OF	1,215,000.00	1,140,000.00	1/1/2008	1/1/2027
EAST TAWAKONI, CITY OF	130,000.00	130,000.00	1/1/2012	1/1/2030
EASTLAND, CITY OF	2,385,000.00	2,215,000.00	12/1/2009	12/1/2036
EDGEWOOD, CITY OF	125,000.00	115,000.00	5/1/2011	5/1/2039
EL JARDIN WSC	3,545,000.00	2,990,000.00	9/1/2004	9/1/2033
EL PASO CO TORNILLO WID	130,000.00	125,000.00	8/1/2011	8/1/2038
FLATONIA, CITY OF	230,000.00	90,000.00	9/1/2007	9/1/2026
FORT WORTH, CITY OF	64,520,000.00	50,220,000.00	3/1/2007	3/1/2025

UNAUDITED

Texas Water Development Board (580)
 Schedule 6 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2011

Recipient	Original Amount	Outstanding Balance	Due From	Due To
FORT WORTH, CITY OF	49,585,000.00	43,485,000.00	3/1/2009	3/1/2027
FORT WORTH, CITY OF	10,345,000.00	7,520,000.00	2/15/2011	2/15/2030
FORT WORTH, CITY OF	12,540,000.00	11,730,000.00	2/15/2011	2/15/2030
G-M WSC	177,580.00	87,940.00	3/15/2010	2/15/2040
GOLDEN WSC	850,000.00	670,000.00	7/1/2002	7/1/2022
GOLDEN WSC	900,000.00	795,000.00	7/1/2008	7/1/2027
GREATER TEXOMA UA	325,000.00	180,000.00	10/1/1999	10/1/2018
GREATER TEXOMA UA	1,620,000.00	1,350,000.00	6/1/2008	6/1/2027
GREENVILLE, CITY OF	305,000.00	290,000.00	2/15/2011	2/15/2029
GROESBECK, CITY OF	1,025,000.00	850,000.00	8/15/2007	8/15/2036
GROESBECK, CITY OF	2,115,000.00	2,043,000.00	2/15/2011	2/15/2040
HAMLIN, CITY OF	5,500,000.00	3,800,000.00	3/1/2002	3/1/2031
HARRIS CO MUD #148	1,170,000.00	1,170,000.00	4/1/2012	4/1/2031
HARRIS CO WCID #36	2,485,000.00	2,055,000.00	9/15/2009	9/15/2027
HIDALGO CO MUD #1	550,000.00	220,000.00	2/15/2010	2/15/2039
HOUSTON CO WCID #1	5,415,000.00	4,990,000.00	8/1/2009	8/1/2038
HOUSTON, CITY OF	5,745,000.00	4,420,000.00	12/1/2004	12/1/2023
HUDSON OAKS, CITY OF	1,320,000.00	-	8/1/2001	8/1/2019
JUNCTION, CITY OF	3,480,000.00	2,955,000.00	3/1/2004	3/1/2033
KARNES CITY, CITY OF	2,765,000.00	2,740,000.00	6/1/2011	6/1/2037
KOUNTZE, CITY OF	930,000.00	645,000.00	3/15/2000	3/15/2024
LA FERIA, CITY OF	880,000.00	880,000.00	9/15/2013	9/15/2032
LAKE LIVINGSTON WATER SUPPLY & SEWER SERVICE CORP	2,610,000.00	2,605,000.00	12/1/2010	12/1/2039
LAMAR CO WSD	3,170,000.00	3,105,000.00	7/10/2008	7/10/2027
LAMAR CO WSD	80,000.00	80,000.00	7/10/2012	7/10/2039
LOWER NECHES VALLEY AUTHORITY	18,495,000.00	18,480,000.00	8/1/2009	8/1/2035
LOWER VALLEY WD	890,000.00	555,000.00	9/15/2010	9/15/2029
LUFKIN	15,245,000.00	-	11/1/2002	11/1/2021
MARLIN, CITY OF	10,380,000.00	9,635,000.00	7/1/2007	7/1/2036
MEXIA, CITY OF	560,000.00	365,000.00	8/15/2003	8/15/2022
MEXIA, CITY OF	605,000.00	435,000.00	8/15/2005	8/15/2024
MEXIA, CITY OF	1,890,000.00	1,690,000.00	8/15/2010	8/15/2038
MEXIA, CITY OF	635,000.00	565,000.00	8/15/2010	8/15/2038
MIDLOTHIAN, CITY OF	6,860,000.00	4,890,000.00	9/1/2009	9/1/2028
MILLERSVIEW-DOOLE WSC	15,181,000.00	13,915,000.00	12/1/2005	12/1/2034
MISSION, CITY OF	5,670,000.00	5,395,000.00	2/15/2011	2/15/2030
MOUNT CALM, CITY OF	331,000.00	242,000.00	3/1/2005	3/1/2024
MOUNT PLEASANT, CITY OF	15,365,000.00	15,275,000.00	3/15/2009	3/15/2033
MOUNTAIN PEAK SUD	995,000.00	945,000.00	12/1/2010	12/1/2029
NACOGDOCHES, CITY OF	18,835,000.00	18,210,000.00	3/1/2003	3/1/2030
NACOGDOCHES, CITY OF	17,630,000.00	17,455,000.00	3/1/2004	3/1/2034
NACOGDOCHES, CITY OF	3,620,000.00	2,725,000.00	3/1/2008	3/1/2027
NORTHEAST TEXAS MWD	8,650,000.00	7,925,000.00	9/1/2005	9/1/2024
NORTHEAST TEXAS MWD	12,400,000.00	11,990,000.00	9/1/2007	9/1/2026
OLNEY, CITY OF	1,250,000.00	835,000.00	9/1/2003	9/1/2022
ORANGE CO WCID #1	2,565,000.00	1,510,000.00	2/15/2003	2/15/2021
PALMER, CITY OF	1,405,000.00	870,000.00	7/1/2003	7/1/2022
PECOS CITY, TOWN OF	8,315,000.00	4,775,000.00	6/15/2001	6/15/2020
PHARR, CITY OF	5,145,000.00	4,715,000.00	9/1/2008	9/1/2027
PORT LAVACA, CITY OF	1,535,000.00	1,230,000.00	2/15/2005	2/15/2024
PORTER SUD	255,000.00	65,000.00	6/1/2009	6/1/2028
POSSUM KINGDOM WSC	4,700,000.00	3,320,000.00	12/15/2004	12/15/2023
POSSUM KINGDOM WSC	1,465,000.00	1,410,000.00	12/15/2010	12/15/2029
RAYMONDVILLE, CITY OF	3,030,000.00	2,175,000.00	4/1/2003	4/1/2022
RED RIVER CO WSC	83,000.00	83,000.00	4/1/2014	4/1/2041

