

STATE OF TEXAS

Annual Report

Drinking Water State Revolving Fund

www.twdb.texas.gov/financial/programs/DWSRF



SFY 2012

TEXAS WATER DEVELOPMENT BOARD
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Creek near Uvalde, Texas

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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 loan funds, and the TCEQ administers the use of 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 enforce provisions of the SDWA. TCEQ establishes assistance priorities and carries out oversight and related activities of the DWSRF program, other than financial administration of the program and project oversight.

The TWDB and the TCEQ provide this comprehensive annual report to the U.S. Environmental Protection Agency (EPA) and the public to detail the activities undertaken to reach the goals and objectives set forth in the State Fiscal Year (SFY) 2012 Intended Use Plan (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 financial status of the DWSRF, and compliance with federal DWSRF requirements during SFY 2012, which is from September 1, 2011, through August 31, 2012.

A significant purpose of the DWSRF is to provide below-market rate loans to applicants to finance projects for public drinking water systems that facilitate compliance with primary drinking water regulations or otherwise significantly further the health protection objectives of the SDWA. Since the inception of the program in 1997 through August 31, 2012, the state's DWSRF program has received a total of \$1,126,732,350 in EPA Capitalization Grants, including the appropriation from the American Recovery and Reinvestment Act (ARRA). Over the years, the TWDB has contributed \$193,218,525 in total state match. Since inception, the DWSRF has made net commitments totaling \$1,109,312,124 to drinking water projects.

For SFY 2012, the TWDB's DWSRF received 161 project information forms, which were used to solicit projects from all eligible applicants, totaling \$705,826,480. Using project details outlined in the project information forms, TCEQ rated the projects in accordance with its scoring priorities for SFY 2012, federal DWSRF regulations, and TWDB rules. The TWDB staff then rated the projects based on the effective management and affordability rating criteria. Based on this information, the TWDB prepared a project priority list, which presents the eligible projects in rank order, for the SFY 2012 IUP.

To ensure the perpetuity of the fund, the TWDB's Executive Administrator set \$62,170,560 as the maximum amount for the DWSRF program to lend in SFY 2012, with an interest rate subsidy of 1.25% below market rates. During the state fiscal year, a total of nine projects from both the 2011 and 2012 IUPs received commitments totaling \$17,647,786. For the American Recovery and Reinvestment Act (ARRA) funds, \$5,537,138 remains in unspent constructions funds as of August 31, 2012. All ARRA funds will be disbursed by August 31, 2013.

2. Goals and Achievements

The primary goal of the DWSRF program is the same as the Safe Drinking Water Act – to improve public health protection. The overall program goals 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 effective and efficient administration of the DWSRF program, offering below-market interest rates and long-term financing to assist public water systems to provide sufficient quality and quantity of affordable potable water throughout Texas. In addition, the DWSRF program set-aside funds are used to improve public health protection programs that support the goals of the SDWA.

Short-Term Goals of the DWSRF

Goal 1–Continue funding projects by separating the planning, acquisition, and design (PAD) phase from the construction phase in order to expeditiously utilize capitalization grant funds.

In previous IUP years, TWDB offered applicants funding for both the PAD and construction portions of a project in a single loan commitment. In SFY 2012, TWDB awarded funding for the PAD phase and construction phase separately. The SFY 2012 IUP aimed to limit full funding for the PAD through construction phases to those projects that could begin construction within 18 months of the beginning of the state fiscal year, or within 18 months of the date of commitment. However, to make this determination, the TWDB needed to modify the process to take into account project milestones the applicant had already completed. The program is effectively transitioning to the new funding process with the goal of expeditiously utilizing the capitalization grant funds.

Goal 2—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 2012, the TWDB, in partnership with the TCEQ, will conduct pre-application meetings for projects within the fundable range that expressed an intent to apply for funding in an effort to fund higher priority projects with water quality or public health issues.

TCEQ contractors work with entities on the financial, managerial, and technical (FMT) needs of the system. TCEQ must certify an entity's FMT credentials before a water system can close on DWSRF financial assistance.

During SFY 2012, a pre-application meeting was held for every project that expressed an interest in applying for funding. A total of 35 such meetings were held, resulting in five commitments from the 2012 IUP. At the end of SFY 2012, the TWDB was reviewing another 18 applications totaling \$36,143,076 for possible loan commitments.

Goal 3—Work closely with the TCEQ and systems with maximum contaminant level (MCL) violations and other compliance issues to provide funding assistance to eligible projects.

TWDB and TCEQ hold monthly coordination meetings that include a discussion of systems that have MCL violations. The rating factors that include the MCL violations and other compliance issues constitute the largest portion of the project's overall priority ranking. Based on the DWSRF's priority of addressing serious MCL violations, the TWDB was able to provide subsidized assistance to El Paso County Tornillo WID to build a new filtration system to remove arsenic. Without the DWSRF, the project would have been otherwise unaffordable.

Goal 4—Provide outreach, as staffing resources allow, on rule, policy, and guidance changes to the SRF programs as well as information on DWSRF funding opportunities.

During SFY 2012, the TWDB held a workshop and two webinars to share information about the DWSRF. These events focused on the changes to the program for the SFY 2013 IUP. The first workshop took place on December 15, 2011, and was held in Austin. The topics included the Intended Use Plan process, the project submission deadline, DWSRF federal requirements, and program changes. Attendees at the workshop received a project solicitation packet, information sheets, and other information on the DWSRF program. The workshop was supplemented with a webinar on January 26, 2012. The second workshop and webinar were scheduled to assist entities in meeting the March 1st deadline for submitting information necessary to have their drinking water projects included in the 2013 IUP. The second and final webinar took place on June 21, 2012. It focused on specific changes to the financial assistance awards, as well as the steps for submitting an application for projects included in the 2013 IUP that were invited to apply.

In addition to the webinars and workshop, staff conducted outreach on the DWSRF at seven major conferences and conventions throughout the year. At each of these seven outreach events, staff set up an exhibit booth that provided information to utilities and officials on the opportunities available through the DWSRF.

Goal 5—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.

During SFY 2012, the TCEQ and TWDB have together continued to prioritize projects by using criteria that directed resources toward compliance and public health needs. While promoting sustainable operations, the DWSRF program continues to ensure that greater weight in the overall rating criteria is given to drinking water compliance and public health issues. The Project Priority List in the SFY 2012 IUP was based on the rating criteria to ensure resources are directed to the state's most pressing compliance and public health needs. Of the 10 entities that closed loans during SFY 2012, 60 percent were to support communities coming into compliance with the Safe Drinking Water Act. Appendix D shows the rating criteria used for the SFY 2012 projects. The rating criteria demonstrate the DWSRF's priority for addressing the most pressing needs while concurrently establishing criteria designed to ensure the improved drinking water system is sustainable. Appendix D also includes the procedure used to determine eligibility for disadvantaged funding.

Goal 6—Continue to move forward with the Texas Water Information System Expansion (TxWISE) project in partnership with Northbridge Environmental Consulting.

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, which integrated the Inspection and Field Support System (IFSS) and Contract Administration System, was deployed to production on October 28, 2010. TxWISE Phase 3 will

- Replace an outdated, unsupported Financial Information System (FIS) with an integrated solution that will
 - Meet the regulatory requirements, including those expected to be implemented under the Finance Reform Bill, and regulatory changes imposed by 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 module to control user authentication and access to the application, and role-based security to mitigate security breaches to the network and the applications.
- Bring TxWISE into alignment with both federal and state accessibility requirements.

During SFY 2012, the scope of Phase 3 expanded considerably with additional components and functionality. The major components of the remaining TxWISE project are:

1. Design and develop the new Financial Information System (FIS), web-enable the associated TxWISE functionality, and migrate to the TxWISE Cloud environment;
2. Web-enable the remaining TxWISE functionality and migrate to the TxWISE Cloud environment;
3. Web-enable the Inspection and Field Support System and integrate with the TxWISE Cloud environment; and
4. Web-enable the Contract Administration System and integrate with the TxWISE Cloud environment.

A table in Appendix B shows the planned activities for SFYs 2013 and 2014.

***Goal 7**–Encourage and increase project and system sustainability through promotion of asset management planning and training during SFY 2012, and improve the state’s capacity development assistance program.*

TWDB’s implementation of EPA’s sustainability policy provides additional points in the project rating criteria to entities that more efficiently manage and plan for current and future needs. This prioritizes the use of additional subsidization for those entities that develop and maintain sustainable projects.

A project received additional points if the entity’s adopted asset management plan contains some or all of the following: (a) an inventory of assets, (b) an assessment of the criticality and condition of assets, (c) prioritization of capital projects, (d) a capital

budget, or (e) the development of a public education plan. Additional points were awarded to an entity if it committed to prepare an asset management plan upon completion of the proposed project and to an entity that provided asset management training to its governing body and employees.

As a result of instituting additional points for effective management, one project has received funding to create an asset management plan upon completion of its proposed project and three others are on track to receive funding to create an asset management plan along with their proposed projects.

As part of its capacity development efforts during SFY 2012, the TWDB partnered with the TCEQ to facilitate direct financial, managerial, and technical (FMT) assistance to very small systems considering applying under the SFY 2013 IUP. This new pilot program targets entities with populations of 1,000 or fewer proposing to solve water quality or quantity issues. TCEQ's FMT assistance was targeted to approximately 24 very small systems.

***Goal 8**—Encourage the use of green infrastructure and technologies by offering a limited amount of loan forgiveness for green infrastructure, energy efficiency, water efficiency, or environmentally innovative portions of projects.*

In an effort to support green infrastructure technologies and encourage development of green options that are cost effective and sustainable, the TWDB awarded green projects up to 15% of principal forgiveness of the green component costs. In part as a result of offering this subsidy during SFY 2012, the TWDB saw over \$262 million in demand for green components (an increase from SFY 2011 of 21%) and was able to commit \$3,067,908 for green components.

***Goal 9**—Apply to the EPA Region 6 for a FFY 2012 DWSRF Capitalization Grant in the amount of \$57,041,000.*

The TWDB applied for the FFY 2012 DWSRF allotment on July 10, 2012, in the amount of \$57,041,000. The TWDB received this grant award on August 21, 2012, and will use the funds to implement the SFY 2013 DWSRF IUP.

Long-Term Goals of the Texas DWSRF

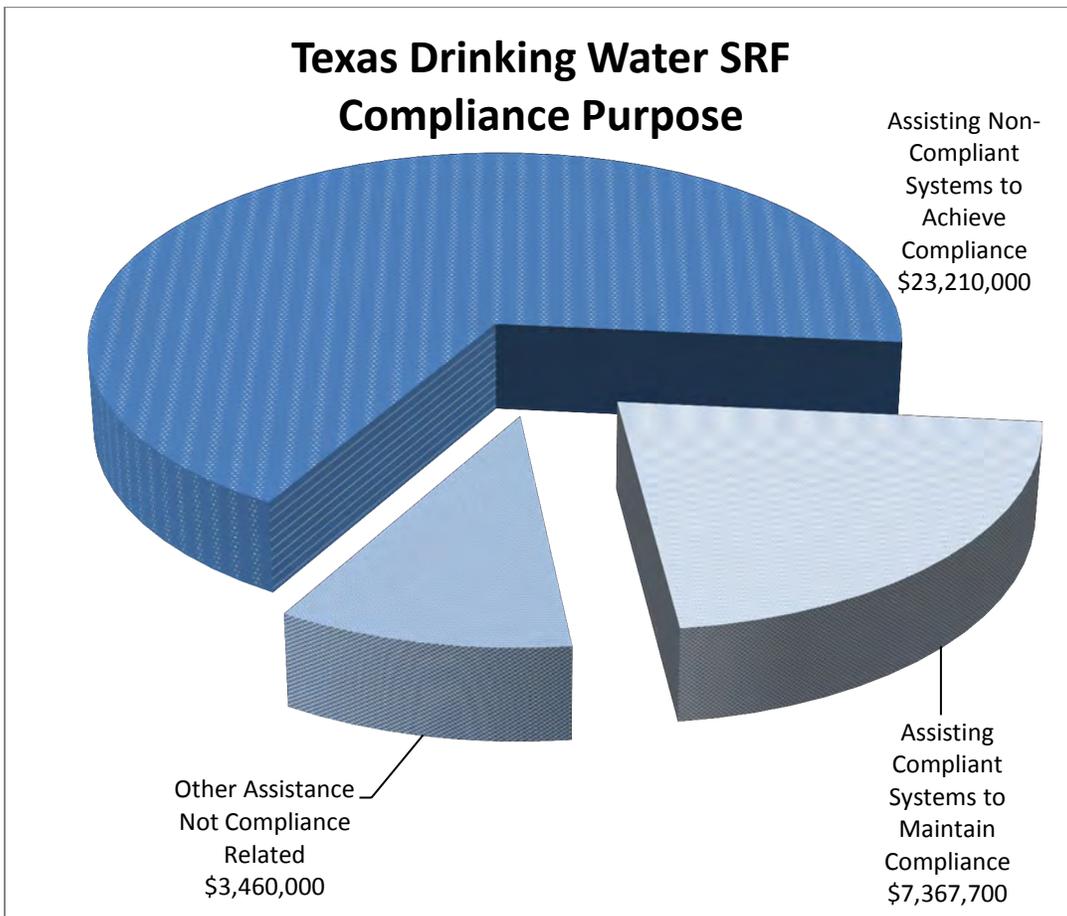
***Goal 1**—Restore and maintain the quality and quantity of the state's public drinking water by developing a financial and technical program capable of funding annually all projects which pose the most serious risk to public health and compliance with the SDWA. This will include use of the National Information Management System and Drinking Water Benefits Reporting system data to illustrate achievements and specific contaminants addressed.*

The state prioritizes drinking water projects in the IUP that will result in compliance with the Safe Drinking Water Act and protection of public health. Annually the TWDB invites the projects with the highest risk to public health. The prioritization ensures projects that will help communities achieve compliance are invited first. Data obtained from the Projects Benefits Reporting (PBR) system illustrate the closed SFY 2012 projects by category. (See Appendix B for PBR reports.) The contaminants addressed are shown in PBR under the Public Health Impact Description.

Goal 2—Protect public health by providing funds for the provision of safe drinking water to the citizens of the State of Texas, and expeditiously provide 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 that will meet water quality standards.

In SFY 2012, 10 water systems closed DWSRF loans totaling \$34,037,700 and will provide safe drinking water to the citizens of the State of Texas. Six of those water system loans were to help non-compliant systems come into compliance.

Data entered into the PBR system provide the compliance categories, as shown in the graph below.



Goal 3—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 monitoring the lending rate policy to provide for long-term inflation and produce 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, which includes establishing the interest rate discount from the current market rate. For SFY 2012, the interest rate on loans was set at 1.25% below the current market rate. Efficient and effective use of program resources remains a top priority of the program, especially given the economic pressure of low system investment rates, repayments at low interest rates, and the effect of historically low market interest rates. Prepayments of loans impact the interest earnings of the fund, as those loans were made at a higher interest rate. The most appropriate use of funds received from a prepayment is evaluated to determine the best use of the asset.

Goal 4—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.

For SFY 2012, the interest rate on loans was set at 1.25% below the current market rate. The maximum repayment period is 20 years for mainstream and the subsidized green funding, while disadvantaged community funding has a maximum term of 30 years. Further, the SFY 2012 IUP was based upon the FFY 2011 capitalization grant, which requires that the TWDB make available 30 percent, or \$17,956,200, of the grant as subsidy. In the SFY 2012 IUP, the TWDB made available \$14,963,500 of additional subsidy for disadvantaged communities, offering forgiveness of 30%, 50%, or 70% of the principal amount. This significant amount of loan forgiveness allows disadvantaged communities to maintain more affordable water systems. Further, the TWDB allocated the remaining subsidy of \$2,992,700 for green project costs. The green subsidy was utilized for up to 15% of principal forgiveness of eligible green component costs. Appendix A, Table 5B, lists the projects receiving additional subsidization from the FFY 2010 and 2011 capitalization grants.

Goal 5—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 anticipated future drinking water needs of Texas. In SFY 2012, the demand for financial assistance was met with existing financial resources in the DWSRF. To improve the efficient use of existing funds within the DWSRF, the program now closes the full amount of the DWSRF loan into escrow. This change increases the incentive for loan recipients to

complete their projects more quickly and increases the program's cash flow. There are other factors that affect the growth of the DWSRF. The set-asides reduce the amount available for recurring uses. In addition, the recent grant condition, with a requirement to allot 30 percent of the capitalization grant in subsidy, will reduce the cash flow from repayments and lower the TWDB's ability to leverage the program in the future. While the additional subsidization requirement increased demand for loans containing some degree of loan forgiveness, it does not contribute to establishing a repayment stream for leveraging the capitalization grant.

3. Subsidies to Promote Sustainability

According to recent EPA guidance, among projects with comparable public health and water quality benefits, communities that could not otherwise obtain financing are given priority for construction financing subsidies for the following:

- Projects that are based on a “fix it first” approach which focuses on system upgrade and replacement in existing communities;
- Investigations, studies, or plans that improve the technical, financial, and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and
- 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.

During SFY 2012, the TWDB prioritized the use of additional subsidization for those entities that met EPA's criteria. Disadvantaged communities were allocated the majority of the available subsidy for system upgrades and replacements. TWDB made available \$14,963,500 of additional subsidy for disadvantaged communities, offering forgiveness of 30%, 50%, or 70% of the principal amount. As of August 31, 2012, four disadvantaged projects, one of which closed, received a commitment during the fiscal year for a total subsidy of \$4,112,786. The second and third components of this strategy were fulfilled in part by awarding additional points in the project ranking criteria for entities implementing effective management that will contribute to sustainable operations. The third component of EPA's sustainability strategy, which included financing alternative approaches that integrate a green component into the existing system, was prioritized through an additional subsidy for green costs. In order to encourage green projects, the TWDB set aside \$ 2,992,700 of the amount required in additional subsidy for green projects in the form of 15% loan forgiveness. Details of the projects with disadvantaged subsidy and green subsidy are found in Appendix A.

4. Green Project Reserve

The Green Project Reserve, or GPR, requires that an amount equivalent to a specified portion of the capitalization grant allotment goes to projects that address green infrastructure, water efficiency, energy efficiency, or other environmentally innovative activities. The FFY 2011 capitalization grant, which was used for the SFY 2012 IUP, required that an amount equal to at least 20 percent of the FFY 2011 capitalization grant allotment for qualifying GPR projects.