UNAUDITED

Texas Water Development Board (580)
 Schedule 6 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2011

Recipient	Original Amount	Outstanding Balance	Due From	Due To
RENO CITY OF	1,145,000.00	940,000.00	1/1/2005	1/1/2024
RENO CITY OF	755,000.00	610,000.00	1/1/2006	1/1/2024
RIO GRANDE CITY, CITY OF	11,730,000.00	11,630,000.00	2/15/2011	2/15/2040
RIO GRANDE CITY, CITY OF	1,400,000.00	1,255,000.00	2/15/2011	2/15/2040
ROMA, CITY OF	2,327,000.00	1,447,000.00	11/1/2000	11/1/2029
ROUND ROCK, CITY OF	12,000,000.00	10,435,000.00	8/1/2008	8/1/2026
SANTA ROSA, CITY OF	1,475,000.00	1,045,000.00	2/1/2007	2/1/2026
SEIS LAGOS UTILITY DISTRICT	235,000.00	115,000.00	3/1/2008	3/1/2027
SONORA, CITY OF	530,000.00	265,000.00	12/1/2010	12/1/2029
SOUTH HOUSTON, CITY OF	1,480,000.00	1,400,000.00	3/1/2011	3/1/2030
SOUTHMOST REGIONAL WATER AUTHORITY	720,000.00	410,000.00	9/1/2010	9/1/2029
SOUTHMOST REGIONAL WATER AUTHORITY	315,000.00	190,000.00	9/1/2010	9/1/2039
SPRINGS HILL WSC	3,083,000.00	3,048,000.00	11/1/2011	11/1/2030
STEPHENS REGIONAL SUD	45,000.00	45,000.00	8/15/2013	8/15/2042
SUNBELT FWSD	2,475,000.00	1,775,000.00	12/1/2002	12/1/2026
SURFSIDE BEACH, VILLAGE OF	780,000.00	605,000.00	2/15/2009	2/15/2028
SWEETWATER, CITY OF	7,315,000.00	4,125,000.00	8/15/2000	8/15/2020
TIOGA, CITY OF	580,000.00	530,000.00	4/1/2002	4/1/2031
TRINIDAD, CITY OF	250,000.00	235,000.00	1/1/2009	1/1/2037
TYLER COUNTY WSC	345,000.00	345,000.00	9/1/2011	9/1/2040
TYLER COUNTY WSC	340,000.00	340,000.00	9/1/2011	9/1/2040
VERNON, CITY OF	4,985,000.00	-	3/15/2002	3/15/2021
VICTORIA CO WCID #1	2,265,000.00	2,180,000.00	3/1/2010	3/1/2029
WELLBORN SUD	3,500,000.00	3,130,000.00	7/15/2008	7/15/2027
WEST JEFFERSON CO MWD	4,195,000.00	2,820,000.00	4/1/2003	4/1/2022
WILLIS, CITY OF	3,245,000.00	2,505,000.00	8/1/2004	8/1/2023
WINTERS, CITY OF	1,645,000.00	1,525,000.00	10/1/2009	10/1/2038
WOLFE CITY, CITY OF	110,000.00	110,000.00	9/15/2012	9/15/2041
WOODSBORO, TOWN OF	520,000.00	500,000.00	3/1/2009	3/1/2028
ZAPATA COUNTY	13,853,000.00	13,358,000.00	2/15/2011	2/15/2040
Total - Drinking Water State Revolving Fund	\$ 658,445,723.60	\$ 536,635,083.60		

General
Purpose
Financial
Statements
(ARRA)

UNAUDITED

Drinking Water State Revolving Fund

**Exhibit I - Combined Statement of Net Assets - Proprietary Funds
American Recovery & Reinvestment Act (ARRA)**

August 31, 2011

	Total Enterprise Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Receivables from:	
Federal	86,478.74
Loans and Contracts	3,389,498.00
Total Current Assets	3,475,976.74
Non-Current Assets:	
Loans and Contracts	56,855,645.60
Total Non-Current Assets	56,855,645.60
Total Assets	60,331,622.34
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts Payable	15,388.00
Due to Other Funds	71,090.74
Total Current Liabilities	86,478.74
Total Liabilities	86,478.74
NET ASSETS	
Unrestricted	60,245,143.60
Total Net Assets	\$ 60,245,143.60

UNAUDITED

Drinking Water State Revolving Fund

**Exhibit II - Combined Statement of Revenues, Expenses, and
Changes in Fund Net Assets - Proprietary Funds
American Recovery & Reinvestment Act (ARRA)**

For the Fiscal Year Ended August 31, 2011

	Total Enterprise Funds (Exhibit F-2)
	<hr/>
OPERATING EXPENSES:	
Salaries and Wages	736,182.85
Payroll Related Costs	133,632.45
Professional Fees and Services	218,546.55
Travel	18,067.28
Materials and Supplies	3,685.34
Communication and Utilities	37,133.95
Repairs and Maintenance	33,351.18
Rentals and Leases	2,442.94
Printing and Reproduction	58.66
Other Operating Expenses	1,424.65
Total Operating Expenses	<hr/> 1,184,525.85
Operating Income (Loss)	<hr/> (1,184,525.85) <hr/>
NONOPERATING REVENUES (EXPENSES):	
Federal Revenue (2F-96692301)	77,835,010.35
Other Benefit Payments	(6,552,819.19)
Other Nonoperating Revenue (Expenses)	(49,344,992.79)
Total Nonoperating Revenue (Expenses)	<hr/> 21,937,198.37 <hr/>
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	<hr/> 20,752,672.52 <hr/>
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:	
Transfers In	23,424,511.23
Transfers Out	(2,111,070.48)
Total Other Revenue, Expenses, Gain/Losses and Transfers	<hr/> 21,313,440.75 <hr/>
Change in Net Assets	<hr/> 42,066,113.27 <hr/>
Total Net Assets - Beginning	18,179,030.33
Total Net Assets, August 31, 2011	<hr/> \$ 60,245,143.60 <hr/>

Combining Statements (ARRA)

UNAUDITED

Drinking Water State Revolving Fund

**Exhibit F-1 - Combining Statement of Net Assets - Enterprise Funds
 American Recovery & Reinvestment Act (ARRA)**

August 31, 2011

	ARRA Drinking Water Loan Program	ARRA Administration (Federal)	ARRA Totals (Exhibit I)
ASSETS			
Current Assets:			
Receivables from:			
Federal	-	86,478.74	86,478.74
Loans and Contracts	3,389,498.00		3,389,498.00
Total Current Assets	3,389,498.00	86,478.74	3,475,976.74
Non-Current Assets:			
Loans and Contracts	56,855,645.60		56,855,645.60
Total Non-Current Assets	56,855,645.60	-	56,855,645.60
Total Assets	60,245,143.60	86,478.74	60,331,622.34
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts Payable	-	15,388.00	15,388.00
Due to Other Funds		71,090.74	71,090.74
Total Current Liabilities		86,478.74	86,478.74
NET ASSETS			
Unrestricted	60,245,143.60		60,245,143.60
Total Net Assets	\$ 60,245,143.60	\$ -	\$ 60,245,143.60

UNAUDITED

Drinking Water State Revolving Fund

**Exhibit F-2 - Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets - Enterprise Funds
American Recovery & Reinvestment Act (ARRA)**

For the Fiscal Year Ended August 31, 2011

	ARRA Drinking Water Loan Program	ARRA Administration (Federal)	ARRA Totals (Exhibit II)
OPERATING REVENUES:			
Interest and Investment Income	679.25		\$ 679.25
Total Operating Revenues	679.25	-	679.25
OPERATING EXPENSES:			
Salaries and Wages	-	736,182.85	736,182.85
Payroll Related Costs	-	133,632.45	133,632.45
Professional Fees and Services	-	218,546.55	218,546.55
Travel	-	18,067.28	18,067.28
Materials and Supplies	-	3,685.34	3,685.34
Communication and Utilities	-	37,133.95	37,133.95
Repairs and Maintenance	-	33,351.18	33,351.18
Rentals and Leases	-	2,442.94	2,442.94
Printing and Reproduction	-	58.66	58.66
Other Operating Expenses	-	1,424.65	1,424.65
Total Operating Expenses		1,184,525.85	1,184,525.85
Operating Income (Loss)	679.25	(1,184,525.85)	(1,183,846.60)
NONOPERATING REVENUE (EXPENSES):			
Federal Revenue	76,650,484.50	1,184,525.85	77,835,010.35
Other Benefit Payments	(6,552,819.19)		(6,552,819.19)
Other Nonoperating Revenue (Expenses)	(49,344,992.79)		(49,344,992.79)
Total Nonoperating Revenue (Expenses)	20,752,672.52	1,184,525.85	21,937,198.37
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	20,753,351.77	-	20,753,351.77
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:			
Transfers In	23,423,831.98	-	23,423,831.98
Transfers Out	(2,111,070.48)		(2,111,070.48)
Total Other Revenue, Expenses, Gain/Losses and Transfers	21,312,761.50	-	21,312,761.50
Change in Net Assets	42,066,113.27	-	42,066,113.27
Total Net Assets - Beginning	18,179,030.33		18,179,030.33
Total Net Assets, August 31, 2011	\$ 60,245,143.60	\$ -	\$ 60,245,143.60

DWSRF Attachment B: SFY 2011 Annual Report for the Small Systems Technical Assistance Program

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State FY 2011 Work Plan
Drinking Water State Revolving Fund
Small System Technical Assistance
Two Percent Set-Aside

Source of Funding: FFY 2010 DWSRF Two Percent Set-Aside and Texas
Commission on Environmental Quality's Unliquidated Obligations (ULO) funds

ANNUAL REPORT

for the
Texas Commission on Environmental Quality

November 2011

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Studies

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

State FY 2011

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 State Fiscal Year (State FY) 2011 to the loan fund depending on the amount unexpended and reserves the right to use those funds at a later date.

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

The Water Supply Division was responsible for three program elements for this set-aside: Capacity Development/Public Drinking Water Studies, Technical Assistance for Public Water Systems (PWS), and Capacity Development .

STATE AND FEDERAL FUNDING

In State FY 2011, the State of Texas will receive a Federal Fiscal Year (FFY) 2010 Drinking State Revolving Fund (DWSRF) grant award from the EPA in the amount of approximately \$86,254,000 pursuant to Section 1452(g)(2)(B) of the SDWA which is the Small Systems Technical Assistance set-aside also known as the 2%. This award was anticipated to be the full amount of the 2% Federal Fiscal Year 2010 allotment available to the State of Texas for the Section 1452(g)(2)(B) set-aside. The TCEQ is employed no Full Time Equivalent (FTEs) for implementing the State FY 2010 activities. Work was performed through contracts for services as described in the work plan.