Most green projects require a business case to demonstrate their green components, while others are considered categorically green without need for further supporting information. The TWDB has developed green project information worksheets in order to facilitate a uniform approach to providing business case information.

TWDB designates projects as green in the IUP based upon designation by the entity and review of the initial information by TWDB. A project designated as having green components may receive an invitation to apply for assistance and is required to complete a green project information worksheet to demonstrate eligibility.

During SFY 2012, TWDB expanded its Green Project Reserve solicitation plan to maximize its effort to promote green projects. These enhanced efforts consisted of the following:

Subsidy – To encourage adequate funding of green projects, the TWDB allocated an equivalent of 5% of the capitalization grant as a targeted subsidy to green project costs. Eligible green projects were offered a subsidy in the form of loan forgiveness of 15% of the green project costs, provided the green costs were at least 30% of the total project costs.

Priority – Green projects were prioritized throughout the invitation process. Those projects whose green costs were at least 30% of the total were in the highest priority group. Further, any other projects that had any green component costs were given preference over projects without any green component costs.

Bypass – The IUP invitation process allowed the TWDB to bypass other projects to include additional projects from below the fundable range that contain green component costs. When initial green project applications were unable to proceed, the TWDB offered the funding to other qualified Green Project Reserve projects on its priority list. Eventually all green projects on the IUP priority list were invited.

Invitations Exceeded Six Times the Required Green Project Reserve – During SFY 2012, as part of its enhanced solicitation plan, the TWDB eventually extended invitations totaling \$71 million in green projects. This amount represents 596% of the required amount of \$11,970,800. The TWDB solicited for all four green categories:

green infrastructure, energy efficiency, water efficiency, and environmentally innovative projects.

For the SFY 2012 DWSRF IUP, which is funded with 2011 appropriations, the minimum amount of funds for green projects was equivalent to 20 percent of the capitalization grant allotment or \$11,970,800. Seven rounds of invitations were sent to those projects identified as green in the Project Information Forms submitted for the SFY 2012 IUP, and all the projects on the list were invited. Upon further review, of the 22 projects on the green fundable list, only four that have received a commitment were certified as having green components. As of August 31, 2012, the TWDB had under review applications from the 2012 IUP that are expected to exceed the required \$11,970,800 of the GPR. The loans that close with green components will be reported in next year's annual report.

During SFY 2012, the TWDB's GPR efforts resulted in achieving 68 percent of the target level for the SFY 2011 IUP funded using the 2010 appropriations. The table below documents the results of TWDB's good faith efforts to meet the GPR level.

	2010 Appropriations using 2011 IUP	2011 Appropriations using 2012 IUP
Green Project Reserve – Target	\$17,250,000	\$11,970,800
Green Project Reserve - Invitations	\$120,762,717	\$71,000,000
% of Green Project Reserve	700%	596%
Green Projects Reserve – Achieved	\$11,780,000	None closed to date
Percent of Target Achieved	68%	

5. Timely and Expeditious Use of Funds

The TWDB has undertaken a number of actions to expedite the use of grant funds for drinking water projects. The SFY 2012 IUP separates the planning, acquisition, and design (PAD) phases from the construction phase. Once fully implemented, this will finance only the project phase that can use the DWSRF funds expeditiously. Once an entity uses the PAD funding to complete all pre-construction activities, it may receive construction phase funding based on evidence that it can proceed promptly to advertise for bids on the project.

The TWDB is taking an active approach in managing stalled projects. Those projects that have stalled are closely scrutinized. All phases of the project are closely monitored. TWDB engineering and project oversight staff will contact those entities with projects that appear stalled in any phase: planning, design, or construction. Assistance is offered where needed. This outreach and requests for project status reports and updated project

schedules help ensure that the project progresses toward timely completion and funds are drawn expeditiously.

DWSRF loans are now fully closed loans into an escrow with state funds. Funds are released from the escrow account to the construction account when allowable invoices are received. This change increases the incentive for loan recipients to complete their projects more quickly because they are paying interest on the full amount of the loan.

TWDB closely monitors outlays during the life of the drinking water project to ensure DWSRF funds are being used promptly. Each project is required to produce outlays on a quarterly basis during the PAD phase and on a monthly basis during the construction phase. Also, as a standard practice, letters are sent to those who do not submit timely outlays. The goal of the TWDB's follow up communication is to assist with resolving any problems or delays as they arise and ensure loan funds are expended as scheduled.

The TWDB is a founding member of the Texas Water Infrastructure Coordinating Committee, which provides another opportunity for drinking water systems to realize the funding opportunities available through the DWSRF. This committee is composed of federal, state, regulatory, and technical entities within Texas. This group helps the member agencies match potential applicants with available financing resources, such as the DWSRF, and offers opportunities for joint funding of drinking water projects.

During the year, six projects were referred from this committee to pursue funding from the DWSRF program during SFY 2013. Ultimately, the additional loans made as a result of this effort will contribute to a more expeditious use of DWSRF grant funds.

TWDB had a goal to draw \$109,883,333 from the federal capitalization grants during SFY 2012, and the program drew slightly less than the goal as shown in the table below.

SFY 2012 Grant Drawdown Summary	
DWSRF Draws During SFY 2012	\$105,178,704
EPA Goal for SFY 2012	\$109,888,333
Amount Under Goal	\$4,709,630
Percent of Goal Attained	96%

6. Bypass Procedures

Periodically, TWDB invokes a bypass, or skipping, of higher ranked projects in favor of lower ranked projects for funding consideration 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 include, but are not limited to the following:

- **Disadvantaged Community Subsidy and Green Project Reserve Subsidy** – A maximum of an equivalent of 25% of the capitalization grant will be made available in the form of additional subsidization to projects proposed by disadvantaged communities. In the event that the amount of subsidy for disadvantaged community projects to be funded does not equal 25% of the capitalization grant, the Executive Administrator may bypass projects to invite projects that are eligible for additional subsidy. Similarly, an additional subsidy equivalent of 5% of the capitalization grant will be made available in subsidy for projects containing greater than 30% green costs. The Executive Administrator may bypass projects to invite projects that are eligible for this additional subsidy for eligible green projects.
- **Green Project Reserve** – A minimum of 20% of the capitalization grant will be allocated as the green project reserve and is required by federal law to be used for green component costs associated with eligible DWSRF projects. Green components include green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. In the event that DWSRF projects to be funded do not contain green component costs equaling at least 20% of the capitalization grant, the Executive Administrator may bypass other projects for those that contain enough green component costs to meet the federal requirement.
- **Small Communities** – A minimum of 15% of the capitalization grant will be made available to small communities, which are systems serving populations less than 10,000. In the event that small community projects to be funded do not equal 15% of the capitalization grant, the Executive Administrator may bypass other projects to include additional small community projects from below the fundable range.
- **Project Repetition** – Any entity with a project or portion of a project that has received a commitment for funding from the DWSRF program is not allowed to refinance or replace its prior commitment through the SRF program.
- **Source Water Protection Reserve** – An amount not to exceed 10% 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 emergency relief funding to replace or rehabilitate an essential portion of a public water system or wastewater treatment system that poses an imminent peril to public health and threat of failure in response to an emergency condition. Projects determined to be eligible, in accordance with the Emergency Relief Policy and as determined by the Executive Administrator, will be rated by the TCEQ and added to the category

"Emergency Relief Projects" on the respective IUP and project priority list. Funding will be provided on a first-come, first-served basis, if available, from any SRF funds remaining in the current year's Intended Use Plan, deobligation, or closure of previous loan commitments or repayments.

- **Ready to Proceed** – The TWDB defines readiness to proceed as having obtained all permits, legally required authorizations, and land and water rights; complied with all engineering and environmental planning review requirements and other TWDB requirements; and completed design. For financial stability of the program, the Executive Administrator may bypass projects to include those deemed ready to proceed.
- **Past Project Performance** – If the applicant has failed to close a commitment for a project on a timely basis or has failed to complete a project under a prior IUP on a timely basis, and it is determined that such failure to perform could jeopardize the timely use of funds for a project under this IUP, the Executive Administrator may bypass the project if the applicant fails to demonstrate that the reason(s) for the failure has been identified and remedied. Prior to bypassing a project on this basis, the Executive Administrator will provide the applicant the basis for the determination, and the applicant has 10 business days to respond.
- **Financial Capacity** – A project may be bypassed if the Executive Administrator determines that the applicant will be unable to repay the SRF loan for the project. The Executive Administrator's determination must be based on the applicant's lack of capacity to make scheduled loan payments while maintaining all other financial obligations. Prior to bypassing a project on this basis, the Executive Administrator will provide the applicant the basis for the determination, and the applicant has 10 business days to respond.
- **FMT Capacity** – A project may be bypassed if the TCEQ determines that the project will not provide the entity with FMT capacity.

In SFY 2012, the TWDB used the past project performance and financial capacity bypass procedures to bypass a total of seven projects on the Project Priority List.

7. Other Program Accomplishments and Challenges

Disadvantaged Subsidy

For the SFY 2012 IUP, the disadvantaged eligibility criteria and levels of loan forgiveness were updated to reflect placing more emphasis on the affordability of a project for an entity and applying the subsidy to a greater number of projects. For the

SFY 2011 IUP, loan forgiveness was offered for either 70% or 100% of the total project costs. The level of forgiveness was determined by the entity's service area's annual median household income. Establishing the proper disadvantaged subsidy based on this income basis alone was insufficient for determining whether a proposed project would actually burden a system's rate payers. Providing assistance at the 70% and 100% levels also concentrated the available subsidy into only a few projects.

In the past, the household cost factor was used to determine eligibility for disadvantaged funding but not to set the percentage of assistance. However, beginning in 2012, it was used to determine the level of loan forgiveness. The household cost factor is calculated to show the burden an entity's customer would experience if the project were funded in the private market and charged directly through water rates. If a project had a higher household cost factor, the TWDB determined that the project required more subsidy to maintain its affordability. The levels of principal forgiveness were changed to allow more projects to receive some disadvantaged subsidy. For the SFY 2012 IUP, the TWDB offered 30%, 50%, or 70% in loan forgiveness to eligible entities.

Texas Water Infrastructure Coordination Committee

The Texas Water Infrastructure Coordination Committee is a collaborative effort by government agencies and technical assistance organizations to identify water and wastewater infrastructure and compliance issues in Texas. The member agencies and organizations include

- Border Environment Cooperation Commission
- Community Resource Group
- North American Development Bank
- Texas Commission on Environmental Quality
- Texas Department of Agriculture
- Texas Water Development Board
- Texas Rural Water Association
- Texas Secretary of State
- U.S. Department of Agriculture - Rural Development
- U.S. Environmental Protection Agency

TWICC meets every two months to discuss agency program status, available funding, and technical assistance for systems in need of state and/or federal financial assistance. Through coordination with TWICC, entities may be invited to a meeting to present project information to member agencies and ask questions regarding program

requirements, ask about program funds available, and obtain points of contact for application coordination. As a direct result of TWICC's effort during SFY 2012, six project information forms were submitted for the SFY 2013 Intended Use Plan. Many of these systems are also under EPA orders to correct maximum contaminant level violations. Additional information on TWICC may be found on its website: www.twicc.org.

New First-Come, First-Served Invitation Process

For SFY 2013, the TWDB changed the DWSRF invitation process to a first-come, first-served process. In previous years, the TWDB invited projects in stages, giving them ample time to apply before inviting the next grouping. This resulted in a bottleneck, with invitations for projects farther down the list being held up while staff waited for replies to invitations from those higher on the list. The new process allows for inviting more projects than there are funds available and allotting funding based on the application being complete. By instituting this change, the TWDB hopes to improve the quality of financial applications, decrease the time to review and approve a project for commitment, and increase the amount of projects utilizing the program funds.

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**Texas Water Development Board
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Table 1 - DWSRF - Grant and Match Funds							
FFY	SFY/ IUP	Grant Award #	SRF Grant	State Match 20%	State Match provided or to be provided from State Appropriations	State Match provided or to be provided from Match Bonds	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	5,183,323	8,242,332	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	4,936,171	12,314,629	17,250,800
2011	2012	FS-99679515	59,854,000	11,970,800	1,226,257	10,744,543	11,970,800
	Totals		\$ 1,126,732,350	\$ 193,218,525	\$ 59,572,244	\$ 133,646,281	\$ 193,218,548

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Table 1A - Commitments in SFY 2012			
Entity	Commitment Date	SFY IUP	Commitment Amount
Burnet, City of	9/22/2011	2011	\$ 110,000
Eldorado, City of	4/19/2012	2011	\$ 1,495,000
Hubbard, City of	12/15/2011	2011	\$ 1,500,000
Willis, City of	2/2/2012	2011	\$ 3,150,000
Abilene, City of	8/16/2012	2012	\$ 2,500,000
Breckenridge, City of	7/19/2012	2012	\$ 2,384,878
Bronte, City of	5/15/2012	2012	\$ 850,000
Marlin, City of	6/21/2012	2012	\$ 2,907,908
Robert Lee, City of	12/15/2011	2012	\$ 2,750,000
			\$ 17,647,786
		2011 IUP	\$ 7,260,000
		2012 IUP	\$ 10,387,786
			\$ 17,647,786

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Table 1B - Net Commitments - Cumulative		
IUP Year	Loan Forgiveness or Grants	Net Commitments - 8/31/2012
1997	1,253,000	31,645,000
1998	-	67,540,000
1999/2000	6,027,235	102,025,235
2001	6,215,000	80,965,000
2002	2,791,000	20,082,000
2003	4,403,000	36,140,863
2004	732,706	32,515,000
2005	2,619,000	126,735,000
2006	210,000	57,341,000
2007	-	156,372,000
2008	1,801,000	128,460,000
2009 ⁽²⁾	-	26,420,000
ARRA	108,199,300	154,109,760
2010 ⁽¹⁾	-	34,975,780
2011 ⁽²⁾	21,410,700	42,592,700
2012	4,112,786	11,392,786
Totals	\$ 159,774,727	\$ 1,109,312,124

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

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Table 2 - Grant Payments by Quarter				
SFY 2012				
	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Deposited into ACH, Ending	Nov. 2011	Feb. 2012	May 2012	August 2012
	Grant Payments			
2009 ARRA	\$ -	\$ -	\$ -	\$ -
Set-Asides				
Loan Fund				
State Match (20%)				
SFY 2010 FS-99679514	\$ 13,000,000	\$ -	\$ 33,586,934	\$ 16,793,466
Set-Asides				
Loan Fund	\$ 13,000,000		\$ 33,586,934	\$ 16,793,466
State Match (20%)	\$ 2,600,000	\$ -	\$ 6,717,387	\$ 3,358,693
SFY 2011 FS-99679515	\$ -	\$ 4,788,320	\$ 2,394,160	\$ 2,394,160
Set-Asides		\$ 4,788,320	\$ 2,394,160	\$ 2,394,160
Loan Fund				
State Match (20%)	\$ -	\$ 957,664	\$ 478,832	\$ 478,832
Quarterly Commitments Required	\$ 15,600,000	\$ 957,664	\$ 40,783,153	\$ 20,630,991

Deposits into the ACH require an equivalent amount of binding commitments one year later

<i>Date of required binding commitments (one year following deposit)</i>	<i>Nov. 2012</i>	<i>Feb. 2013</i>	<i>May 2013</i>	<i>August 2013</i>

**Texas Water Development Board
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Table 2A - Binding Commitments for Projects by Quarter					
	SFY 97 - SFY 11	SFY 2012			
		Qtr 1	Qtr 2	Qtr 3	Qtr 4
		Binding Commitments			
IUP 1997 – 2011	\$ 1,098,713,456				
<i>Lapses/Withdraws in 2012</i>	-7,049,118				
QUARTERLY TOTAL	-	110,000	7,400,000	2,345,000	7,792,786
Cumulative Net Binding Commitments for Projects	1,091,664,338	1,091,774,338	1,099,174,338	1,101,519,338	1,109,312,124
Cumulative Binding Commitments as a % of Required	112%	110%	110%	108%	108%
Cumulative Required Binding Commitments	\$977,344,678	\$991,113,206	\$1,000,248,406	\$1,017,170,646	\$ 1,031,826,390

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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	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	
2009	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	
2011	FS-99679515	59,854,000	50,199,760	5,985,400		1,197,080	2,394,160	77,600
Totals		\$ 1,126,732,350	\$ 977,031,494	\$ 88,058,709	\$ 5,745,000	\$ 12,959,854	\$ 42,804,806	\$ 132,487

SWP = Source Water Protection

**Texas Water Development Board
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Table 3A - Grant Funds Drawn								
FFY	Grant Award #	Grant Drawn	Loan Portion Drawn	TCEQ Drawn	SWP Drawn	Small System Drawn	4% Admin Drawn	In-kind
1997	FS-99679501	70,153,800	64,847,648	2,500,000	0	0	2,806,152	0
1998	FS-99679502	54,014,400	49,139,400	4,875,000	0	0	0	0
1999	FS-99679503	56,612,200	44,284,672	4,505,732	5,661,220	0	2,160,576	0
2000	FS-99679504	58,836,500	54,246,988	4,505,732	83,780	0	0	0
2001	FS-99679505	59,079,800	50,915,312	5,900,000	0	0	2,264,488	0
2002	FS-99679506	62,023,700	52,529,766	5,900,000	0	1,240,474	2,353,460	0
2003	FS-99679507	61,651,000	52,207,808	5,900,000	0	1,180,000	2,363,192	0
2004	FS-99679508	63,953,900	53,897,562	6,395,390	0	1,180,000	2,480,948	0
2005	FS-99679509	63,818,500	53,694,240	6,381,850	0	1,276,370	2,466,040	0
2006	FS-99679510	67,799,550	57,429,348	6,381,850	0	1,276,370	2,711,982	0
2007	FS-99679511	40,067,436	28,251,704	6,779,955	0	1,200,000	3,835,777	0
2008	FS-99679512	12,460,591	0	6,711,200	0	1,342,240	4,407,151	54,887
2009	FS-99679513	10,737,920	0	6,711,200	0	1,342,240	2,684,480	0
2009	2F-96692301	154,762,217	148,692,622	0	0	0	6,069,595	0
2010	FS-99679514	13,595,221	0	8,625,400	0	1,519,661	3,450,160	0
2011	FS-99679515	3,555,717	0	3,034,534	0	0	521,183	77,600
Totals		\$853,122,452	\$710,137,070	\$85,107,843	\$5,745,000	\$11,557,355	\$40,575,184	\$132,487