TCEQ/EPA STRATEGIC PLAN LINKAGE

<p>EPA: Sub-objective 2.1.1: - Water Safe to Drink By August 31, 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>TCEQ: 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>
<p>EPA 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>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>

DIVISION FUNDING BY PROGRAM ELEMENT – TCEQ budgeted activities for State FY 2011 with DWSRF FFY 2010 set-aside and ULO funds

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

PROGRAM ELEMENT	DIVISION	AMOUNT	PERCENT OF TOTAL
Capacity Development/Public Drinking Water Studies	Water Supply	\$1,022,080	55.40%
Technical Assistance PWSS	Water Supply	\$703,000	38.10%

ULO funds

PROGRAM ELEMENT	DIVISION	AMOUNT	PERCENT OF TOTAL
Capacity Development ULOs	Water Supply	\$118,920	6.5%
Total		\$1,844,000	100.00%

PROJECT SCHEDULE

The TCEQ conducted these projects over a 12-month period, beginning September 1, 2010 and ending August 31, 2011.

WATER SUPPLY DIVISION

PROGRAM ELEMENT 1: Capacity Development/Public Drinking Water Studies

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: **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: **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 02-01-02 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 study small public water systems with chemical violations of MCLs and others with financial, managerial and technical issues and to conduct hydrogeologic and treatment alternative studies September 1, 2010 through August 31, 2011 at a cost of approximately \$1,022,080 of the FFY 2010 DWSRF 2% set-aside for State FY 2011 activities.

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 and hydrogeologic studies and treatment alternative studies to address water quality compliance.

- The studies will provide technical and financial options to help increase the number of small public water systems in Texas that meet the drinking water standards and the SDWA.

DELIVERABLES AND OUTPUTS:

TCEQ:

1. Developed a list of small public water systems with violations of MCLs and others with financial, managerial and technical issues.
2. Developed and modified as needed, an outline of engineering and financial feasibility report requirements.
3. Assigned specific systems for evaluation studies.
4. Reviewed and evaluated feasibility reports.
5. Evaluated contractor's work including on-site visits.
6. Ensured 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. Evaluated annually, the numbers of assessed water systems that have returned to compliance.
10. Attended training, conferences and meetings related to programs that support financial, managerial and technical capacity development.

CONTRACTOR:

1. Implemented and refined protocol for evaluating technical and financial options for designated public water systems to bring them into compliance.
2. Developed engineering feasibility reports for each system assigned.
3. Developed financial feasibility reports for each system assigned.
4. Provided a report with recommended detailed follow up and Financial, Managerial, and Technical (FMT) assistance to selected PWSs studies in the past.
5. Continue point of use (POU) treatment pilot evaluations for the City of Andrews and at Birome Water Supply Corporation and provided recommendations to help develop a protocol for small system pilot studies based on other states' and EPA's guidance.
6. Surveyed and gathered data on systems studied in the past.
7. Conducted geochemical characterization of areas of similar groundwater chemistry for grouping regional pilot treatment studies.
8. Developed a synopsis of lessons learned from hydrogeologic studies of past reports.

9. Conducted multilevel sampling to assess stratification of groundwater chemistry for compliance strata in the Gulf Coast aquifer system in areas needed to complete data set plus evaluated in situ treatment for naturally occurring groundwater contaminants such as arsenic.

PROGRAM ELEMENT 2: Technical Assistance PWSS

These program elements implement portions of the Public Water System Supervision (PWSS) program in Texas. Specifically these elements include 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:** Sub-objective 2.1.1: - Water Safe to Drink
By August 31, 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 reduce the risk of both long term and short term health effects by implementing EPA rules, evaluating exception requests and providing technical assistance from September 1, 2010 through August 31, 2011 at a cost of approximately \$703,000 of the FFY 2010 DWSRF 2% set-aside for State FY 2011 activities.
- TASK 2.1:** 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. Reviewed 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. Provided engineering contractor to work on site and assist in the performance of exception requests.

TASK 2.2:

Implement state and federal source water protection activities including data development and management.

DELIVERABLES AND OUTPUTS:

Implement state and federal source water protection activities including data development and management, education and outreach, implement best management practices to help protect public drinking water sources, develop web-based tool to help public water systems implement source water protection projects.

DELIVERABLES AND OUTPUTS:

TCEQ:

1. Contracted with professional services to implement the deliverables.
2. Reviewed and evaluated feasibility reports.
3. Evaluated contractor's work.
4. Ensured the contractor met deliverables in terms of timeliness and quality of product.
5. Held meetings with contractor to evaluate timeliness pace and content of assignments.
6. Held meetings with contractor and staff to assess, implement and develop new projects.
7. Enrolled new public water systems into source water protection.
8. Held public meetings.
9. Developed and managed data.
10. Provided education and outreach.
11. Developed a web-based tool to assist public water systems.

TASK 2.3:

Contract for laboratory analysis of samples for the Cryptosporidium Long Term 2 Enhanced Surface Water Treatment Rule (LT2). LT2 was finalized by EPA in 2006 and the goal of the rule is to reduce the risk of disease caused by Cryptosporidium and other microorganisms in drinking water by identifying the public water systems with the greatest potential for source water contamination. The potential contamination is determined by sampling the source water for Cryptosporidium. In an effort to assist smaller water systems, the TCEQ is offering to pay for the analytical costs of the required LT2 Cryptosporidium monitoring.

DELIVERABLES AND OUTPUTS:

TCEQ:

1. Determined which public water systems are interested in participating in the program.
2. Made payments to the laboratory.
3. Provided laboratory provides analytical results to the public water systems and TCEQ.

PROGRAM ELEMENT 3: Capacity Development ULOs

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: 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 02-01-02 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 September 1, 2010 through August 31, 2011 at a cost of approximately \$118,920 of the FFY 2010 DWSRF 2% set-aside ULOs for State FY 2011 activities.

TASK 3.1 Implement programs to increase the financial, managerial and technical abilities of public water systems. Support the TCEQ's work in completing the Drinking Water Infrastructure Needs Assessment survey of public water systems designated by EPA. Work on ranking proposed projects for the Intended Use Plan for the Drinking Water State Revolving Fund loan program. 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 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.

DELIVERABLES AND OUTPUTS:

TCEQ:

1. Identified public water systems that needed assistance and assessments.
2. Executed and managed 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. Reviewed and evaluated contractor reports.
4. Reviewed and evaluated business plans and FMT capabilities.
5. Proposed and evaluated new programs to continue improving FMT capacities of public water systems.
6. Analyzed and ranked DWSRF Intended Use Plan (IUP) applicants.
7. Developed FMT reports for DWSRF loan applicants.
8. Coordinated activities with the Texas Water Development Board.
9. Increased the number of viable systems through reviews.
10. Collected, analyzed and submitted data for the Drinking Water Infrastructure Needs Assessment.

Grant Roll Up (All Divisions/FYs)

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FYs: 2011 As of Date: 11/17/09

GRANT TITLE: Drinking Water State Revolving Fund 2%

USAS No.: 990211 Fed. Match%: 100% CY Fed. \$: \$ 1,845,495 ULO Fed. \$: -

State Match%: 0%

Match \$: 1993 Cr. Avail. 1993 Cr. Used: - MOE(State): #VALUE!

Agency Fund: 4153

GRANT ROLL UP		EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #
		2.1.1	2.1.1	2.1.1	2.1.1	2.1.1	2.1.1	2.1.1	2.1.1	2.1.1	2.1.1
		Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #
		02-01-01	02-01-01	02-01-02	03-01-01	02-01-02	03-01-02	02-01-01	02-01-02	03-01-01	03-01-01
		PROJECT NAME	PROJECT NAME	PROJECT NAME	PROJECT NAME	PROJECT NAME	PROJECT NAME	PROJECT NAME	PROJECT NAME	PROJECT NAME	PROJECT NAME
EXPENSE ITEMS	TOTAL COSTS	Technical Assistance PWSs 91042 - 965142	ULO-Technical Assistance PWSs 91044 - 965142	Capacity Development PDW Study 91043-965143		ULO-Capacity Development- 91045-100736					
Work Years: >>>>>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1-SALARIES: >>>>> \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Base Salary + Release)											
2-CONTRACTS: >>>>>	634,320	193,320	-	422,080	-	18,920	-	-	-	-	-
3-TRAVEL: >>>>>	10,000	5,000	-	5,000	-	-	-	-	-	-	-
4-OTHER: >>>>>	1,093,000	498,000	-	595,000	-	-	-	-	-	-	-
5-SUPPLIES: >>>>>	-	-	-	-	-	-	-	-	-	-	-
6-EQUIPMENT: >>>>>	106,680	6,680	100,000	-	-	-	-	-	-	-	-
7-CONSTRUCTION >>>>>	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	\$ 1,844,000	\$ 703,000	\$ 100,000	\$ 1,022,080	\$ -	\$ 18,920	\$ -				
FRINGE BENEFITS: >>>>>	-	-	-	-	-	-	-	-	-	-	-
INDIRECT COST: >>>>>	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL	\$ 1,844,000	\$ 703,000	\$ 100,000	\$ 1,022,080	\$ -	\$ 18,920	\$ -				
NOTES/COMMENTS											

Attachment C: SFY 2011 Annual Report for the Texas State Management Program

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**State FY 2011 Annual Report
Drinking Water State Revolving Fund
State Management Program
Ten Percent Set-Aside**

**Source of Funding: FFY 2010 DWSRF Ten Percent Set-Aside and the Texas
Commission on Environmental Quality's Unliquidated Obligations (ULO) funds
for TCEQ's State FY 2011 Activities**

ANNUAL REPORT

**for the
Texas Commission on Environmental Quality**

November 2011

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

TCEQ Annual Report State FY 2011

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% (\$8,625,400) of the \$86,254,000 Federal Fiscal Year (FFY) 2010 Capitalization grant funds for state program management for State FY 2011 activities. TCEQ is also using approximately \$312,306 of unliquidated obligations (ULOs). TCEQ may return 10% set-aside funds unexpended in State FY 2011 to the loan fund depending on the amount unexpended and reserves the right to use those funds at a later date.

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.

State FY 2011 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 FY 2010 DWSRF are included in the FY 2011 Intended Use Plan (IUP). TCEQ will submit a list of ranked proposed projects to TWDB for the FY 2012 IUP as part of the TCEQ's State FY 2011 activities. The FY 2012 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. TCEQ reserves the right to use unexpended funds in future years.

STATE AND FEDERAL FUNDING

In State FY 2011, the State of Texas received a FFY 2010 DWSRF grant award from the EPA in the amount of approximately \$86,254,000 pursuant to Section 1452 of the SDWA. This award was the anticipated full amount of the 10% Federal Fiscal Year 2010 allotment available to the State of Texas for the Section 1452 set-aside.

The TCEQ projected 55.46 Full Time Equivalents (FTEs) for implementing the TCEQ's SDWA program. Work performed is described in this annual report.