SWP = Source Water Protection

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Table 3B - Grant Balances								
FFY	Grant Award #	Grant	Loan Portion	TCEQ State Program Manag.	SWP	TCEQ - SSTA (2%)	4% Admin	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	-	-	-	-	-	-	-
2007	FS-99679511	27,733,564	27,733,564	-	-	-	-	-
2008	FS-99679512	54,596,522	54,596,522	-	-	-	-	-
2009	FS-99679513	56,374,080	56,374,080	-	-	-	-	-
2009	2F-96692301	5,893,783	5,537,138	-	-	-	356,645	-
2010	FS-99679514	72,658,779	72,453,360	-	-	205,419	-	-
2011	FS-99679515	56,220,683	50,199,760	2,950,866	-	1,197,080	1,872,977	-
Totals		\$ 273,477,411	\$ 266,894,424	\$ 2,950,866	\$ -	\$ 1,402,499	\$ 2,229,622	\$ -

SWP = Source Water Protection

SFY 2012 Grant Drawdown Summary

DWSRF Draws during SFY 2012	\$105,178,704
EPA Stretch Goal for SFY 2012	\$109,888,333
<hr/>	
Amount under Goal	\$4,709,630
Percent of Goal Attained	96%

**Texas Water Development Board
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Table 4 - Total Construction Draws			
SFY	Federal Construction	Actual State Match Drawn	Total Funds Drawn
1998 - 2011	\$ 617,253,563	\$ 136,111,296	\$ 753,364,859
ARRA-2012	\$ 22,933,125	\$ -	\$ 22,933,125
Base-2012	\$ 69,950,382	\$ 12,833,347	\$ 82,783,729
Totals	\$ 710,137,070	\$ 148,944,643	\$ 859,081,713

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**Table 5
Drinking Water SRF Reporting
Additional Subsidy or GPR for Texas - 2010 Cap Grant**

Tracking Number	Recipient	Initial Loan Date	Amount	Grant Amount	Negative Interest Amount	Principal Forgiveness Amount	Recipient Could Afford Project without Subsidy?	Population Served	GPR Amount
21655	Stephens Regional SUD	4/28/2011	4,060,000	0	0	4,060,000	<input type="checkbox"/>	2,650	750,000
61580	Del Rio	6/8/2011	9,645,000	0	0	0	<input type="checkbox"/>	35,000	9,645,000
61928	Eastland County WSD	3/13/2012	8,155,000	0	0	8,155,000	<input type="checkbox"/>	12,419	104,000
62502	La Feria	4/19/2012	7,167,700	0	0	7,167,700	<input type="checkbox"/>	7,149	607,000
62503	Roscoe	11/29/2011	1,765,000	0	0	1,765,000	<input type="checkbox"/>	1,443	464,000
62509	North San Saba	1/12/2012	310,000	0	0	0	<input type="checkbox"/>	705	100,000
62510	Burnet	9/28/2012	110,000	0	0	0	<input type="checkbox"/>	6,171	110,000
62514	Robert Lee	12/28/2011	1,925,000	0	0	1,925,000	<input type="checkbox"/>	1,599	0
Total for all 8 Agreements			33,137,700	0	0	23,072,700		67,136	11,780,000

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Table 5A
Drinking Water SRF Reporting
Assistance Provided for Texas - 2011 Cap Grant

Tracking Number	Recipient	Initial Loan Date	Amount	Grant Amount	Negative Interest Amount	Principal Forgiveness Amount	Recipient Could Afford Project without Subsidy?	Population Served	GPR Amount
62514	Robert Lee	12/28/2011	758,000	0	0	0	<input type="checkbox"/>	1,599	0
62514	Robert Lee	12/28/2011	67,000	0	0	0	<input type="checkbox"/>	1,599	0
Total for all 2 Agreements			825,000	0	0	0		3,198	0

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Table 5B - DWSRF Additional Subsidization Requirement

FFY 2010 Capitalization Grant - Minimum Required Additional Subsidy - \$25,876,200							
Borrower	Loan Number	Subsidy Amount-Closed	Subsidy Amount-Committed	Subsidy Amount-Applications under Review	Total Subsidy	Min. Subsidy Remaining	SFY IUP
						\$ 25,876,200	
Stephens Regional SUD		\$ 4,060,000			\$ 4,060,000	\$ 21,816,200	2011
Eastland County WSD		\$ 8,155,000			\$ 12,215,000	\$ 13,661,200	2011
Roscoe, City of		\$ 1,765,000			\$ 13,980,000	\$ 11,896,200	2011
La Feria, City of		\$ 7,167,700			\$ 21,147,700	\$ 4,728,500	2011
Robert Lee, City of		\$ 1,925,000			\$ 23,072,700	\$ 2,803,500	2012
Bronte, City of			\$ 255,000		\$ 23,327,700	\$ 2,548,500	2012
Marlin, City of			\$ 1,227,908		\$ 24,555,608	\$ 1,320,592	2012
Breckenridge, City of			\$ 704,878		\$ 25,260,486	\$ 615,714	2012
Emory, City of				\$ 703,521	\$ 25,964,007	\$0	2012
					Amount over minimum required	\$ 87,807	

FFY 2011 Capitalization Grant - Minimum Required Additional Subsidy - \$17,956,200							
Borrower	Loan Number	Subsidy Amount-Closed	Subsidy Amount-Committed	Subsidy Amount-Applications under Review	Total Subsidy	Min. Subsidy Remaining	SFY IUP
						\$ 17,956,200	
Moran, City of				\$ 338,000	\$ 338,000	\$ 17,618,200	2012
Honey Grove, City of				\$ 83,700	\$ 421,700	\$ 17,534,500	2012
Wortham, City of				\$ 1,566,659	\$ 1,988,359	\$ 15,967,841	2012
Union WSC				\$ 1,457,974	\$ 3,446,333	\$ 14,509,867	2012
Hondo, City of				\$ 69,599	\$ 3,515,932	\$ 14,440,268	2012
Pharr, City of				\$ 2,797,675	\$ 6,313,607	\$ 11,642,593	2012
Loving County				\$ 73,620	\$ 6,387,227	\$ 11,568,973	2012
San Juan, City of				\$ 2,644,500	\$ 9,031,727	\$ 8,924,473	2012
Springs Hill WSC				\$ 194,250	\$ 9,225,977	\$ 8,730,223	2012
North San Saba WSC				\$ 2,008,100	\$ 11,234,077	\$ 6,722,123	2013
Eagle Pass, City of				\$ 2,428,296	\$ 13,662,373	\$ 4,293,827	2013
White River MWD				\$ 1,055,000	\$ 14,717,373	\$ 3,238,827	2013
Brady, City of				\$ 1,355,000	\$ 16,072,373	\$ 1,883,827	2013
El Paso Co Tornillo WID				\$ 639,750	\$ 16,712,123	\$ 1,244,077	2013
Goldthwaite, City of				\$ 620,296	\$ 17,332,419	\$ 623,781	2013
Lake Livingston WSSSC				\$ 539,850	\$ 17,872,269	\$ 83,931	2013
New Ulm WSC				\$ 52,654	\$ 17,924,923	\$ 31,277	2013
Valley Acres MHP				\$ 1,770	\$ 17,926,693	\$ 29,507	2013
San Juan, City of				\$ 30,000	\$ 17,956,693	\$0	2013
					Amount over minimum required	\$ 493	

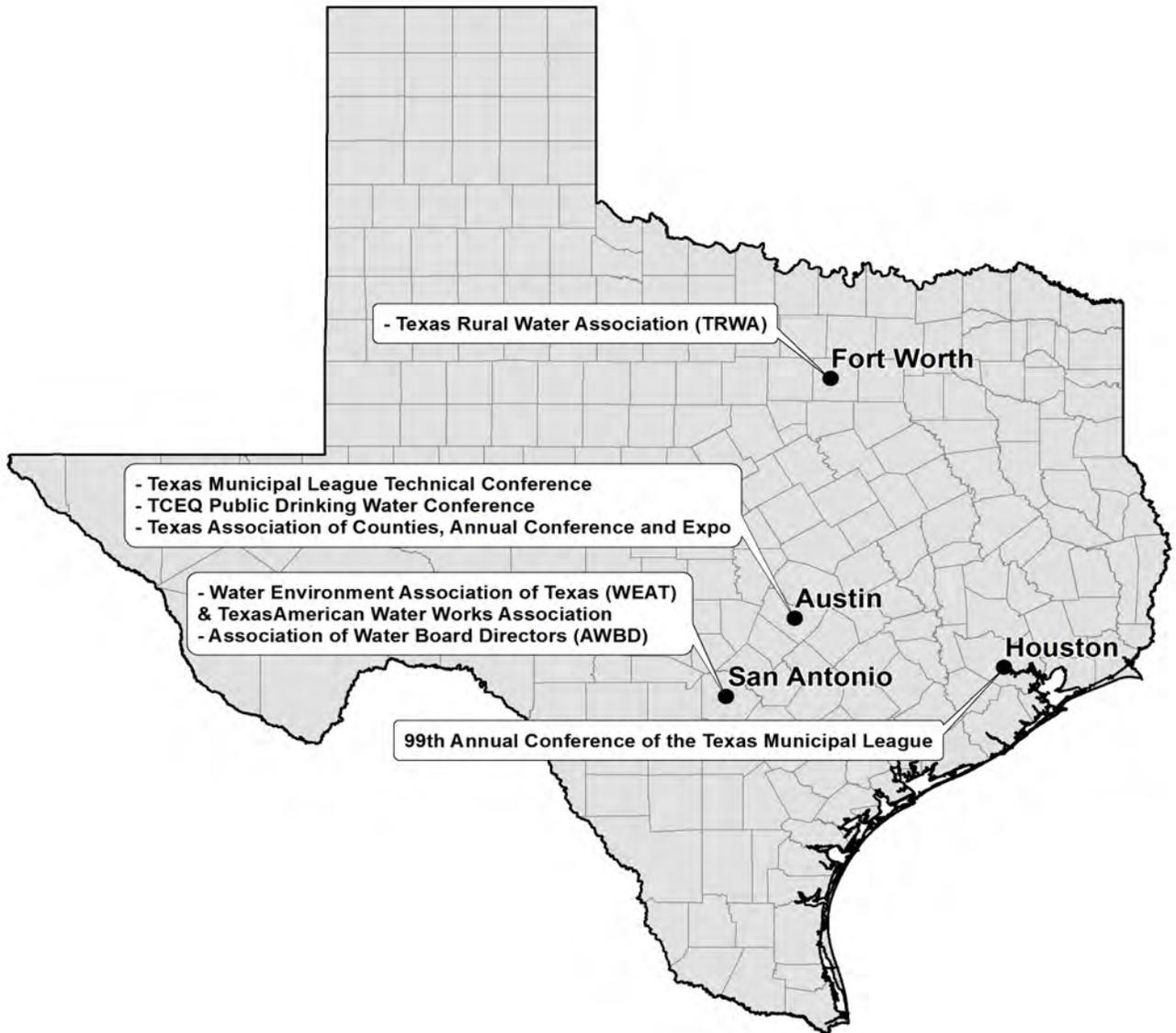
FFY 2012 Capitalization Grant - Minimum Required Additional Subsidy - \$11,408,200							
Borrower	Loan Number	Subsidy Amount-Closed	Subsidy Amount-Committed	Subsidy Amount-Applications under Review	Total Subsidy	Min. Subsidy Remaining	SFY IUP
						\$ 11,408,200	
Upper Leon River MWD				\$ 347,656	\$ 347,656	\$ 11,060,544	2013
Lawn, City of				\$ 400,690	\$ 748,346	\$ 10,659,854	2013
Carbon, City of				\$ 206,500	\$ 954,846	\$ 10,453,354	2013
DeLeon, City of				\$ 101,100	\$ 1,055,946	\$ 10,352,254	2013
Valley WSC				\$ 121,825	\$ 1,177,771	\$ 10,230,429	2013
Dell City, City of				\$ 219,643	\$ 1,397,414	\$ 10,010,786	2013
Smyer, City of				\$ 234,767	\$ 1,632,181	\$ 9,776,019	2013
Zavala Co WCID #1				\$ 738,785	\$ 2,370,966	\$ 9,037,234	2013
New Deal, City of				\$ 25,521	\$ 2,396,487	\$ 9,011,713	2013
					Amount over minimum required	n/a	

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TABLE 6 - Outreach Conferences		
#	Conferences Attended	Location
1	99th Annual Conference of the Texas Municipal League	Houston, Texas
2	Texas Municipal League Technical Conference	Austin, Texas
3	Texas Rural Water Association (TRWA)	Fort Worth, Texas
4	Water Environment Association of Texas (WEAT) & Texas American Water Works Association	San Antonio, Texas
5	Association of Water Board Directors (AWBD)	San Antonio, Texas
6	TCEQ Public Drinking Water Conference	Austin, Texas
7	Texas Association of Counties, Annual Conference and Exposition	Austin, Texas

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Outreach Conferences – SFY 2012



Perpetuity Model

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**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED ANNUAL CASH FLOW COVERAGE
AS OF AUGUST 31, 2012**

Operational Minimum DSC: 1.10
Lowest Total DSC: 0.16

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
2013 (1)	\$22,204,931	\$7,282,522	
2014	23,941,196	7,078,312	\$30,232
2015	25,283,114	6,715,195	59,269
2016	26,153,581	6,318,708	87,108
2017	26,510,796	5,889,450	113,743
2018	26,306,238	5,431,617	136,791
2019	25,507,765	4,934,341	130,871
2020	24,025,480	4,414,550	124,930
2021	21,998,286	3,893,070	118,968
2022	19,795,830	3,350,425	112,985
2023	16,860,898	2,803,655	106,981
2024	13,185,730	2,263,381	100,955
2025	8,791,137	1,729,747	94,908
2026	4,910,692	1,233,716	88,838
2027	1,041,860	916,095	82,747
2028		664,397	76,633
2029		571,751	70,496
2030		484,283	64,337
2031		406,942	58,155
2032		351,288	51,949
2033	403,309	294,839	45,720
2034	988,126	237,734	39,468
2035	1,474,224	197,205	33,948
2036	1,880,593	164,855	29,160
2037	2,212,288	128,429	25,105
2038	2,467,696	94,511	21,782
2039	2,651,619	61,038	19,131
2040	2,780,382	46,221	16,457
2041	2,882,477	36,959	13,757
2042	2,962,981	27,237	11,033
2043	3,020,658	16,772	8,284
2044	3,054,379	5,945	5,510
2045	3,065,833		3,289
2046	3,069,122		1,627
2047	3,070,749		529
2048	3,071,277		
		<u>\$68,045,187</u>	<u>\$1,985,696</u>

**TEXAS WATER DEVELOPMENT BOARD
 DRINKING WATER STATE REVOLVING FUND
 PROJECTED ANNUAL CASH FLOW COVERAGE
 AS OF AUGUST 31, 2012**

Projected Investment Income (4)	Total Existing Match Bond Debt Service (5)	Total Debt Service Coverage (6)
\$27,359	\$7,946,507	3.71
	8,002,672	3.88
	8,037,311	3.99
	8,067,168	4.04
	8,101,425	4.01
	8,125,170	3.92
	8,157,734	3.75
	8,021,501	3.56
	7,506,869	3.46
	7,527,688	3.09
	7,553,492	2.62
	7,572,358	2.05
	6,399,561	1.66
	5,781,154	1.08
	4,953,385	0.41
	3,950,029	0.19
	3,945,644	0.16
	3,263,667	0.17
	1,628,018	0.29
	282,507	1.43
\$27,359	\$124,823,860	

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED ANNUAL CASH FLOW COVERAGE
AS OF AUGUST 31, 2012**

Balance	Loan Receipts 6/1 - 8/31 Interest	Balance	Total Loan Receipts From Current and Projected Loans Principal
\$21,568,304	\$2,372,892	\$23,941,196	\$29,793,145
23,047,068	2,236,046	25,283,114	34,304,244
24,020,267	2,133,314	26,153,581	39,846,458
24,492,229	2,018,567	26,510,796	44,857,887
24,412,564	1,893,675	26,306,238	49,768,060
23,749,477	1,758,288	25,507,765	54,827,073
22,415,243	1,610,237	24,025,480	56,299,480
20,543,459	1,454,826	21,998,286	55,750,067
18,503,456	1,292,374	19,795,830	55,387,843
15,731,552	1,129,346	16,860,898	54,942,952
12,218,042	967,688	13,185,730	54,331,059
7,977,708	813,430	8,791,137	52,692,085
4,216,231	694,461	4,910,692	50,770,132
452,092	589,768	1,041,860	44,134,202
(2,912,684)	485,637	(2,427,047)	41,876,293
(3,208,999)	424,911	(2,784,088)	35,378,905
(3,303,397)	389,613	(2,913,784)	34,930,540
(2,715,047)	353,752	(2,361,296)	33,237,996
(1,162,922)	319,076	(843,846)	29,653,889
120,730	282,579	403,309	28,895,095
743,868	244,258	988,126	28,860,324
1,265,327	208,896	1,474,224	24,555,803
1,705,376	175,217	1,880,593	19,684,549
2,074,608	137,680	2,212,288	13,337,564
2,365,822	101,874	2,467,696	9,024,845
2,583,989	67,630	2,651,619	5,421,936
2,731,788	48,594	2,780,382	4,330,586
2,843,060	39,417	2,882,477	3,840,261
2,933,194	29,787	2,962,981	3,110,960
3,001,252	19,407	3,020,658	3,133,684
3,045,714	8,665	3,054,379	3,151,434
3,065,833		3,065,833	2,203,656
3,069,122		3,069,122	1,482,324
3,070,749		3,070,749	975,434
3,071,277		3,071,277	467,980
3,071,277		3,071,277	
	\$24,301,905		\$1,005,258,745

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED SOURCES OF REVENUES
AS OF AUGUST 31, 2012**