EPA & TCEQ Strategic Plan Linkage

EPA & TCEQ Strategic Plan Linkage	
<p>EPA 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>TCEQ 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>EPA 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>TCEQ 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 Maximize voluntary compliance with environmental laws and regulations by providing educational outreach and assistance to businesses and units of local governments; and assure compliance with environmental laws and regulations by taking swift, sure and just enforcement actions to address violation situations</p>

DIVISION FUNDING BY PROGRAM ELEMENT – TCEQ budgeted activities for State FY 2011 with DWSRF FFY 2010 and ULO funds

Program Element	Division	Amount	Percent of Total
Water Supply PWSS Program Administration	Water Supply	\$2,695,207	30.00%
Water Supply Source Water Protection	Water Supply	\$763,697	8.50%
Water Supply Capacity Development	Water Supply	\$1,874,521	21.00%
Inspection & Investigations	Field Operations Division	\$2,740,187	31.00%
Inspection & Investigations	Support Services Division	\$78,671	1.00%
Laboratory Inspections & Accreditation	Field Operations Support	\$199,045	2.00%
PWSS Enforcement Cases	Enforcement	\$169,747	2.00%
Water Supply PWSS Homeland Security	Homeland Security	\$104,324	1.00%

ULO funds

PWSS Administration ULO	Water Supply	\$246,818	3.00%
Water Supply Capacity Development - ULO	Water Supply	\$43,000	0.50%

	Total	\$8,915,217	100.00%
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PROJECT SCHEDULE

The TCEQ proposed to conduct these projects over a 12-month period, beginning September 1, 2010 and ending August 31, 2011.

WATER SUPPLY DIVISION Program Elements 1 and 7: Administration

Water Supply PWSS Program

These program elements implement 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 September 1, 2010 through August 31, 2011 at a cost of approximately \$2,695,207 of the FFY 2010 DWSRF 10% set-aside and \$246,818 of ULO DWSRF 10% set-aside for State FY 2011 activities .***
- ADA
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. Reviewed disinfection profiles for surface water treatment plants and groundwater under the influence plants.
2. Provided necessary equipment, rental space and supplies to perform Comprehensive Performance Evaluations (CPEs) and Special Performance Evaluations.
3. Continued reprogramming the Surface Water Monthly Operating Reports (SWMOR) to support the LT2 Enhance Surface Water Treatment Rule.

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. Reviewed 662 engineering exception requests to assure the exceptions would protect public health and not degrade the quality or quantity of water the public water system (PWS) customers received.
2. Provided engineering contractor to work on site and assist in the performance of exception requests.

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

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. Acquired data regarding public water systems CCR and Certificate of Delivery dates.
2. Assisted public water system completing and submitting CCRs and Certificates of Delivery.
3. Performed quality reviews to ensure that all CCR elements were appropriately included in each report.
4. Provided compliance data for TCEQ review on an annual basis, not monthly, because the requirement is annual and the compliance determination period is only a four-month period.

Task 1.5

Lead Copper Rule (LCR) Assistance

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

DELIVERABLES AND OUTPUTS:

1. Worked with TCEQ to produce and verify the schedule for lead and copper sample collection.
2. Sent sample bottles to public water systems that were scheduled for sampling.
3. Assisted public water systems with collecting lead and copper samples.
4. Performed quality reviews to ensure that public water systems were collecting samples correctly.
5. Developed compliance letters to send to systems.
6. Provided TCEQ monthly compliance data.

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

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. Analyzed special samples to complete special studies designated by the TCEQ. Reviewed engineering exception requests to assure the exceptions would protect public health and not degrade the quality or quantity of water the PWS customers received.
2. Provided data for monthly and as needed TCEQ review.

Task 1.8

ECLOX – Utilize entry-point baseline data and toxicity study analysis for daily monitoring activities and emergency situations.

DELIVERABLES AND OUTPUTS:

1. TCEQ contracted for ECLOX analysis of source water for baseline data and performed contaminant spike analysis.
2. The contractor worked with 6 PWSs to determine baseline chemical data and use of the data for daily monitoring activities and emergency situations.
3. The contractor provided reports to TCEQ on findings and outcomes.

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 Source Water Protection for multiple public water systems in a large region of the state September 1, 2010 through August 31, 2011 at a cost of approximately \$763,697 of the FFY 2010 DWSRF 10% set-aside for State FY 2011 activities .***

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 directed contractor to implement SWP in two small areas that include seven PWSs. This included the evaluation of reports, best management practices (BMP) implementation, meetings, site visits, potential contamination inventories, electronic data management, outreach and education.
2. Contractor completed deliverables in time provided and according to specifications. Evaluated deliverables on a continuing basis and provided feedback for improvement.
3. Identified population served by vulnerable water sources protected by a SWP program.

Task 2.2 Augment, enhance, and maintain source water assessment (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 entered into a source water assessment and protection (SWAP) cooperative maintenance agreement with the United States Geological Survey (USGS) that included:
 - Source water susceptibility assessment maintenance,
 - Software enhancements,
 - Upgrades,
 - Training,
 - Assistance, and
 - Documentation.
2. USGS performed the following functions:
 - Provided software technical support, maintenance, and training to TCEQ. Support included code repair and revision as necessary to maintain function, write, and install code for any methodology changes.
 - Improved delineation methodology to reflect influence of chemicals and attenuation.

- Improved non-point source methodology and improved SWA base map layers. Provided methodology to address potential sources of contamination as polygons.
 - Made modifications as necessary to ensure that SWA software was compatible with associated software and technologies.
3. USGS augmentation and maintenance assignments were subject to TCEQ review, oversight, and approval.
 4. Resulting products augmented, enhanced, sustained, and otherwise improved the quality and accuracy of state SWA results for PWSs.

Task 2.3.

Identify public water supply groundwater 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 entered 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.

USGS performed the following tasks:

- a. Provided continuous monitoring of physiochemical parameters (i.e., temperature, pH, specific conductance, turbidity, etc.) at subject source locations to identify optimal timing for sample collection.
 - b. Conducted MPA sampling as directed including *ad hoc* 'responsive' sampling for sites posing immediate public health impacts.
 - c. Provided updates, technical support, and maintenance of screening software.
 - d. Provided regularly-scheduled progress reports, white papers, and presentations as required.
2. USGS assignments were subject to TCEQ review, oversight, and approval.
 3. Resulting products enabled TCEQ to more accurately assess and identify PWS sources that were GUI.

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

These program elements 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 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: **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 Safe Drinking Water Act September 1, 2010 through August 31, 2011 at a cost of approximately \$1,874,276 of the FFY 2010 DWSRF 10% set-aside and \$43,000 of ULOs DWSRF 10% set-aside for State FY 2011 activities.***

ADA

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.

- Identify business processes and state and federal regulations applicable to water utilities for the Water Utilities Database (WUD).

DELIVERABLES AND OUTPUTS:

TCEQ:

1. Identified public water systems that needed assistance and assessments.
2. Executed and managed 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. Reviewed and evaluated contractor reports.
4. Reviewed and evaluated business plans and FMT capabilities.
5. Proposed and evaluated new programs to continue improving FMT capacities of public water systems.
6. Analyzed and ranked DWSRF Intended Use Plan (IUP) applicants.
7. Developed FMT reports for DWSRF loan applicants.
8. Coordinated activities with the Texas Water Development Board.
9. Increased the number of viable systems through reviews.
10. Converted water utility maps to an electronic format that can be made available on the agency website.
11. Provided better public access to electronic maps by improving website links.
12. Enhanced the TCEQ's Water Utilities Database (WUD) by developing a bi-directional flow tool, which allowed internal and external users the ability to determine whether the TCEQ would issue a permit to a water and/or wastewater service provider based on current Certificate of Convenience and Necessity (CCN) service boundaries.

Contractor:

1. Conducted assignments.
2. Provided reports.
3. Provided maps.
4. Met deliverables.
5. Provided presentations as requested by TCEQ.

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 PWSs that need assistance in developing water conservation and/or drought contingency plans that may have water demand or water supply issues 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. Provided technical assistance to retail PWSs to develop water conservation and/or drought contingency plans.
2. Reviewed and evaluated water conservation and/or drought contingency plans of retail public water systems to meet state requirements.

FIELD OPERATIONS DIVISION

Program Element 4: PWS 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 2,338 comprehensive compliance investigations at PWSs and respond to complaints where appropriate from September 1, 2010 through August 31, 2011 at a cost of approximately \$2,740,187 of the FFY 2010 DWSRF 10% set-aside for State FY 2011 activities .**

Task 4.1 Field Inspection, Sanitary Surveys, and Complaint Response

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

DELIVERABLES AND OUTPUTS:

1. Conducted Comprehensive Compliance Investigations (sanitary surveys) of 2,325 PWSs.
2. Investigated complaints on PWSs.
3. Procured office space for regional staff.

4. Actual increased the number of inspections, Comprehensive Compliance Investigations (sanitary surveys), focused investigations, and complaint responses.

FIELD OPERATIONS SUPPORT DIVISION

Program Element 5: PWS Laboratory Inspections & Accreditation

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 from September 1, 2010 through August 31, 2011 at a cost of approximately \$ 199,045 of the FFY 2010 DWSRF 10% set-aside for State FY 2011 activities.***

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

DELIVERABLES AND OUTPUTS:

1. Laboratory inspections.
2. Agency staff inspected 49 drinking water laboratories.

ENFORCEMENT DIVISION

Program Element 6: Public Drinking Water Systems Enforcement Cases

This program element includes a state program to develop enforcement cases from investigations referred by the Water Supply, Field Operations Division Regional Offices and Field Operations 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 from September 1, 2010 through August 31, 2011 at a cost of approximately \$173,589 of the FFY 2010 DWSRF 10% set-aside for State FY 2011 activities.*

Task 6.1 Initiate Enforcement Actions

- o Calculated penalties, determined technical corrective requirements and negotiated agreed enforcement order cases to settlement or pursued other appropriate legal remedies.

DELIVERABLES AND OUTPUTS:

1. Addressed significant noncompliance and significant deficiencies consistent with the Enforcement Division's policies and procedures with two full-time employees.

WATER SUPPLY DIVISION

Program Element 9: Homeland Security

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 provide homeland security assistance to public water systems through the Texas Water/Wastewater Agency Response Network TXWARN program through August 31, 2011 at a cost of approximately \$104,324 of the FFY 2010 DWSRF 10% set for FY 2011 activities.

Task 1.1

Services provided includes a robust request and response system supported by experienced hazards/emergency response managers, which assist in locating resources, utilization of its database of statewide resources that facilitates response and recovery from any all hazards event.

▪ **DELIVERABLES AND OUTPUTS:**

- Developed and conducted training on emergency situations.
- Monitored and assisted water systems in need during emergencies. Found and provided resources through the TXWARN system.
- Made presentations at conferences about the TXWARN system to increase the number of members.
- Provided assistance when requested during emergencies.

Highlights of the State Management Program DWSRF FFY 2010 Ten Percent Set-Aside for TCEQ's State FY 2011 Activities

Background

The DWSRF State Management Program 10% Set-Aside was used to fund a wide variety of projects and programs at the TCEQ. Highlights from some of these projects and programs include:

Annual Public Drinking Water Conference

The Water Supply Division hosted the Ninth Public Drinking Water Conference on August 9-10, 2011. The recurring theme was "Information and Tools for Public Water Systems and Utilities." A total of 826 people attended the conference, including 124 exhibitors outside speakers 584 attendees consisting of water operators, board presidents, managers, and engineers from across the state coming to learn more about drinking water. TCEQ staff gave 28 presentations on topics ranging from total coliform rule, emergency preparedness plan review requirements, emerging issues for both ground water, and surface water, how to prepare for a TCEQ investigation, and stage two disinfection byproducts rules.