Fiscal Year	Loan Receipts	Loan Receipts
	9/1 - 5/31 Principal	9/1 - 5/31 Interest
2013 (1)	\$23,246,239	\$7,282,522
2014	23,217,029	7,078,312
2015	23,824,714	6,715,195
2016	24,344,327	6,318,708
2017	24,777,507	5,889,450
2018	25,662,481	5,431,617
2019	26,998,582	4,934,341
2020	26,705,800	4,414,550
2021	26,760,146	3,893,070
2022	26,934,644	3,350,425
2023	26,575,747	2,803,655
2024	25,483,747	2,263,381
2025	23,368,747	1,729,747
2026	16,594,747	1,233,716
2027	16,643,747	916,095
2028	11,332,996	664,397
2029	10,706,494	571,751
2030	9,308,289	484,283
2031	5,595,000	406,942
2032	4,817,000	351,288
2033	4,809,000	294,839
2034	4,354,000	237,734
2035	3,383,000	197,205
2036	2,630,000	164,855
2037	2,422,000	128,429
2038	2,342,000	94,511
2039	1,527,000	61,038
2040	1,029,000	46,221
2041	292,000	36,959
2042	307,000	27,237
2043	317,000	16,772
2044	215,000	5,945
2045		
2046		
2047		
2048		
	\$426,524,983	\$68,045,187

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED SOURCES OF REVENUES
AS OF AUGUST 31, 2012**

Income to be Used Within the Same Fiscal Year

Projected Loan Receipts (7) Principal	Projected Loan Receipts (7) Interest	Projected Investment Income (8)
		\$27,359
\$4,257,094	\$30,232	
8,515,382	59,269	
12,774,870	87,108	
17,035,560	113,743	
20,962,252	136,791	
20,968,173	130,871	
20,974,114	124,930	
20,980,076	118,968	
20,986,059	112,985	
20,992,063	106,981	
20,998,089	100,955	
21,004,136	94,908	
21,010,206	88,838	
21,016,297	82,747	
21,022,411	76,633	
21,028,548	70,496	
21,034,707	64,337	
21,040,889	58,155	
21,047,095	51,949	
21,053,324	45,720	
17,280,803	39,468	
13,507,549	33,948	
9,733,564	29,160	
5,958,845	25,105	
2,480,936	21,782	
2,483,586	19,131	
2,486,261	16,457	
2,488,960	13,757	
2,491,684	11,033	
2,494,434	8,284	
1,988,656	5,510	
1,482,324	3,289	
975,434	1,627	
467,980	529	
\$445,022,360	\$1,985,696	\$27,359

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
PROJECTED SOURCES OF REVENUES
AS OF AUGUST 31, 2012**

Total Projected Interest Income to Pay Debt Service	Loan Receipts	Loan Receipts
	6/1 - 8/31	6/1 - 8/31
	Principal	Interest
\$7,309,881	\$6,546,906	\$2,372,892
7,108,543	6,830,121	2,236,046
6,774,464	7,506,362	2,133,314
6,405,816	7,738,690	2,018,567
6,003,193	7,954,993	1,893,675
5,568,408	8,202,339	1,758,288
5,065,213	8,332,726	1,610,237
4,539,480	8,070,153	1,454,826
4,012,039	7,647,622	1,292,374
3,463,411	7,022,249	1,129,346
2,910,636	6,763,249	967,688
2,364,336	6,210,249	813,430
1,824,654	6,397,249	694,461
1,322,554	6,529,249	589,768
998,842	4,216,249	485,637
741,030	3,023,498	424,911
642,247	3,195,498	389,613
548,620	2,895,000	353,752
465,097	3,018,000	319,076
403,237	3,031,000	282,579
340,559	2,998,000	244,258
277,201	2,921,000	208,896
231,152	2,794,000	175,217
194,015	974,000	137,680
153,534	644,000	101,874
116,293	599,000	67,630
80,169	320,000	48,594
62,678	325,000	39,417
50,717	330,000	29,787
38,270	335,000	19,407
25,056	340,000	8,665
11,454		
3,289		
1,627		
529		
\$70,058,241	\$133,711,402	\$24,301,905

**TEXAS WATER DEVELOPMENT BOARD
DRINKING WATER STATE REVOLVING FUND
DEBT SERVICE ON OUTSTANDING BONDS
AS OF AUGUST 31, 2012**

Fiscal Year	State Match Fixed Rate Bonds		Total Debt Service
	Principal	Interest	
2013 (1)	\$4,059,332	\$3,887,175	\$7,946,507
2014	4,249,811	3,752,861	8,002,672
2015	4,444,529	3,592,781	8,037,311
2016	4,649,542	3,417,626	8,067,168
2017	4,874,250	3,227,176	8,101,425
2018	5,103,753	3,021,417	8,125,170
2019	5,358,533	2,799,201	8,157,734
2020	5,462,352	2,559,148	8,021,501
2021	5,197,004	2,309,865	7,506,869
2022	5,455,488	2,072,201	7,527,688
2023	5,734,793	1,818,699	7,553,492
2024	6,025,496	1,546,862	7,572,358
2025	5,142,379	1,257,182	6,399,561
2026	4,766,298	1,014,856	5,781,154
2027	4,171,976	781,409	4,953,385
2028	3,369,694	580,336	3,950,029
2029	3,529,536	416,108	3,945,644
2030	3,021,972	241,696	3,263,667
2031	1,535,040	92,979	1,628,018
2032	269,823	12,684	282,507
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	\$86,421,599	\$38,402,261	\$124,823,860

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) \$128,991,437 in Board commitments which include \$55,115,000 in Mainstream and \$73,876,437 in Disadvantaged loan commitments, and (b) \$316,030,923 in excess funds available.
- (8) Assumes investment income on fund balances at 0.02% for 8 months.

Appendix B: DWSRF SFY 2012 Projects

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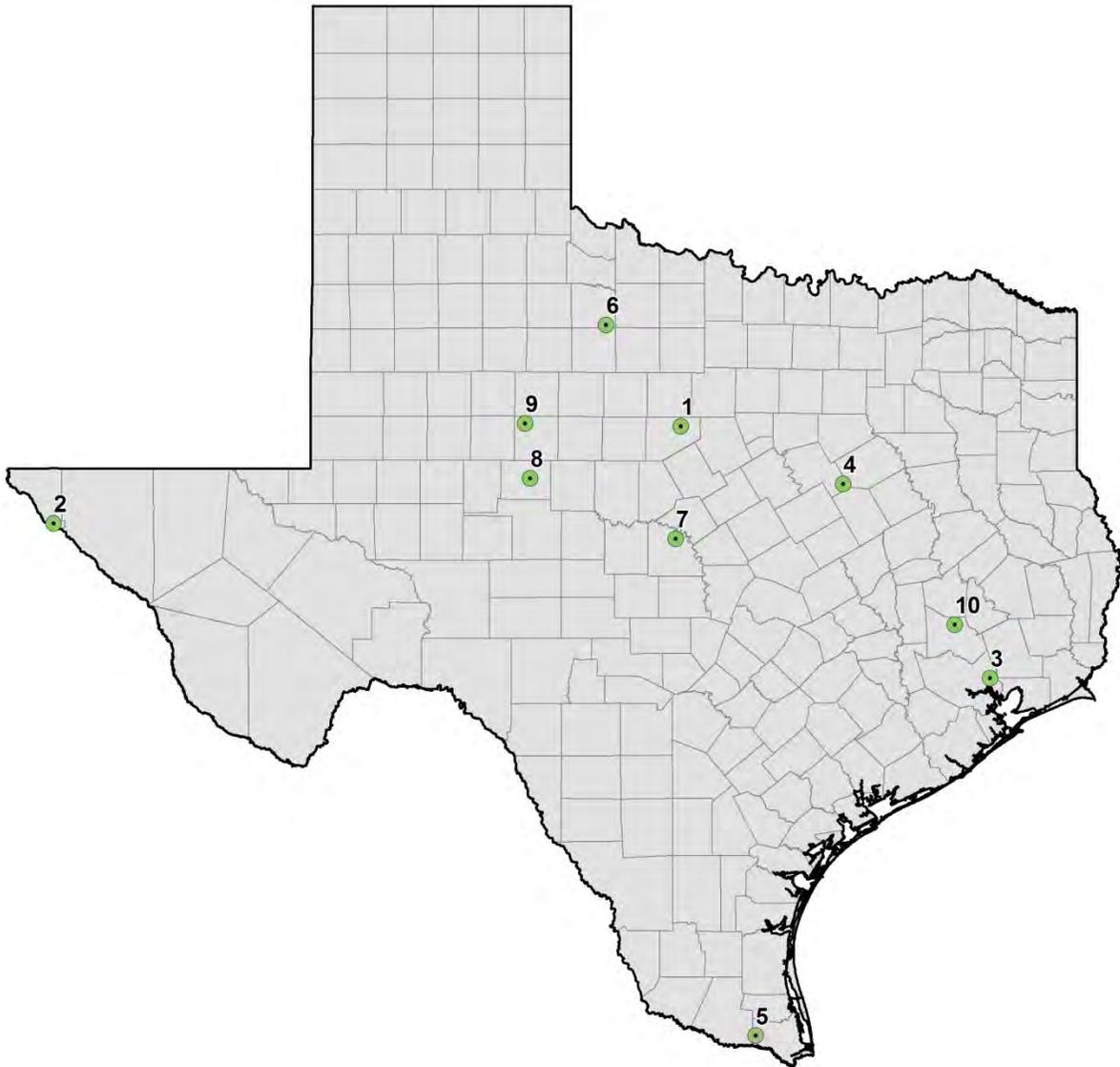
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Loans Closed in SFY 2012								
Map #	Loan #	Date Closed	Name	Amount	1st Prin. Pyt.	Last Prin. Pyt.	Interest Rate	IUP Year
1	L110032	3/26/2012	Eastland County Water Supply District	\$ 3,495,000	1/1/2015	1/1/2044	4.47%	2011
3	L100072	3/29/2012	Harris County Municipal Utility District #50	200,000	3/1/2013	3/1/2015	0.32%	2009
4	L120003	3/29/2012	Hubbard, City of	1,500,000	2/15/2014	2/15/2043	3.28%	2011
6	L100078	3/30/2012	North Central Texas Municipal Water Auth.	5,500,000	7/10/2014	7/10/2043	0.00%	2010
7	L110054	1/12/2012	North San Saba Water Supply Corporation	310,000	2/1/2012	1/1/2022	1.25%	2011
8	L120005	12/28/2011	Robert Lee, City of	758,000	12/1/2013	12/1/2042	3.30%	2012
8	L120014	12/28/2011	Robert Lee, City of	67,000	12/1/2013	12/1/2042	4.64%	2012
10	L120002	7/17/2012	Willis, City of	3,150,000	8/1/2014	8/1/2043	2.82%	2011
				\$ 14,980,000				
1	G110017	3/13/2012	Eastland County Water Supply District	8,155,000	Loan Forgiveness		N/A	2011
2	G070001	4/26/2012	El Paso County Tornillo WID	45,000	Loan Forgiveness		N/A	2006
5	G110026	4/19/2012	La Feria, City of	7,167,700	Loan Forgiveness		N/A	2011
8	G120005	12/28/2011	Robert Lee, City of	1,925,000	Loan Forgiveness		N/A	2012
9	G110023	11/29/2011	Roscoe, City of	1,765,000	Loan Forgiveness		N/A	2011
				\$ 19,057,700				
Totals				\$ 34,037,700				

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DWSRF - Closed Loans – SFY 2012



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DWSRF SFY 2012 BASE PROGRAM NARRATIVE DESCRIPTIONS

CLOSED LOANS

Eastland Co. WSD <i>New Water Treatment Plant</i> Project #61928			
Commitment Amount	\$11,650,000 / Disadvantaged (70%)	Commitment Date	3/17/2011
Status	Active	Map Location	1

Description: This project is to replace the oldest and most deteriorated portions of the distribution system and renovate elevated storage facilities. The system was installed in the early through mid-1900s and consists primarily of cast iron pipe. The system has deteriorated to the point that maintenance personnel can no longer keep it operational. Line work will consist of approximately 5,000 feet of 12-inch, 2,500 feet of 8-inch, and 700 feet of 6-inch diameter PVC pipe.

El Paso Co. Tornillo WID <i>Arsenic Removal System</i> Project #61226			
Commitment Amount	\$45,000 / Disadvantaged (35%)	Commitment Date	9-19-2006
Status	Active	Map Location	2

Description: The project will install a new filtration system to meet arsenic standards. The system will use either coagulation/filtration or adsorption media to remove arsenic, iron, and manganese. One of the District's groundwater sources exceeds the U.S. Environmental Protection Agency's new 10 ppb standard.

Harris Co. MUD #50 <i>Groundwater Reduction Program</i> Project #61571			
Commitment Amount	\$200,000	Commitment Date	3/29/2012
Status	Active	Map Location	3

Description: This project consists of developing a plan to comply with Harris-Galveston Coastal Subsidence District mandates to reduce the use of groundwater. According to the mandate, the District must reduce ground water withdrawal by 80% by July 2013. The first phase will be a feasibility study to determine the optimal solution. Alternatives include building a surface water treatment plant to serve the District, with purchased water from the City of Houston, and partnering with a regional water authority and one or more nearby water districts. The District has acquired 12 acres east of its primary ground water plant for use as a SWTP site. Site work would include the SWTP, access roads, water and wastewater services (including a lift station), auxiliary power, and a canal crossover bridge to connect the plant to the distribution system.

City of Hubbard <i>Elevated Storage & Water Lines</i> Project #62512			
Commitment Amount	\$1,500,000	Commitment Date	3/29/2012
Status	Active	Map Location	4

Description: This project consists of constructing a 200,000 gallon multi-column elevated storage tank on the City's southeast side, converting an unused 2,400 foot 8-inch raw water line to a distribution line running from the tank to the distribution system, and replace 3,400 feet of 4 and 6-inch distribution line with 8-inch line as a secondary connection between the tank and distribution system. The City's water system currently does not meet storage capacity requirements and is not capable of meeting minimum pressure requirements.

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

Description: This project consists of water treatment plant and distribution system improvements and an upgrade to comply with the disinfection byproducts rule. Improvements to the plant 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 water meters, and implementing an automated meter reading and leak detection system to improve efficiency, reduce water loss, and replace asbestos cement water lines.

North Central Texas MWA <i>New Water Treatment Plant</i> Project #62249			
Commitment Amount	\$5,500,000	Commitment Date	3/30/2012
Status	Active	Map Location	6

Description: The project will replace the Authority's 4.0 MGD conventional water treatment plant at Millers Creek Reservoir with a new 5.0 MGD microfiltration or ultra-filtration plant and new disinfection facilities. The Authority distributes treated water to its four member cities; Goree, Haskell, Knox City, and Monday, and through these systems, seven other entities. Some of these customers have had trouble with trihalomethane levels.

North San Saba WSC <i>Transmission Line Design</i> Project #62509			
Commitment Amount	\$310,000	Commitment Date	1/12/2012
Status	Active	Map Location	7

Description: This project consists of constructing improvements to the Corporation's aging water system, including 6.5 miles of 8-inch diameter transmission line, and a pump station at an intermediate location to deliver water purchased through the Corporation's existing interconnection with the City of San Saba northward to the Corporation's standpipe on FM 500. The Corporation currently purchases two-thirds of its water from the City of North San Saba. Transported water will be blended with water from the Corporation's two wells to reduce levels of radionuclides, gross alpha, and chlorides, enabling the system to meet primary water quality standards. The Corporation will also replace several miles of undersized and leaking water lines, and a number of inoperable valves.

City of Robert Lee <i>Emergency Pipeline & Long-Term Plan</i> Project #62514			
Commitment Amount	\$2,750,000 / Disadvantaged (70%)	Commitment Date	12/28/2011
Status	Active	Map Location	8

Description: This project is to construct a 12-mile 10-inch diameter emergency water line from the City of Bronte and make minor improvements at Robert Lee's WTP to provide adequate disinfection for emergency supplies. The City's water supply depends on the E.V. Spence Reservoir which is now at less than 1% of its capacity. Funds will also be used to plan and design long-term water supply and treatment solutions. Planning will include drilling test wells for a supplemental groundwater supply. The City is also the sole source of supply for the Coke County WSC.

City of Roscoe <i>Reverse Osmosis Water Treatment Plant</i> Project #62503			
Commitment Amount	\$1,765,000 / Disadvantaged (100%)	Commitment Date	11/29/2011
Status	Active	Map Location	9

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.

City of Willis <i>Catahoula Aquifer Wells</i> Project #62513			
Commitment Amount	\$3,150,000 / Disadvantaged (0%)	Commitment Date	7/17/2012
Status	Pre-Construction	Map Location	10

Description: This project was to construct two 1,200 gallons per minute Catahoula aquifer water wells, one at the City's Police Station Water Plant, the other at the Pin Oak Water Plant, with site work, electrical facilities and controls, cooling towers, and transfer pumps. The wells will replace two City wells, which rely on the Gulf Coast Aquifer, which are subject to the Lone Star Groundwater Conservation District (LSGCD) regulatory plan to reduce pumpage. One of the wells is over 60 years old and has experienced declining production. The Catahoula aquifer has sufficient water quantity and quality to meet the City's current and future demands, is outside the purview of the LSGCD, and will allow the City to meet the conservation requirements of the regulatory plan.

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DWSRF SFY 2012 Construction Starts					
Entity	Loan #	Project #	Close Date	Construction Start	Net Amount
Aledo	L070082	61340	10/9/2007	11/2/2011	\$5,765,000
Aledo	L080061	61340	2/25/2010	11/2/2011	360,000
Aledo	L100068	61340	5/24/2011	11/2/2011	1,700,000
Blossom	L100034	61504	6/11/2010	10/10/2011	600,000
Cockrell Hill	L060033	61217	11/25/2008	12/5/2011	1,875,000
East Tawakoni	L100089	61743	10/21/2010	1/18/2012	1,000,000
Edgewood	L090064	61513	10/5/2009	7/8/2011	835,000
Lamar Co WSD	L090065	61524	12/16/2010	4/9/2012	1,385,000
Lower Valley WD	L070042	61348	9/29/2008	3/12/2012	10,175,000
Porter SUD	L070044	61333	5/2/2007	10/30/2011	1,625,000
Robert Lee	L120005	62514	12/28/2011	2/12/2012	758,000
Robert Lee	G120005	62514	12/28/2011	2/12/2012	1,925,000
Robert Lee	L120014	62514	12/28/2011	2/12/2012	67,000
Stephens Regional SUD	L110017	21655	4/28/2011	11/10/2011	1,740,000
Stephens Regional SUD	G110008	21655	4/28/2011	11/10/2011	4,060,000
Wolfe City	L090069	61506	8/25/2010	3/28/2012	1,015,000
					\$34,885,000

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DWSRF SFY 2012 Construction Completions					
Entity	Loan #	Project #	Close Date	Complete	Net Amount
Brownwood	131300	60943	7/1/2004	1/18/2012	\$6,335,000
Comanche	G100021	62367	12/17/2009	9/15/2011	1,472,338
Denton Co FWSD # 1A	L100008	62414	2/12/2010	9/22/2011	3,260,000
Edgewood	L090064	61513	10/5/2009	4/17/2012	835,000
El Jardin WSC	128400	60916	12/30/2003	10/20/2011	3,545,000
Elsa	G100023	61772	1/11/2010	7/17/2012	4,361,000
Flatonía	L060028	61229	7/28/2006	5/3/2012	660,000
Fort Griffin SUD	G100013	61894	1/12/2010	1/12/2012	2,355,000
Fort Worth	L100024	62400	1/28/2010	12/19/2011	16,145,000
Golden WSC	L070040	61308	9/28/2007	5/18/2012	1,070,000
Honey Grove	G100026	61847	1/13/2010	11/17/2011	857,787
Houston Co WCID # 1	L070037	61381	6/22/2007	4/26/2012	6,000,000
Marlin	G100030	61970	1/19/2010	12/5/2011	3,987,145
Millersview-Doole WSC	125000	60748	2/13/2004	4/25/2012	15,816,000
Millersview-Doole WSC	G16900	60748	2/13/2004	4/25/2012	2,791,000
Millersview-Doole WSC	G100011	61930	12/11/2009	8/16/2012	10,895,000
Possum Kingdom WSC	L060044	61257	3/12/2008	5/24/2012	1,625,000
Reno	134800	61014	11/14/2005	8/15/2012	900,000
Robert Lee	L120005	62514	12/28/2011	7/11/2012	758,000
Robert Lee	G120005	62514	12/28/2011	7/11/2012	1,925,000
Robert Lee	L120014	62514	12/28/2011	7/11/2012	67,000
South Houston	L090055	61559	12/29/2009	11/29/2011	2,010,000
Springs Hill WSC	L100013	62284	2/4/2010	9/7/2011	3,130,000
Sunbelt FWSD	130000	60630	9/28/2001	2/8/2012	2,630,000
Victoria Co WCID # 1	L060045	61267	6/27/2008	4/25/2012	2,515,000

\$95,945,271

DWSRF - Method of Cash Draw for SFY 2012

The Drinking Water State Revolving Fund is not a leveraged Program in Texas. The method of cash draw is "All Projects" with state match expended first, then once the grant has been matched, federal funds are drawn at 100%.

**Texas Water Development Board
SFY 2012 Drinking Water State Revolving Fund
Annual Report**

TxWISE Phase 3	
Planned Summary-Level Project Activities for SFY 2013 / 2014	
Planned Activity	Planned Completion
Design / Develop new Financial Information System (FIS), web-enable associated TxWISE functionality, and migrate to the TxWISE Cloud environment.	10/15/2013
New Financial Information System Live in the Cloud	10/15/2013
Web-enable remaining TxWISE functionality, and migrate to the TxWISE Cloud environment.	12/30/2013
Web-enabled TxWISE Live in the Cloud	12/30/2013
Web-enable the Inspection and Field Support System and integrate with the TxWISE Cloud environment.	9/12/2014
Web-enable the Contract Administration System and integrate with the TxWISE Cloud environment.	9/12/2014
Inspection and Field Support System and Contract Administration System Live in the Cloud.	9/12/2014

Project Benefits Reporting

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Drinking Water SRF Reporting Assistance Provided for Texas

Tracking Number	Recipient	Initial Loan Date	Amount	Grant Amount	Negative Interest Amount	Principal Forgiveness Amount	Recipient Could Afford Project without Subsidy?	Population Served	GPR Amount
61226	EL PASO CO TORNILLO WID	4/26/2012	45,000	0	0	45,000	<input type="checkbox"/>	3,176	0
61571	Harris Co MUD # 50	3/29/2012	200,000	0	0	0	<input type="checkbox"/>	3,334	0
61928	Eastland County WSD	3/13/2012	8,155,000	0	0	8,155,000	<input type="checkbox"/>	12,419	104,000
61928	Eastland County WSD	3/26/2012	3,495,000	0	0	0	<input type="checkbox"/>	12,419	0
62249	North Central Texas MWA	3/30/2012	5,500,000	0	0	0	<input type="checkbox"/>	10,424	0
62502	La Feria	4/19/2012	7,167,700	0	0	7,167,700	<input type="checkbox"/>	7,149	607,000
62503	Roscoe	11/29/2011	1,765,000	0	0	1,765,000	<input type="checkbox"/>	1,443	464,000
62509	North San Saba	1/12/2012	310,000	0	0	0	<input type="checkbox"/>	705	100,000
62512	Hubbard	3/29/2012	1,500,000	0	0	0	<input type="checkbox"/>	1,986	0
62513	Willis	7/17/2012	3,150,000	0	0	0	<input type="checkbox"/>	7,011	0
62514	Robert Lee	12/28/2011	758,000	0	0	0	<input type="checkbox"/>	1,599	0
62514	Robert Lee	12/28/2011	1,925,000	0	0	1,925,000	<input type="checkbox"/>	1,599	0
62514	Robert Lee	12/28/2011	67,000	0	0	0	<input type="checkbox"/>	1,599	0
Total for all 13 Agreements			34,037,700	0	0	19,057,700		64,863	1,275,000

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American Recovery and Reinvestment Act DWSRF SFY 2012 Project Status Update

USE OF FUNDS

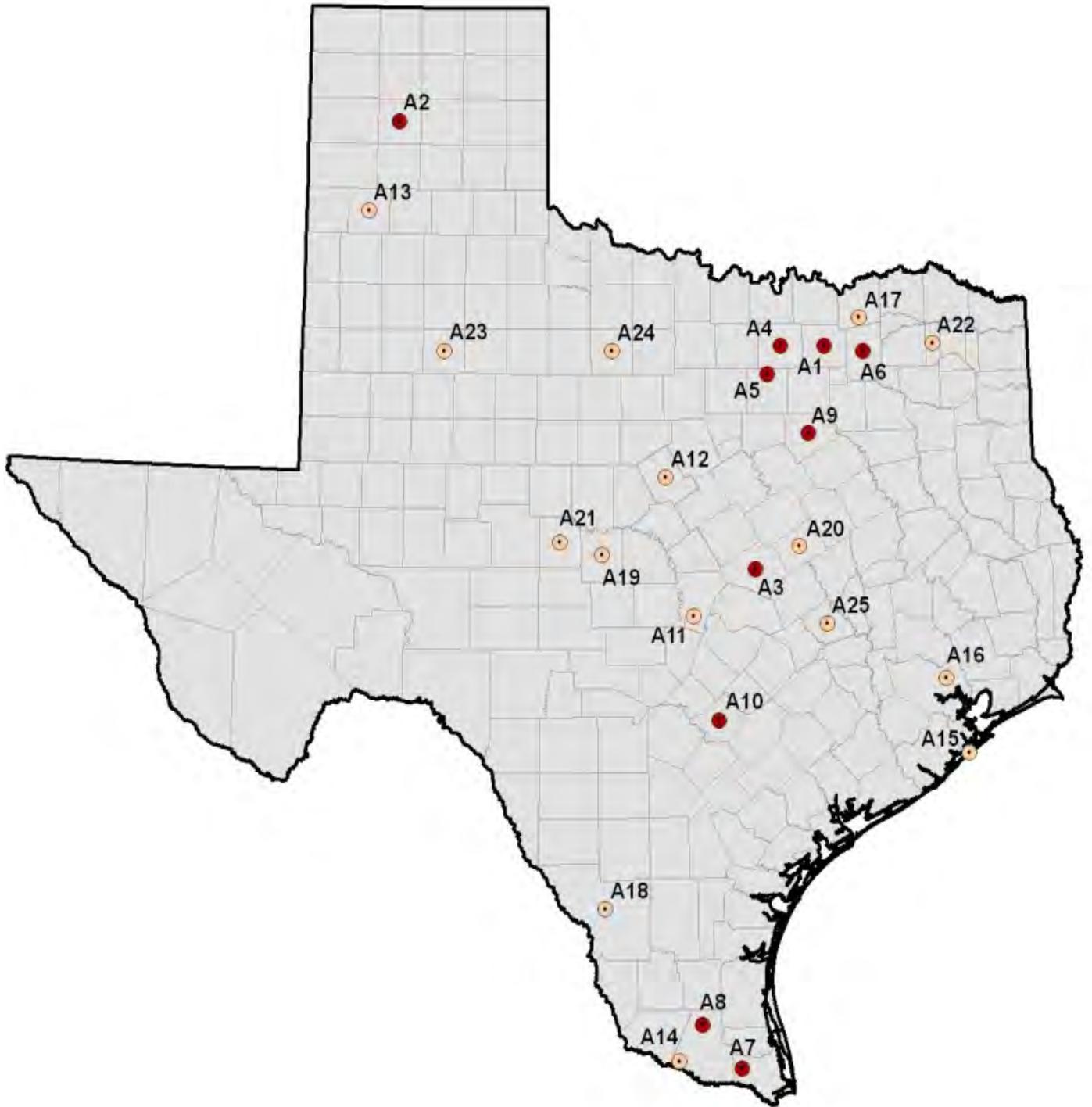
The American Recovery and Reinvestment Act (ARRA) program had to have all construction work under contract no later than February 17, 2010. As of August 31, 2012, approximately, 94 percent of the 109 ARRA construction contracts had reached 95 percent completion or greater. Eighty-seven contracts, valued at \$166.3 million, were complete and an additional 15 contracts valued at \$239.2 million were between 95 percent to 99 percent complete. Six construction contracts were between 75 percent to 94 percent complete. Only one construction contract was less than 74 percent complete. (These statistics are for both the DWSRF and CWSRF ARRA programs.)

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 energy projects and a large reclaimed water project. These ARRA funded projects have brought a wide range of sorely needed infrastructure assistance.

The TWDB website hosts dedicated ARRA webpages reflecting the current status of all projects, monthly reports, expenditure amounts, and rolling job creation numbers. Throughout 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 commended 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 each of the Drinking Water projects that received loans and grants from ARRA, and a description of the projects being funded. The map shows the location of all ARRA funded Drinking Water State Revolving Fund projects, with loans in red and grants in orange.

Locations of ARRA DWSRF Projects



Loan Assistance Descriptions and Updates – Active Projects

The following information itemizes the entities and projects that received loans from the ARRA funding that are currently “**Active Projects**” as of 08/31/2012:

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	Post Construction	Map Location	A2

Description: The City of Amarillo 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 through the use of new pumps and motors at least 20 percent. 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 Potter and Randall Counties in the Texas Panhandle. The city has an estimated population of 187,609.

Status as of 08/31/2012:

Contract 1: As of 08/31/2012, construction was 98 percent complete on this construction contract. Final Inspection of this contract is scheduled for 10/03/2012. The TWDB is collecting close-out documentation in order to issue the Certificate of Approval for the construction contract and in preparation for conducting the Final Accounting on this project.

Amarillo is one of two Drinking Water SRF provisional projects funded with ARRA funds and base state revolving funds. Amarillo has received, and will continue to receive, additional unused ARRA funds to replace 2010 SRF base funds. The project has \$18,075,000 in combined ARRA and DWSRF funds.

As of 08/31/2012, \$3,414,398.34 in ARRA funds has been disbursed to support this project. Amarillo has also provided \$1,864,861 of its own funds for this project. This project has an estimated completion date of 11/15/2012.

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	Post Construction	Map Location	A3

Description:

The Central Texas Water Supply Corporation (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 requirements of the Safe Drinking Water Act. 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.

The WSC is using the ARRA funds to complete the following construction contracts:

Contract 1: Construct a 3 million gallon per day (mgd) surface water treatment plant (WTP) with 300,000 gallon equalization water storage tank;

Contract 2: Construct on an existing Brazos River Authority intake structure two 4 mgd raw water pumps, raw water intake screens, an electrical building, and related improvements;

Contract 3: Construct a 1,000,000 gallon treated water clearwell water storage tank;

Contract 4: Construct a three-pump high service pump station;

Contract 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; and

Contract 6: Construct a 600,000 gallon elevated storage tank.

Status as of 08/31/2012:

Contracts 1,2,3,4 and 6: As of 08/31/2012, construction is 100 percent complete on these contracts and Certificates of Approval for these contracts have been issued by the TWDB.

Contract 5: Final Inspection of this project was conducted on 08/10/2012. The TWDB is collecting close-out documentation in order to issue the Certificate of Approval and in preparation for conducting the Final Accounting on this project.

The WSC is one of two Drinking Water SRF provisional projects funded with ARRA funds and base state revolving funds. Central Texas WSC has received, and will continue to receive, additional unused ARRA funds to replace 2010 SRF base funds. The project has \$22,340,000 in combined ARRA and DWSRF funds.

As of 08/31/2012, \$9,774,571.68 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 11/30/2012.

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

Description: The City of Mission will take downtown water treatment plant’s train 1 and train 2 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. The city 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.

Status as of 08/31/2012:

Contract 1: As of 08/31/2012, construction was 99 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approval and in preparation for conducting the Final Accounting on this project.

As of 08/31/2012, \$7,330,000.00 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 11/15/2012.

Loan Assistance Status – Closed Projects

The following information itemizes the entities and projects that received **loans** from the ARRA funding that are currently “**Closed Projects**” as of 08/31/2012:

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 08/31/2012: This project has been completed. Final Accounting on this project was completed on 05/10/2011. The final ARRA disbursement to support this project was \$1,059,999.96. The remaining balance of \$0.04 was transferred to the Drinking Water Provisional Project – Amarillo.

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	Complete	Map Location	A4

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 07/16/2012. The final ARRA disbursement to support this project was \$3,260,000.00. The remaining balance of \$75,000.00 was transferred to the Drinking Water Provisional Project – Amarillo.

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

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 08/17/2012. The final ARRA disbursement to support this project was \$16,145,000. The remaining balance of \$120,000.00 was transferred to the Drinking Water Provisional Project – Amarillo.

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 08/31/2012: This project has been completed. Final Accounting on this project was completed on 10/22/2010. The final ARRA disbursement to support this project was \$305,000.

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	Complete	Map Location	A7

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 10/20/2011. The ARRA disbursement to support this project was \$880,000.

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 08/31/2012: This project has been completed. Final Accounting on this project was completed on 12/17/2010. The final ARRA disbursement to support this project was \$ 995,000.00. The remaining balance of \$5,000.00 was transferred to the Drinking Water Provisional Project - Central Texas WSC.

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	Complete	Map Location	A10

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 01/06/2012. The ARRA disbursement to support this project was \$3,130,000.00.

Disadvantaged Communities Grants Descriptions and Updates – Active Projects

The following information itemizes the entities and projects that received **grants** from the ARRA funding that are currently “**Active Projects**” as of 08/31/2012:

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	Post Construction	Map Location	A13

Description: The City of Dimmitt 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. The 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 the TCEQ required 35 pounds per square inch. The city has identified needs in the areas of transmission, volume, storage, communications, and pressure maintenance within its existing water distribution system. The city is using the ARRA funds to complete the following construction contracts:

Contract 1: 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;

Contract 2: A Supervisory Control and Data Acquisition system to regulate and monitor all the system;

Contracts 3 and 6: Rehabilitation of three existing above ground storage tanks;

Contract 4: A new 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; and

Contract 5: 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.

Status as of 08/31/2011:

Contracts 1 and 5: As of 08/31/2012, construction is essentially complete on these two contracts; however, due to the default of the contractor, the city has requested the contractor's Surety to complete the punch list items remaining.

Contract 2: As of 08/31/2012, construction on this contract is 100 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approval.

Contract 3: As of 08/31/2012, construction on this contract is 100 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approval.

Contract 4 and 6: As of 08/31/2012, construction on these contracts is 100 percent complete. Certificates of Approval have been issued by the TWDB for these two contracts.

As of 08/31/2012, \$5,252,432.31 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 11/30/2012.

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

Description: The City of Elsa is located in Hidalgo County 5 miles east of U.S. Highway 281. The city provides water service to approximately 1,741 water connections. The city's water system was inspected in April 2009. The TCEQ noted numerous violations. The city is using the ARRA funds to complete the following construction contracts:

Contract 1: New elevated water storage tank;

Contract 2: Water Treatment Plant Rehabilitation to include improvements to the treatment plant components, including clarifiers, filters, pumps and ground storage tanks. The current treatment limit is 1.872 million gallons daily and no change will be made to the capacity at this time; and

Contract 3: Waterline Replacement. The water distribution system will replace approximately 21,000 feet of line and other system appurtenances.

Status as of 08/31/2011:

Contract 1: As of 08/31/2012, construction on this contract is 100 percent complete. The TWDB has issued the Certificate of Approval for this construction contract.

Contract 2: As of 08/31/2012, construction on this contract is 100 percent complete. The TWDB has issued the Certificate of Approval for this construction contract.

Contract 3: As of 08/31/2012, construction on this contract is 100 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approval.

As of 08/31/2012, \$4,201,511.15 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 11/15/2012.

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	Post Construction	Map Location	A15

Description: The City of Galveston 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.

The city's 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. The city is using the ARRA funds to complete the following construction contracts:

Contract 1: Pressure Sustaining Valves - The contract 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;

Contract 2: 16-inch Water Line Project- The contract 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 Water Storage Tank (EST);

Contract 3: Isla del Sol EST. This contract consists of a new 2.0 million gallon a day (mgd) elevated storage tank and a disinfection system;

Contract 4: White Sands EST. The contract 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; and

Contract 5: Jamaica Beach EST and pump station- This contract consists of a new 2.0 mg EST disinfection system and pumping station.

Status as of 08/31/2011:

Contracts 1, 3 and 5: As of 08/31/2012, construction on this contract is 100 percent complete. The TWDB has issued the Certificate of Approvals for these two construction contracts.

Contracts 2 and 4: As of 08/31/2012, construction on these contracts is 100 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approvals for these two construction contracts.

As of 08/31/2012, \$16,590,697.41 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 12/15/2012.

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

Description: The Harris County Water Control and Improvement District No. 36 (District) was created in 1943. 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.

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 using the ARRA funds to complete the following construction contracts:

Contract 1, 2 and 3: Water line reconstruction contracts; and
Contract 4: SCADA/New Groundwater Storage Tank.

Status as of 08/31/2011:

Contract 1, 2 and 3: As of 08/31/2012, construction on these three contracts is 100 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approvals for these three construction contracts.

Contract 4: As of 08/31/2012, construction on this contract is 99 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approval for this construction contract.

As of 08/31/2012, \$6,687,031.73 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 11/15/2012.

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

Description: The City of Laredo 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. The city's 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. The city is using the ARRA funds to complete the following construction contracts:

Contract 1: Abandon the Lower Plant (10 Million Gallons per Day (mgd) capacity) and expand the Upper Plant from 50 to 65 mgd capacity;

Contract 2: Booster Pump Station Improvements;

Contract 3: Generators for Booster Pump Stations;

Contract 4: 20" Water Line replacement along Jefferson/Lyon Street; and

Contract 7: Replace approximately 68,855 linear feet of 8" deteriorated water lines.

Status as of 08/31/2011:

Contract 1:- As of 08/31/2012, construction on this contract is 93 percent complete.

Contracts 2, 3, 4 and 7:- As of 08/31/2012, construction is 100 percent complete on these construction contracts.

As of 08/31/2012, \$44,268,017.79 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 04/15/2013.

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

Description: The WSC Millersview-Doole Water Supply Corporation (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. The WSC is currently under a TCEQ enforcement action due to exceeding the regulatory standards for radio nuclides 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 using ARRA funds to complete the following construction contracts:

Contract 1: Construction of New in-line booster pump station;

Contract 2: Installation of over 40 miles of water distribution pipelines;

Contract 3: New raw water storage and brine evaporation ponds;

Contract 4: SCADA System;

Contract 5: The construction of a 1.5 million gallons per day membrane and reverse osmosis water treatment plant;

Contract 6: New, more energy efficient well pump and electrical service at their well site #2; and

Contract 7: Remote read residential water meters.

Status as of 08/31/2011:

Contracts 1, 4, 5: As of 08/31/2012, construction on these contracts is 100 percent complete. The TWDB is collecting close-out documentation in order to issue the Certificate of Approvals for these two construction contracts.

Contracts 2, 3, 6, and 7: As of 08/31/2012, construction on these contracts is 100 percent complete and the TWDB has issued the Certificate of Approval for this construction contract.

As of 08/31/2012, \$10,617,227.63 in ARRA funds has been disbursed to support this project. This project has an estimated completion date of 12/15/2012.

Disadvantaged Communities Grants - Closed Projects

The following information itemizes the entities and projects that received **grants** from the ARRA funding that are currently “**Closed Projects**” as of 8/31/12:

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 08/31/2012: This project has been completed. Final Accounting on this project was completed on 8/11/11. The ARRA disbursement to support this project was \$977,545.

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

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 11/09/2011. The final ARRA disbursement to support this project was \$1,472,338.42. The remaining balance of \$30,021.58 was transferred to the Drinking Water Provisional Project – Central Texas Water Supply Corporation.

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

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 01/09/2012. The final ARRA disbursement to support this project was \$857,787.40. The remaining balance of \$62.60 was transferred to the Drinking Water Provisional Project – Central Texas Water Supply Corporation.

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 08/31/2012: This project has been completed. Final Accounting on this project was completed on 05/09/2011. The final ARRA disbursement to support this project was \$969,740.15. The remaining balance of \$259.85 was transferred to the Drinking Water Provisional Project – Central Texas Water Supply Corporation.

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	Complete	Map Location	A20

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 02/24/2012. The final ARRA disbursement to support this project was \$3,987,144.86. The remaining balance of \$12,855.14 was transferred to the Drinking Water Provisional Project – Central Texas Water Supply Corporation.

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

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 03/22/2012. The final ARRA disbursement to support this project was \$2,243,821.57. . The remaining balance of \$11,178.43 was transferred to the Drinking Water Provisional Project – Amarillo.

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 08/31/2012: This project has been completed. Final Accounting on this project was completed on 06/09/2011. The final ARRA disbursement to support this project was \$1,470,162.70. The remaining balance of \$34,382.30 was transferred to the Drinking Water Provisional Project – Amarillo.

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	Complete	Map Location	A24

Status as of 08/31/2012: This project has been completed. Final Accounting on this project was completed on 04/13/2012. The ARRA disbursement to support this project was \$2,355,000.00.

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 08/31/2012: This project has been completed. Final Accounting on this project was completed on 12/13/2010. The ARRA disbursement to support this project was \$450,000.00.

Appendix C: Compliance with FFY 2011 DWSRF Grant Conditions

Compliance with FFY 2011 DWSRF Capitalization Grant Conditions

The TWDB follows the administrative and programmatic conditions in all DWSRF capitalization grant Assistance Agreements. The capitalization grant will be adhered to by the TWDB in an appropriate and expeditious manner that complies with the capitalization grant and Texas law. Each capitalization grant Assistance Agreement with EPA is reviewed by TWDB 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 capitalization grant 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 Parts 31, 33, 34, and 35]

The TWDB is expeditiously initiating and timely completing the project work for which assistance has been awarded under the Assistance Agreement.

The need to use funds efficiently has spurred the TWDB to use funds efficiently by dividing projects into two phases (1) the Planning, Acquisition, and Design (PAD), and (2) Construction. Once a loan has closed, the borrower is required to produce outlays on a quarterly basis during PAD, and on a monthly basis during construction. Follow-up to those who do not send in timely outlays is a standard practice.

In addition, the TWDB has taken a more active approach to managing slower moving projects. The TWDB has a Project Oversight group with the specific task of monitoring project status and managing project progress from the beginning of a project through close out. Projects that are not timely completing work or have experienced continued delays are being directly contacted by the project oversight and engineering staff and are required to provide an updated schedule.

2. Recipient Standards [40 CFR Part 31]

The TWDB follows 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, specifically Section 31.36, Part 33 and OMB Circular A-102 and TWDB maintains 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 adhere to the salary limitations when using capitalization grant funds to directly contract for consultation services of individual paid at daily or hourly rates.

5. Drug-Free Workplace Certification [2 CFR Part 1536]

The TWDB makes an ongoing, good faith effort to maintain a drug-free workplace pursuant to the requirements set forth in 2 CFR Part 1536. In accordance with these requirements, the TWDB has identified its workplaces; this information will be kept on file during the performance of the FFY 2012 capitalization grant award.

6. Prohibition on Funding from FY 2011 Appropriations

The TWDB complies with the Congressional prohibition on using FY 2011 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 DWSRF Grant Assistance Agreement 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 ensures 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. Reporting Subawards and Executive Compensation

In compliance with the Federal Funding Accountability and Transparency Act (FFATA), the TWDB reports each action that obligates \$25,000 or more in the FFATA Subaward Reporting System (FSRS) at www.fsrs.gov. The TWDB reports covered actions in FSRS by the established deadline of the end of the month plus one additional month after an award or sub-award is obligated.

9. New Restrictions on Lobbying [40 CFR Part 34]

The TWDB adheres to the prohibition against using project funds to lobby the Federal Government or for 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 Numbers A-87 or A-122, as applicable, which prohibits such use of federal funds as well as 40 CFR Part 34. Additionally, the TWDB requires borrowers to certify compliance with 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. The term “management fees or similar charges” refers to expenses added to the direct costs in order to accumulate and reserve funds for ongoing business expenses, unforeseen liabilities, or other similar costs which are not allowable. Management fees or similar charges 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 obtains a single audit. In the State of Texas, the State Auditor performs a statewide single audit which includes an audit of the TWDB’s management of the state revolving funds. 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 OMB Circular A-87 and if applicable, 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 31.30, as applicable.

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

The TWDB fully complies with regulations relating to persons under suspension or debarment in compliance with 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 2012. The TWDB has submitted a completed Standard Form 5700-52A within 30 days of the end of the semiannual reporting periods in which sub-agreements were awarded (except for older grants which are reported quarterly). The TWDB has agreed to the good faith efforts in accordance with 40 CFR 33.301. TWDB agreed to comply with the contract administration provisions of 40 CFR §33.302 and the bidders list requirements of 40 CFR 33.501(b)(c). 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 2012 MBE/WBE Procurement Activity						
		FY 2012 MBE Actual			FY 2012 WBE Actual	
Total 2012 Procurements	MBE Goals	Dollar Value	% of Procurement	WBE Goals	Dollar Value	% of Procurement
\$30,147,166		\$3,103,480	10.29%		\$2,547,581	8.45%
Construction	12.94%	\$2,911,855	9.66%	8.72%	\$2,096,626	6.95%
Supplies	9.68%	\$103,955	0.34%	9.34%	\$269,760	0.89%
Equipment	7.12%	\$0	0.00%	5.39%	\$129,700	0.43%
Services	10.84%	\$87,670	0.29%	5.72%	\$51,495	0.17%
Overall DBE Procurements					18.74%	

The above goals were negotiated with EPA in SFY 2012 in accordance with 40 CFR 33.404.

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. Recycling [42 U.S.C. 6962 and 40 CFR 247]

The TWDB complies with Section 6002 of the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. 6962). The regulations in 40 CFR 247 apply to any acquisition of an item where the purchase price exceeds \$10,000 or

where the quantity of such items acquired in the course of the preceding fiscal year was \$10,000 or more.

18. Central Contractor Registration and Universal Identifier Requirements

The TWDB complies with 2 CFR 25, Universal Identifier and Central Contractor Registration.

19. Quality Management Plan (QMP)

The Texas Commission on Environmental Quality (TCEQ), in accordance with an agreement with the TWDB, submitted in July 2012 a Quality Management Plan to the Region Quality Assurance Manager (6MD) for approval.

B. Programmatic Conditions

1. Federal Reporting Requirements: Green Project Reserve and Additional Subsidization

In accordance with the FY 2011 Full-Year Continuing Appropriation, TWDB complies with all requests for data related to the use of the funds Section 1452 of the Safe Drinking Water Act (SDWA), and reports all uses of the funds no less than quarterly, as EPA specifies for the Drinking Water Project Benefits Reporting (PBR) database. During SFY 2012, TWDB reported in PBR on the Green Project Reserve and additional subsidization requirements as required.

2. Additional Subsidization

In the EPA Grant Assistance Agreement, 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) projects that are based on a “fix it first” approach that focuses on system upgrade and replacement in existing communities; (b) Investigations, studies, or plans that improve the technical, financial and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and (c) 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.

In accordance with 40 CFR §§31.40, 35.3165 and 35.3570 and the EPA Capitalization Grant Assistance Agreement, the TWDB agreed to provide information in its Annual Report on the compliance with the additional subsidies requirements. The list of projects and the amount of subsidy is found in Appendix A, Tables 8 and 8A.

3. Green Infrastructure Projects

In accordance with 40 CFR §§31.40, 35.3165 and 35.3570 and the EPA Capitalization Grant Assistance Agreement, 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 2012 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. Six rounds of invitations have been sent to those projects identified as GPR in the Project Information Forms submitted for the SFY 2012 IUP. To encourage adequate funding of green projects, the TWDB allocated an equivalent of 5% of the capitalization grant as a targeted subsidy to green project costs. Eligible green projects were offered a subsidy in the form of loan forgiveness of 15% of the green project costs, provided the green costs were at least 30% of the total project costs.

The projects that received green project reserve funds are shown in Tables 8 and 8A in Appendix A. A description of the TWDB’s good faith efforts to meet the Green Project Reserve is found under the narrative section.

4. Davis-Bacon Act Requirements

Under the FY 2011 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 DWSRF 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.

The TWDB has implemented a procedure that provides that all contracts and subcontracts for any construction project shall insert in full in any contract in excess of \$2,000 the contract clauses found beginning on Page 18 of the document "Texas Water Development Board Supplemental Contract Conditions and Instructions" found on its website at this link: <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0550.pdf>. For contracts that existed prior to these revised contract conditions, the TWDB amended its compliance procedure, that along with the language found in the contract, meet the requirements of the Davis-Bacon Act. The amended TWDB Davis-Bacon Guidance procedure can be found at: <http://www.twdb.texas.gov/financial/instructions/doc/DB-0156.pdf>.

Project Engineering and Review (PER) in the TWDB's Construction Assistance program is responsible for the engineering and environmental assessment aspects of funding packages provided to applicants. Among other responsibilities, PER 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. PER 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) in the TWDB's Construction Assistance program performs periodic field inspections of projects funded by Drinking Water State Revolving Fund program 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 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. Noncompliance 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 complies with the requirements outlined in 40 CFR Part 35, Subpart L (Drinking Water State Revolving Fund).

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 in an amount equal to this grant will comply with the applicable Federal cross-cutting authorities. 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. For administrative efficiency, all projects funded by funds received under the Drinking Water capitalization grant 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.

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Appendix D: Rating Criteria and Disadvantaged Evaluation

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Rating Criteria

TCEQ Ratings

All TCEQ ratings will be summed then multiplied by 10 before adding effective management and affordability points.

Combined Rating, Health and Compliance, and Primary Compliance Factors

Microbiological Factors

The sum of the total coliform MCL violations, total acute coliform MCL violations, and the treatment technique violations (including all exceedances of the 0.5 NTU standard), disregarding one violation.

Points
(TCV=s)+(ACV=s)+(TT)-1

Chronic Chemical

The compliance result above the MCL for any chronic exposure chemical, divided by the MCL level.

Result/MCL

Acute Chemical

Three times the compliance result above the MCL for Nitrate or Nitrite, divided by the MCL level.

(Result/MCL) X 3

Carcinogen

Two times the compliance result above the MCL for any carcinogenic chemical, divided by the MCL level.

(Result/MCL) X 2

Lead/Copper

Two times the greater of the 90th percentile lead level divided by the lead action level or the 90th percentile copper level divided by the copper action level.

[Greater of (Pb90/0.015)
or (Cu90/1.3)] X 2

Filtration

12 points awarded to any system with one or more sources identified as surface water or groundwater under the direct influence of surface water for which no filtration is provided.

12.00

Population Factor

Added to the sum of the other Primary compliance factors to determine the overall compliance rating.

Population

0-100

0.00

101-1,000

1.00

1,001-10,000

2.00

10,001-100,000

3.00

100,001+

4.00

Secondary Compliance Factors

Secondary Chemical

One half the compliance result above the MCL for any secondary chemical violation for sulfate, chloride, and total dissolved solids, divided by the MCL level. (Maximum of 1 pt.)

(Result/MCL) X 0.5

Physical Deficiency Factor

A rating based on the confirmed existence of physical deficiencies within the water system. This rating will be used to prioritize systems with no other Health and Compliance Factors or Affordability Factors.

Deficiency

Pressure <20 psi

1.00

Water Loss >25%

0.25

No disinfection	1.00	Pressure >20 & <35 psi	0.25
Production <85%	0.25	Other Secondary MCLs	0.25
Storage <85%	0.25		

Consolidation Factor

The sum of all factors for each system which will be consolidated. One half the sums of all factors for each system which will be provided wholesale water.

TWDB Ratings

Effective Management

Compliance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34)	REQUIRED
An adopted asset management plan that contains some or all of the following:	
1. An inventory of assets	0.50
2. An assessment of the criticality and condition of assets	0.50
3. Prioritization of capital projects	0.50
4. A budget	0.50
5. The development of a public education plan	0.50
Entity plans to prepare an asset management plan with completion of proposed project	1.00
Providing asset management training for the entities governing body employees	0.50 and
Project addresses a specific goal in a water conservation plan	1.00
Project involves the use of reclaimed water	1.00
Project addresses a specific goal in an energy assessment, audit, or optimization study conducted within the past three years	1.00
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.	1.00
Project is consistent with a regional facility plan, regionalization or consolidation plan, or any plan developed pursuant to legislative authority	2.00

Starting in SFY 2013, proposed projects consistent with a municipal and/or state watershed protection plan, water efficiency plan, or an integrated water resource management plan will receive two points.

Affordability Factor

Ten points awarded to any entity that qualifies as a disadvantaged community (see Appendix F for eligibility criteria)	10.00
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Tie Breaker

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

Source Water Protection Rating Criteria and Process

This program provides loans to assist communities in implementing source water protection best management practices (BMPs) recommended by TCEQ. The TWDB will determine annually the amount of capitalization grant funds to be reserved for source water protection projects and will include this information in the intended use plan, provided however that no more than 10% of any cap grant can be so reserved. All projects classified as source water protection projects are subject to the requirements established in 31 TAC §371.4 (relating to Other Authorized Activities: Source Water Protection and Technical Assistance) and those set forth in this intended use plan. If funds which have been reserved for source water protection projects are unused after all applicants have been provided an opportunity to submit an application, such funds may be made available for other projects in the DWSRF program.

Rating Process – To be eligible for consideration, PWSs must be willing to participate in TCEQ's Source Water Assessment and Protection (SWAP) program. Eligible entities that seek consideration for source water protection funding will be rated according to the following criteria:

a. Groundwater System Vulnerability Factor

- (1) Groundwater systems without the necessary water well geologic protection will receive 4 points.
- (2) Groundwater systems with documented Nitrate (N) concentrations of greater than two mg/l will receive 1 point.
- (3) Groundwater systems obtaining water from selected vulnerable aquifers will receive 1 point.
- (4) Groundwater systems with confirmed detections of organic chemical contamination identified in Table 1 will receive 2 points.
- (5) No groundwater system may receive more than 6 system vulnerability points. Groundwater systems that receive no system vulnerability points will not be considered for source water protection funding.

b. Surface Water System Vulnerability Factor

- (1) Surface water systems with contributing watersheds of 20 square miles or less as determined by TCEQ will receive 3 points.
- (2) Surface water systems with confirmed detections of organic chemical

Table 1.	
Organic Chemical Contaminants	
2,4,5-TP	Endrin
2,4-D	Epichlorohydrin
Acrylamide	Ethylbenzene
Alachlor	Glyphosate
Aldicarb	Heptachlor
Aldicarb sulfone	Heptachlor epoxide
Aldicarb sulfoxide	Hexachlorobenzene
Atrazine	Hexachlorocyclopentadiene
Benzene	Lindane
Carbofuran	Methoxychlor
Carbon tetrachloride	Monochlorobenzene
Chlordane	Oxamyl (vydate)
Cyanide	PAHs[Benzo(a)pyrene]
DBCP	PCBs
Dalapon	Pentachlorophenol
Di(ethylhexyl)adipate	Picloram
Di(ethylhexyl)phthalate	Simazine
Dichlorobenzene ortho-	Styrene
Dichlorobenzene para-	TCDD-2,3,7,8 (Dioxin)
Dichloroethane 1,2-	Tetrachloroethylene
Dichloroethylene 1,1-	Toluene
Dichloroethylene cis-1,2-	Toxaphene
Dichloroethylene trans-1,2	Trichlorobenzene 1,2,4-
Dichloromethane	Trichloroethane 1,1,1-
Dichloropropane 1,2-	Trichloroethane 1,1,2-
Dinoseb	Trichloroethylene
Diquat	Vinyl chloride
EDB	Xylene
Endothall	

- (3) Contamination identified in Table 1 will receive 3 points.
 - (4) No surface water system may receive more than 6 system vulnerability points. Surface water systems that receive no system vulnerability points will not be considered for source water protection funding.
- c. No combination ground and surface water system may receive more than 6 system vulnerability points.
- d. Ability to Implement Best Management Practices Factor**
- (1) Systems that receive system vulnerability points and that possess the ability and authority to implement land use controls including but not limited to zoning or ordinances, will receive 2 points.
 - (2) Systems that receive system vulnerability points and that possess the ability to implement other non-land use controls such as public education, contingency planning, or conducting toxic/hazardous waste collection events will receive 1 point.
 - (3) Systems that receive system vulnerability points and that propose to plug abandoned wells within the delineated source water protection area will receive 1 point.
 - (4) Systems that receive system vulnerability points and that have confirmed siting or well construction problems listed on the most recent commission sanitary survey will receive 1 point for proposals which will correct these problems.
 - (5) Systems that receive no Ability to Implement Best Management Practices points will not be considered for source water protection funding.
- e. The total points for Groundwater or Surface Water System Vulnerability and the Ability to Implement Best Management Practices will be summed and multiplied by 10 before adding Affordability Factor points.
- f. Affordability Factor** – Ten points awarded to any entity that qualifies as a disadvantaged community (see Appendix F for eligibility criteria)
- g.** The total source water protection rating score will be the sum of points generated from ground and surface water system vulnerability, ability to implement best management practices and affordability factors.

Disadvantaged Community Eligibility Criteria

TWDB staff determines Disadvantaged Community eligibility. An eligible disadvantaged community consists of all of the following:

1. The service area of an eligible applicant, the service area of a community that is located outside the entity's service area, or a portion within the entity's service area if the proposed project is providing new service to existing customers;
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 reliable data is available, and
3. If the service area is charged for either water or sewer services, has a household cost factor for either water or sewer rates (whichever is applicable) that is greater than or equal to 1.0%; or, if the service area is charged for both water and sewer services, has a combined household cost factor for water and sewer rates that is greater than or equal to 2.0%.
4. The Board may alter or add to these factors to provide financial assistance to an entity that cannot otherwise afford a DWSRF loan.

Annual Median Household Income

There are two methods to determine the adjusted annual median household income.

1. Use the most recent reliable Census Bureau data from the following sources:
 - 5-year American Community Survey (ACS);
 - 3-year ACS;
 - 1-year ACS; or
2. 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 Socioeconomic Surveys Guidelines (WRD-285). The Socioeconomic Survey Guidelines are posted on the TWDB web site.

The TWDB reviews the most recent and available ACS data to determine whether it is reliable and accurate using a coefficient of variation (CV). The Census Bureau states that for data to be considered reliable, the CV needs to be less than or equal to 15%. If the data from the most recent ACS is considered unreliable (greater than 15%), then data from a less recent ACS or the 2000 Decennial Census may be used to determine eligibility.

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

Disadvantaged Community Eligibility Criteria

The following table is an example of 2000 census tract and block group data within Harris County, Texas.

Prorated US Census Data

A	B	C	D	E	F	G	H	I	J
US Census Tract	Block Group	2000 US Census Population	2000 US Census AMHI	2000 US Census Average Household Size	Number of Household Connections	Household Connections as a % of Total Household Connections	Entity's 2000 Population (CxG)	Entity's 2000 AMHI (DxG)	Entity's 2000 Average Household Size (ExG)
2523	1	1,279	\$29,712	2.75	30	2.07%	26	\$614	0.06
2523	2	5,079	\$60,399	3.56	66	4.55%	231	\$2,745	0.16
2524	1	4,683	\$43,149	3.20	1,000	68.87%	3,225	\$29,717	2.20
2524	4	439	\$45,781	2.93	356	24.52%	108	\$11,225	0.72
Total					1,452	100.00%	3,590	\$44,301	3.14

The annual median household income is then inflation adjusted to the most recent available 12-month Texas Consumer Price Index (CPI) as determined by the TWDB prior to evaluating information submitted on the Disadvantaged Community Worksheet.

Household Cost Factor

The household cost factor is calculated taking into account the entity's average annual water and/or sewer bill, the annual loan cost per customer, and the adjusted annual median household income. The formulas for each are calculated as follows:

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

For entities that serve retail customers with differing rate structures, prorated rates were used, in some instances, to calculate each entity's household cost factor in SFY 2013. The following tables are an example of the method used. Beginning in SFY 2013, the TWDB will require use of prorated rates to determine an entity's water and/or sewer bills when applicable.

Prorated Average Monthly Water Bill

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

Disadvantaged Community Eligibility Criteria

Prorated Average Monthly Sewer Bill

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

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

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

Subsidy Determination

Communities that are determined to be disadvantaged are eligible to receive a subsidy in the form of loan forgiveness. The level of disadvantaged subsidy is determined by a points system based on an entity's difference between the minimum required and actual household cost factors.

HCF Difference	Loan Forgiveness	Interest Rate	Term	Loan Origination Fee
>=0% and <1.5%	30%	1.25% below market	30 years	2.25%
>=1.5% and <3%	50%			
>=3%	70%			

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

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

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Appendix E: Performance Evaluation Reports – Follow Up

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Performance Evaluation Follow Up

Section 1. Base DWSRF program

The State is required to comply with Section 1452 of the Safe Drinking Water Act (SDWA) 40 CFR 35.3570(c), the capitalization grant conditions, and operating agreement conditions. The annual Performance Evaluation Review was held during March 5 through 9, 2012. The review is based upon the TWDB SFY 2011 Annual Report, onsite discussions, file reviews, and completion of standardized national EPA checklists of program evaluation questions. The Draft Performance Evaluation Report (PER) was received from EPA on April 23, 2012, and the final PER was received by TWDB on June 14, 2012. Below are the outstanding items for SFY 2012:

SFY 2011 DWSRF base program PER review action items:

Action Item: Operating Agreement

Update the DWSRF Operating Agreement between TWDB and EPA to current operating practices.

Response: The TWDB is currently considering drafting a revised Operating Agreement between TWDB and EPA covering the DWSRF.

Action Item: Unliquidated Obligations (ULOs)

Submit a three-year plan that reduces Unliquidated Obligations (ULOs) by 50%. Report quarterly on progress toward goal.

Response: TWDB continues to identify opportunities to make program improvements that will reduce ULOs significantly. A plan was submitted to EPA which identified program improvements to reduce the ULO balance. TWDB provides a quarterly ULO report to EPA which outlines our federal disbursements and gives a status on our progress toward reducing the balance.

Action Item: Project and Benefits Reporting (PBR) database

Reconcile PBR data with actual data, particularly for the Green Project Reserve and the additional subsidization.

Response: The TWDB tracks the amount of funds spent on Green Project Reserve projects and updates PBR to reflect loan closings. In addition, the TWDB posts the Green Project Reserve information on its website periodically. Further, assistance recipients are required to certify the final green amount and the TWDB will update PBR at the conclusion of the project for any substantive changes to the project. TWDB enters the additional subsidization amount in PBR at loan closing. Because the amount of subsidy is established at the loan closing and does not change, the subsidy amount in PBR will not need to be updated upon conclusion of the project.

Action Item: Bond Transcript

Identify the projects that do not have a signed bond transcript and require them to sign an agreement that contain the final terms and conditions (For projects prior to the change in the process made on July 15, 2011 to put all funds in an escrow account.)

Response: When a loan is supported by the private placement of municipal debt, the TWDB executes the board resolution and the borrower executes the bond ordinance. The agreement is memorialized through the private placement memorandum and the registration of the security instruments with TWDB as holder. The final bond transcript includes copies of all documents executed at closing including the bond ordinance, TWDB Resolution, bond counsel opinion. A single document signed by both entities is not necessary as with a loan supported by a loan agreement.

Action Item: Bond Council Transcripts

Develop standard language that correctly explains the DWSRF requirements and require bond councils to use that language in their transcripts.

Review existing bond transcripts on closed loans to ensure that recipients are agreeing to the correct conditions.

Response: TWDB has standard language covering the DWSRF requirements that appears in borrower's bond ordinances. After a loan has closed, the TWDB has no legal authority to unilaterally alter bond ordinances.

Action Items: Davis-Bacon Wage Rate Requirements

Amend the language in contracts/projects and update the current supplemental conditions for all open projects. Amend the Davis Bacon language in the loan or bond agreement for all open projects.

Response: The TWDB has implemented a procedure that provides that all contracts and subcontracts for any construction project shall insert in full in any contract in excess of \$2,000 the contract clauses found beginning on Page 18 of the document “Texas Water Development Board Supplemental Contract Conditions and Instructions” found on its website at this link: <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0550.pdf>. For contracts that existed prior to these revised contract conditions, the TWDB amended its compliance procedure, that along with the language found in the contract, meet the requirements of the Davis-Bacon Act. The amended TWDB Davis-Bacon Guidance procedure can be found at: <http://www.twdb.texas.gov/financial/instructions/doc/DB-0156.pdf>.

Action Item: Engineering Checklist

Develop/amend engineering checklist to confirm review of budget categories, green amounts, Davis Bacon payroll requirements, and eligibility of expenditures.

Response: Budget categories are closely monitored in TxWISE and outlays are reviewed against the ceilings provided. Engineering procedures describe the level of review for outlays and a new checklist is not necessary. TWDB requires the subrecipient to submit monthly certifications for Davis Bacon compliance. The submittal of the certification will be monitored by engineering staff and confirmed by signature. Entities will be required to certify the final green amount and the TWDB will update the PBR at the conclusion of the project.

Action Item: Set-Aside Invoices

Develop a review process and schedule for reviewing set-aside invoices from TCEQ.

Response: TWDB will continue to discuss this issue with EPA and TCEQ to clarify roles and responsibilities in managing set-aside expenditures.

Action Item: Stretch Goal

Track progress achieved toward attaining stretch goal for expenditures.

Response: TWDB provides EPA with a quarterly report that tracks the level of disbursements for the DWSRF. For SFY 2012, the stretch goal for SFY 2012 was \$109.9 million and the actual expenditures totaled \$105 Million, or 96% of the DWSRF goal.

Action Item: Single Audit Findings

Provide status report of all SFY 2011 single audit findings as they are received from loan recipients.

Response: As EPA verified, TWDB has procedures in place to track and review single audits in a timely manner. There is also a procedure to evaluate the risk and follow up on appropriate corrective actions with management oversight. A status report of all single audits for SFY 2011 was provided to EPA. A list of single audits for SFY 2012 will be available for EPA's review during its next onsite visit.

Section 2 - American Recovery and Reinvestment Act (ARRA)

The ARRA End of Year Performance Evaluation Review was held during March 5 through 9, 2012. The review is based upon onsite discussions and file reviews, technical file reviews, and completion of standardized national EPA checklists of program evaluation questions. The Draft Performance Evaluation Report (PER) was received from EPA on April 24, 2012, and the final PER was received by TWDB on June 14, 2012.

Recommendations and Follow Up Action Items Received in SFY 2012 – For both the Semi-Annual and Final Reviews

FINAL SFY 2011 DWSRF ARRA PER review action items:

Action Item: Project and Benefits Reporting (PBR) database

Reconcile PBR data with actual project data to accurately report use of ARRA SRF funds. This includes actual green amounts.

Response: The project description listed in the IUP is the only one that was approved by the Board. The category of the project stays consistent with that determined at closing. The GPR may vary with construction, but it is likely to be in the same range: the GPR description and business case will not change. The subsidized amount will not change as the amount of loan forgiveness is determined at closing. All projects are entered in the Drinking Water Project and Benefits Reporting (PBR) upon closing, and any green funding is indicated at that time. Entities will be required to certify the final green amount, and the TWDB will update the PBR at the conclusion of the project. Projects already completed will be updated with final information.

Action Item: Davis-Bacon Wage Rate Requirements

Amend the loan agreement and contract documents for any ongoing projects do not have the correct ARRA terms and conditions.

Response: The TWDB does not agree that amending pending contracts is necessary to ensure compliance with Davis-Bacon requirements. The language in the current contracts comports with the U.S. Department of Labor regulations and the TWDB does not discern any significant substantive difference between EPA's suggested language and the Department of Labor regulations. Current TWDB Davis-Bacon guidance reinforces compliance with the Davis Bacon provisions substituted by EPA. Furthermore, amending construction contracts in the middle of a project could create difficulties for subrecipients including increased costs. The TWDB will utilize the EPA's amended Davis-Bacon language for future contracts related to the current grant, but amending current contracts is not necessary to ensure compliance with Davis-Bacon.

Action Item: Follow-up on Findings

Follow up with recipients on issues found during additional inspections, including Buy American Compliance.

Response: TWDB implemented what has been suggested by EPA as one of the most robust oversight programs in the nation. Our inspectors visit each site once a month and conduct a thorough review of all ARRA related compliance requirements. The monthly inspection reports specifically address Buy American in every inspection.

Complementing this protocol was the use of Grant Thornton, a nationally recognized accounting firm, to also visit sites to review processes and procedures. TWDB identification and follow up of observed Buy American issues has consistently been thorough and complete. EPA contracted with CADMUS and Northbridge to conduct additional and overlapping site visits. TWDBs ARRA program was provided with (some) of the reports filed by these two contractors. As the ARRA program in TWDB enters the final months of the program with approximately 30 of the original 109 contracts still under construction, many of the ARRA inspectors are no longer with the program. Current staffing for inspection related functions is not adequate to take on the task of following up on EPA's contractor initiated site reviews.

Action Item: GAAP and Single Audits for equivalency

Ensure that GAAP and Single Audit requirements are included in equivalency project assistance agreements.

Response: TWDB's standard language for loan recipients does require adherence to accounting practices in accordance with GAAP and the Single Audit Act requirements. The TWDB will continue to ensure that this language is in all loan documents.

ARRA Semi-Annual Performance Evaluation Follow Up

The ARRA Semi-Annual Performance Evaluation Review (PER) was held during September 12-14, 2011. The review is based upon onsite discussions, file reviews, cash transactions, and completion of standardized national EPA checklists of program evaluation questions. The draft Semi-Annual PER received from EPA was dated October 7, 2011, and the final Semi-Annual PER received by TWDB was dated December 16, 2011.

Action Item: Review of Invoices

Ensure that invoices are reviewed and compared to the draw request when disbursement requests are made. Any discrepancies should be briefly explained in the file.

Response: TWDB ensures that invoices are reviewed and compared to the draw amounts for ARRA disbursement requests.

Action Item: Invoices after the Billing Period

Ensure that the policy regarding the requirements for submitting invoices after the billing period is applied on a consistent basis.

Response: The TWDB applies the requirements for submitting invoices for ARRA projects on a consistent basis.

DWSRF Attachment: 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, 2012

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General Purpose Financial Statements:

- **Exhibit I – Combined Statement of Net Assets**
- **Exhibit II – Combined Statement of Revenues, Expenses, and Changes in Net Assets**
- **Exhibit III – Combined Statement of Cash Flows**

Notes to the Financial Statements

Combining Statements:

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

Schedule 1 – Loans and Contracts

General Purpose Financial Statements

UNAUDITED

Drinking Water State Revolving Fund

Exhibit I - Combined Statement of Net Assets - Proprietary Funds

August 31, 2012

	Total Enterprise Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash Equivalents	\$ 10,186,092.46
Short Term Investments	212,016,125.08
Receivables from:	
Federal	1,302,828.98
Interest and Dividends	3,170,503.24
Loans and Contracts	29,793,145.16
Total Current Assets	256,468,694.92
Non-Current Assets:	
Loans and Contracts	530,443,239.42
Total Non-Current Assets	530,443,239.42
Total Assets	786,911,934.34
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts Payable	29,697.91
Interfund Payables	4,059,332.03
Due to Other Funds	786,593.24
Due to Other Agencies	973,591.04
Deferred Revenue	10,380,777.53
Total Current Liabilities	16,229,991.75
Non-Current Liabilities:	
Interfund Payable	82,362,267.19
Total Non-Current Liabilities	82,362,267.19
Total Liabilities	98,592,258.94
NET ASSETS	
Unrestricted	688,319,675.40
Total Net Assets	\$ 688,319,675.40

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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, 2012

	Total Enterprise Funds (Exhibit F-2)
OPERATING REVENUES:	
Interest and Investment Income	\$ 10,488,879.86
Net Increase (Decrease) Fair Market Value	(188,581.31)
Other Operating Revenue	1,238,448.07
Total Operating Revenues	11,538,746.62
OPERATING EXPENSES:	
Salaries and Wages	2,926,298.01
Payroll Related Costs	529,383.50
Professional Fees and Services	147,577.18
Travel	24,361.26
Materials and Supplies	9,553.88
Communication and Utilities	22,837.93
Repairs and Maintenance	1,135.32
Rentals and Leases	77,368.33
Printing and Reproduction	163.33
Interest	3,974,507.62
Other Operating Expenses	6,669.56
Total Operating Expenses	7,719,855.92
Operating Income (Loss)	3,818,890.70
NONOPERATING REVENUES (EXPENSES):	
Federal Revenue	104,185,566.66
Federal Grant Pass-Through Revenue (Expense)	(7,809,572.44)
Other Benefit Payments	(634,270.60)
Other Nonoperating Revenue (Expenses)	(38,234,437.55)
Total Nonoperating Revenue (Expenses)	57,507,286.07
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	61,326,176.77
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:	
Transfers In	2,336,171.00
Total Other Revenue, Expenses, Gain/Losses and Transfers	2,336,171.00
Change in Net Assets	63,662,347.77
Total Net Assets - Beginning	624,657,327.63
Total Net Assets, August 31, 2012	\$ 688,319,675.40

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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, 2012

	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to Suppliers for Goods and Services	\$ (273,879.76)
Payments to Employees for Salaries	(3,247,222.02)
Net Cash Provided by Operating Activities	<u>(3,521,101.78)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	2,336,171.00
Proceeds from Receipts	105,178,703.64
Proceeds from Interfund Payables	8,418,003.00
Payments of Interest	(4,063,630.29)
Payments for Grant Disbursements	(47,895,064.09)
Payment for Interfund Receivables	(13,018,143.78)
Net Cash Provided by Noncapital Financing Activities	<u>50,956,039.48</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	187,174,868.26
Proceeds from Interest Income	10,962,362.47
Proceeds from Investment Income	
Proceeds from Principal Payments on Non-Program Loans	71,683,538.39
Payments for Non-program Loans Provided	(94,955,206.37)
Payments to Acquire Investments	(217,810,164.67)
Net Cash Provided by Investing Activities	<u>(42,944,601.92)</u>
Net (Decrease) in Cash and Cash Equivalents	4,490,335.78
Cash and Cash Equivalents—September 1, 2011	<u>5,695,756.68</u>
Cash and Cash Equivalents—August 31, 2012	<u><u>\$ 10,186,092.46</u></u>

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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, 2012

	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (3,990,681.74)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories:	
Classification Differences	(658,680.87)
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	993,136.98
Increase (Decrease) in Payables	14,309.91
Increase (Decrease) in Due to Other Funds	120,813.94
Total Adjustments	<u>469,579.96</u>
Net Cash Provided by Operating Activities	<u>\$ (3,521,101.78)</u>
Non-Cash Transactions	
Net Increase (Decrease) in Fair Value of Investments	(188,581.31)

**Notes
to the
Financial
Statements**

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.

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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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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, 2012, the fair value of investments is as presented below.

Governmental and Business-Type Activities	Fair Value
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	81,017,287.12
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	130,998,837.12
Total	\$ 212,016,124.24

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, 2012, 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, 2012, the agency's credit quality distribution of securities and repurchase agreements with credit risk exposure was as follows.

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Standard and Poor's

Fund Type	GAAP Fund	Investment Type	Amount	Rating
05	3050	U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	\$130,998,837.36	AA+

NOTE 3: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2012, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-11	Additions	Deductions	Balance 08-31-12	Amts Due within 1 year	Amounts due Thereafter
Notes and Loans Payable (Interfund)	\$86,984,511.00	\$12,455,232.00	\$13,018,143.78	\$86,421,599.22	\$4,059,332.03	\$82,362,267.19
Total Business-Type Activities	\$86,984,511.00	\$12,455,232.00	\$13,018,143.78	\$86,421,599.22	\$4,059,332.03	\$82,362,267.19

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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
2013	\$4,059,332.03	\$3,887,175.10
2014	4,249,811.20	3,752,860.58
2015	4,444,529.23	3,592,781.28
2016	4,649,541.99	3,417,626.02
2017	4,874,249.64	3,227,175.58
2018-2022	26,577,129.35	12,761,831.70
2023-2027	25,840,941.90	6,419,008.38
2028-2032	11,726,063.88	1,343,802.32
Total Requirements	\$86,421,599.22	\$38,402,260.96

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, 2012 follows:

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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	\$4,059,332.03		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		\$4,059,332.03	Match Bonds
Total Interfund Receivable/Payable	\$4,059,332.03	\$4,059,332.03	

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	\$82,362,267.19		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		\$82,362,267.19	Match Bonds
Total Interfund Receivable/Payable	\$82,362,267.19	\$82,362,267.19	

NOTE 5: Contingent Liabilities

Outstanding Loan and Grant Commitments

At August 31, 2012, 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)	\$126,831,436.99	\$7,568,971.46	\$134,400,408.45
Total Commitments	\$126,831,436.99	\$7,568,971.46	\$134,400,408.45

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, 2012.

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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, 2012 the balance of these bonds owned by the Board was \$560,236,384.58. 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 2044. 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, 2012, the amount of Federal Funds available through the Automated Standard Application for Payments that remain undrawn for the Drinking Water State Revolving Fund is \$223,277,651.41.

NOTE 8: Status of Available Administrative Funding

The Texas Water Development Board has been awarded grants for this program totaling \$1,126,732,350.00. The remaining administrative funding at August 31, 2012, relative to the 4% cap is \$2,229,622.06. During Fiscal Year 2012, \$3,268,839.27 was drawn against the administration portion of the grant to reimburse expenses incurred in General Revenue, while another \$329,237.94 was accrued as a receivable as of August 31, 2012.

Loans issued in Fiscal Year 2012 resulted in the collection of administrative cost recovery charges. The Texas Water Development Board has collected service charges totaling \$18,706,210.00 from DWSRF loan recipients. In Fiscal Year 2012, \$329,633.00, 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 \$193,218,525.00. During Fiscal Year 2012, \$10,733,566.00 of state match bond proceeds were transferred.

Combining Statements

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Drinking Water State Revolving Fund

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

August 31, 2012

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit I)
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash Equivalents	\$ 9,560,756.86		\$ 625,335.60		\$ 10,186,092.46
Short Term Investments	199,006,251.84		13,009,873.24		212,016,125.08
Receivables from:					
Federal	353.10	329,237.94		973,237.94	1,302,828.98
Interest and Dividends	3,164,469.54		6,033.70		3,170,503.24
Loans and Contracts	29,793,145.16				29,793,145.16
Total Current Assets	241,176,307.63	329,237.94	13,990,911.41	973,237.94	266,468,694.92
Non-Current Assets:					
Loans and Contracts	530,443,239.42				530,443,239.42
Total Non-Current Assets	530,443,239.42				530,443,239.42
Total Assets	771,618,547.05	329,237.94	13,990,911.41	973,237.94	786,911,934.34
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable		14,958.24			29,697.91
Interfund Payables	4,059,332.03				4,059,332.03
Due to Other Funds	472,313.54	314,279.70			786,593.24
Due to Other Agencies				973,237.94	973,591.04
Deferred Revenue			10,380,777.53		10,380,777.53
Total Current Liabilities	4,546,738.34	329,237.94	10,380,777.53	973,237.94	16,229,991.75
Non-Current Liabilities:					
Interfund Payables	82,362,267.19				82,362,267.19
Total Non-Current Liabilities	82,362,267.19				82,362,267.19
Total Liabilities	86,909,005.53	329,237.94	10,380,777.53	973,237.94	98,592,268.94
NET ASSETS					
Unrestricted	684,709,541.52		3,610,133.88		688,319,675.40
Total Net Assets	\$ 684,709,541.52		\$ 3,610,133.88		\$ 688,319,675.40

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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, 2012

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit II)
OPERATING REVENUES:					
Interest and Investment Income (PR - OP Grants/Contributions)	\$ 10,147,319.58		\$ 341,560.28		\$ 10,488,879.86
Net Increase (Decrease) Fair Market Value (PR - OP Grants/Con)	(188,581.31)				(188,581.31)
Other Operating Revenue (GR)	-	-	1,238,448.07	-	1,238,448.07
Total Operating Revenues	9,958,738.27	-	1,580,008.35	-	11,538,746.62
OPERATING EXPENSES:					
Salaries and Wages	-	2,926,298.01	-	3,908,215.77	6,834,513.78
Payroll Related Costs	-	529,383.50	-	819,724.03	1,349,107.53
Professional Fees and Services	-	147,577.18	-	1,354,311.39	1,501,888.57
Travel	-	24,361.26	-	308,363.93	332,725.19
Materials and Supplies	-	9,553.88	-	51,285.99	60,839.87
Communication and Utilities	-	22,837.93	-	-	22,837.93
Repairs and Maintenance	-	1,135.32	-	-	1,135.32
Rentals and Leases	-	77,368.33	-	-	77,368.33
Printing and Reproduction	-	163.33	-	-	163.33
Interest	3,974,507.62	-	-	-	3,974,507.62
Other Operating Expenses	-	6,869.56	-	1,367,671.33	1,374,340.89
Total Operating Expenses	3,974,507.62	3,748,348.30	-	7,809,572.44	15,529,428.36
Operating Income (Loss)	5,984,230.65	(3,748,348.30)	1,580,008.35	(7,809,572.44)	(3,990,681.74)
NONOPERATING REVENUE (EXPENSES):					
Federal Revenue (PR - Grants/Contributions)	92,630,645.92	3,745,348.30	-	7,809,572.44	104,185,566.66
Other Benefit Payments (PR - Grants/Contributions)	(634,270.60)				(634,270.60)
Other Nonoperating Revenue (Expenses)	(38,234,437.55)				(38,234,437.55)
Total Nonoperating Revenue (Expenses)	53,761,937.77	3,745,348.30	-	7,809,572.44	65,316,858.61
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	59,746,168.42	-	1,580,008.35	-	61,326,176.77
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:					
Transfers In	2,336,171.00	-	-	-	2,336,171.00
Total Other Revenue, Expenses, Gain/Losses and Transfers	2,336,171.00	-	-	-	2,336,171.00
Change in Net Assets	62,082,339.42	-	1,580,008.35	-	63,662,347.77
Total Net Assets - Beginning	622,627,202.10	-	2,030,125.53	-	624,657,327.63
Total Net Assets, August 31, 2012	\$ 684,709,541.52	\$ -	\$ 3,610,133.88	\$ -	\$ 688,319,675.40

Drinking Water State Revolving Fund

Exhibit SA-2 - Combining Statement of Expenses - Set Aside Programs
For the Fiscal Year Ended August 31, 2012

	Water Supply PWSS Program Administration	Water Supply Source Water Protection	Water Supply Capacity Development	Inspection & Investigation	PWSS Enforcement	Laboratory Accreditation	PWSS Administration ULO	PWSS Homeland Security	Capacity Development ULO	Totals (Exhibit F-2)
OPERATING EXPENSES:										
Salaries and Wages	169,651.42	95,154.04	812,054.11	1,741,116.52	106,432.21	127,241.69	-	-	-	3,051,649.99
Payroll Related Cost	45,283.14	25,312.13	219,061.11	467,065.24	28,783.75	34,218.66	-	-	-	819,724.03
Professional Fees and Services	199,006.30	210,633.00	644,377.02	4,887.00	-	13,506.00	141,727.24	44,286.05	95,888.78	1,354,311.39
Travel	31,381.36	90,473.65	130,769.00	32,739.58	976.41	1,846.00	15,885.81	-	-	308,363.93
Material and Supplies	13,050.61	-	4,508.88	30,956.08	2,179.29	525.00	3.00	63.13	63.13	51,285.99
Other Operating Expenses	556,843.94	3,489.00	610,043.53	102,036.80	6,010.00	-	6,179.13	60,042.00	23,026.93	1,367,671.33
Indirect	59,088.55	26,008.30	225,085.89	481,647.90	29,575.39	35,159.75	-	-	-	856,565.78
Total Operating Expenses	1,074,305.32	451,070.12	2,645,899.54	2,860,449.12	173,967.06	212,497.10	163,795.18	108,620.17	118,978.84	7,809,572.44

Schedules

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Texas Water Development Board (580)
 Schedule 6 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2012

Recipient	Original Amount	Outstanding Balance	Due From	Due To
Drinking Water State Revolving Fund				
AGUA SUD	\$ 505,000.00	\$ 375,000.00	8/1/2011	6/1/2040
ALEDO, CITY OF	5,490,000.00	4,580,000.00	8/15/2009	8/15/2028
ALPINE, CITY OF	4,131,000.00	3,303,000.00	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	240,000.00	10/1/2004	10/1/2023
ALVORD, CITY OF	360,000.00	270,000.00	10/1/2006	10/1/2025
AMARILLO CITY OF	18,870,000.00	15,990,000.00	5/15/2012	5/15/2031
ANAHUAC, CITY OF	700,000.00	400,000.00	6/1/2006	8/1/2020
ARLINGTON, CITY OF	34,480,000.00	26,880,000.00	6/1/2009	6/1/2028
BALLINGER, CITY OF	5,250,000.00	3,310,000.00	8/1/2004	6/1/2023
BALLINGER, CITY OF	3,215,000.00	2,695,000.00	8/1/2009	6/1/2038
BAYTOWN AREA WATER AUTHORITY	9,975,000.00	6,615,000.00	5/1/2007	5/1/2022
BEECHWOOD WSC	575,000.00	416,000.00	7/1/2009	7/1/2038
BENTON CITY WSC	145,000.00	106,000.00	10/1/2001	10/1/2030
BLOSSOM, CITY OF	445,000.00	435,000.00	1/1/2011	1/1/2039
BOLIVAR PENINSULA SUD	840,000.00	825,000.00	2/15/2010	2/15/2036
BOLIVAR PENINSULA SUD	1,200,000.00	1,185,000.00	2/15/2010	2/15/2027
BOLIVAR PENINSULA SUD	5,070,000.00	5,055,000.00	2/15/2010	2/15/2038
BOLIVAR PENINSULA SUD	2,360,000.00	2,345,000.00	2/15/2010	2/15/2028
BONHAM, CITY OF	7,000,000.00	5,525,000.00	2/15/2007	2/15/2036
BRADY, CITY OF	6,115,000.00	3,990,000.00	5/1/2002	5/1/2031
BRIGHT STAR-SALEM SUD	3,775,000.00	3,580,000.00	9/1/2011	9/1/2030
BROWN CO WID #1	16,915,000.00	13,585,000.00	2/1/2009	2/1/2028
BROWNWOOD, CITY OF	6,335,000.00	4,540,000.00	3/15/2006	3/15/2025
BURLESON CO MUD #1	1,440,000.00	1,238,000.00	6/1/2005	6/1/2034
BURLESON CO MUD #1	120,000.00	99,000.00	6/1/2006	6/1/2033
CENTRAL TEXAS WSC	22,173,213.01	19,694,715.01	3/15/2010	2/15/2030
CISCO, CITY OF	2,190,000.00	1,950,000.00	2/15/2010	2/15/2038
CISCO, CITY OF	2,355,000.00	2,160,000.00	2/15/2010	2/15/2038
COCKRELL HILL, CITY OF	910,000.00	850,000.00	4/1/2012	4/1/2031
COLEMAN, CITY OF	3,980,000.00	3,450,000.00	4/1/2010	4/1/2039
COMMERCE, CITY OF	121,000.00	121,000.00	2/15/2013	2/15/2040
COMMERCE, CITY OF	25,000.00	25,000.00	2/15/2013	2/15/2040
DEL RIO, CITY OF	5,845,000.00	2,207,000.00	6/1/2001	6/1/2020
DEL RIO, CITY OF	5,400,000.00	2,430,000.00	6/1/2002	6/1/2021
DEL RIO, CITY OF	6,220,000.00	3,625,000.00	6/1/2004	8/1/2022
DEL RIO, CITY OF	355,000.00	-	6/1/2011	6/1/2012
DEL RIO, CITY OF	140,000.00	65,000.00	6/1/2012	6/1/2040
DENTON CO FWSD #1A	3,260,000.00	3,095,000.00	12/15/2011	12/15/2030
DEPORT, CITY OF	350,000.00	190,000.00	9/1/2001	9/1/2020
EAGLE PASS, CITY OF	11,545,000.00	8,855,000.00	12/1/2005	12/1/2034
EAGLE PASS, CITY OF	7,455,000.00	3,390,000.00	12/1/2003	12/1/2032
EAGLE PASS, CITY OF	5,400,000.00	4,730,000.00	12/1/2004	12/1/2033
EAST CEDAR CREEK FWSD	730,000.00	595,000.00	7/1/2008	7/1/2027
EAST MEDINA CO SUD	3,200,000.00	1,685,000.00	7/1/2002	7/1/2021
EAST TAWAKONI, CITY OF	1,215,000.00	1,110,000.00	1/1/2008	1/1/2027
EAST TAWAKONI, CITY OF	495,000.00	480,000.00	1/1/2012	1/1/2030
EASTLAND CO WSD	3,495,000.00	3,495,000.00	1/1/2015	1/1/2044
EASTLAND, CITY OF	2,385,000.00	2,160,000.00	12/1/2009	12/1/2036
EDGEWOOD, CITY OF	825,000.00	805,000.00	5/1/2011	5/1/2039
EL JARDIN WSC	3,545,000.00	2,900,000.00	9/1/2004	9/1/2033
EL PASO CO TORNILLO WID	130,000.00	120,000.00	8/1/2011	8/1/2038
FLATONIA, CITY OF	530,000.00	355,000.00	9/1/2007	9/1/2026
FORT WORTH, CITY OF	64,520,000.00	47,185,000.00	3/1/2007	3/1/2025
FORT WORTH, CITY OF	49,585,000.00	41,260,000.00	3/1/2009	3/1/2027

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Texas Water Development Board (580)
 Schedule 6 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2012

Recipient	Original Amount	Outstanding Balance	Due From	Due To
FORT WORTH, CITY OF	26,820,000.00	23,200,000.00	2/15/2011	2/15/2030
FORT WORTH, CITY OF	16,145,000.00	14,525,000.00	2/15/2011	2/15/2030
G-M WSC	341,350.00	191,950.00	3/15/2010	2/15/2040
GOLDEN WSC	850,000.00	625,000.00	7/1/2002	7/1/2022
GOLDEN WSC	1,070,000.00	935,000.00	7/1/2008	7/1/2027
GREATER TEXOMA UA	325,000.00	165,000.00	10/1/2000	10/1/2019
GREATER TEXOMA UA	1,685,000.00	1,340,000.00	6/1/2008	6/1/2027
GREENVILLE, CITY OF	305,000.00	275,000.00	2/15/2011	2/15/2029
GROESBECK, CITY OF	1,025,000.00	815,000.00	8/15/2007	8/15/2036
GROESBECK, CITY OF	2,125,000.00	1,981,000.00	