One of the highlights of the Water Supply Division's Public Drinking Water conferences is the "TCEQ Technical Assistance Room" where staff is available in an informal setting to answer specific questions from the water system operators and managers. Both the TCEQ and the attendees learn from the exchanges,

Financial, Managerial and Technical Assistance Contract

In an effort to improve the viability of public drinking water and wastewater systems throughout Texas, TCEQ offers assistance at no charge for systems needing help to solve FMT operational problems. Many of these water and wastewater systems may have the potential for regulatory compliance violations if corrections are not made. This free utility assistance is known as the FMT Assistance contract.

The FMT Assistance contract currently resides with the Texas Rural Water Association (TRWA). In FY09-FY11, over 4,753 FMT Assistance assignments were made. Some examples of the assignments include:

- Developing and updating tariffs, rate analysis, and funding sources;
- A joint project of the FMT contract and Homeland Security Counter Terrorism to help systems with Vulnerability Assessments and Emergency Response Plans;
- Providing assistance with CCN application preparation and board training;
- Providing technical assistance for compliance with disinfection byproducts, arsenic, sampling requirements, and water loss;
- Providing assistance for Drinking Water State Revolving Fund applicants and others assessments;
- Consolidation assessments and assistance to encourage and assist in regionalization and to facilitate consolidation of systems; and EPA Needs assessments.

Consolidation Success Stories

During FY11, the TCEQ made referrals to the FMT contractor to facilitate a consolidation between Ledbetter Water Supply Corporation (Ledbetter) and Lee County Water Supply Corporation (Lee). Ledbetter was facing the need to begin replacement of aging infrastructure and difficulty in finding board members to serve due to community apathy. Ledbetter provided service to only 200 connections and Lee served over 3,200. The strategy used by the contractor to restructure the two water supply corporations was to promote economies of scale and improved customer service for those citizens served by Ledbetter. There were no notable barriers to the consolidation as the FMT contractor helped both entities to work together to move through the process.

Another example of the many FMT Assistance contract successes is the transfer of Little Creek Acres customers, lines, and CCN to Cash Special Utility District (SUD). During the extended freezing weather during the winter of January 2011, the aging Little Creek Acres well went down and left the customers without water. The FMT assistance contractor and TCEQ staff assisted the owner of Little Creek Acres in transferring his customers to Cash SUD, a larger neighboring water system. The initial assistance assignment involved coordination to bring water to the Little Creek Acres ground storage tank which led to further assistance culminating in the agreement between the two entities. The transfer of Little Creek Acres' customers, lines, and CCN to Cash Special Utility SUD ensured that the customers continued to receive continuous and adequate water service.

Grant Roll Up (All Divisions/FYs)

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FYs: 2011 As of Date: 11/15/11
 GRANT TITLE: Drinking Water State Revolving Fund 10%
 USAS No.: 991010 Fed. Match%: 100% CY Fed. \$: \$ 8,915,218 ULO Fed. \$: 289,818
 State Match%: 0%
 Match \$: 1993 Cr. Avail. 1993 Cr. Used: 4,457,609 MOE(State): \$ 4,457,609
 Agency Fund: 4153

EXPENSE ITEMS	TOTAL COSTS	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	EPA Goal #	
		2.1.1	2.1.1	2.1.1	5.1.1	5.1.1	2.1.1	2.1.1	2.1.1	5.1.1	2.1.1	2.1.1
		Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #	Strategy #
		02-01-01	02-01-01	02-01-02	03-01-01	03-01-02	02-01-01	02-01-01	02-01-02	03-01-01	02-01-01	02-01-02
PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	PROJECT ELEMENT NAME	
		Water Supply PWSS Program Administration-91039-965139	Water Supply Source Water Protection-91037-965137	Water Supply Capacity Development91038-965138	Inspection & Investigation-91040 -965140	PWSS Enforcement 91036 -965136	Laboratory Accrediation 91041 - 965141	Information Resources 91040-965140	PWSS Administration ULO-91048	Support Services 91030-965130	Water Supply PWSS Homeland Security - 965139-91039	Water Supply CD-ULO-91047
Work Years: >>>>>	55.46	3.00	3.00	11.40	33.08	3.00	1.98	0.00	0.00	0.00	0.00	0.00
1-SALARIES: >>>>> (Base Salary + Release)	\$ 2,987,921	\$ 190,462	\$ 166,318	\$ 730,958	\$ 1,677,054	\$ 105,488	\$ 117,641	\$ -	\$ -	\$ -	\$ -	\$ -
2-CONTRACTS: >>>>>	1,396,523	376,967	443,000	426,262	14,544	-	12,000	-	13,750	-	100,000	10,000
3-TRAVEL: >>>>>	123,390	43,949	-	45,467	31,776	98	-	-	-	-	2,100	-
4-OTHER: >>>>>	2,584,353	1,949,997	57,000	217,670	12,698	1,498	-	-	233,068	78,671	750	33,000
5-SUPPLIES: >>>>>	73,604	22,317	-	26,188	22,200	900	525	-	-	-	1,474	-
6-EQUIPMENT: >>>>>	-	-	-	-	-	-	-	-	-	-	-	-
7-CONSTRUCTION >>>>>	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	\$ 7,165,791	\$ 2,583,692	\$ 666,318	\$ 1,446,545	\$ 1,758,272	\$ 107,984	\$ 130,166	\$ -	\$ 246,818	\$ 78,671	\$ 104,324	\$ 43,000
FRINGE BENEFITS: >>>>>	766,701	48,872	42,677	187,564	430,332	27,068	30,187	-	-	-	-	-
INDIRECT COST: >>>>>	982,727	62,643	54,702	240,412	551,583	34,695	38,692	-	-	-	-	-
GRAND TOTAL	\$ 8,915,218	\$ 2,695,207	\$ 763,697	\$ 1,874,521	\$ 2,740,187	\$ 169,747	\$ 199,045	\$ -	\$ 246,818	\$ 78,671	\$ 104,324	\$ 43,000

NOTES/COMMENTS: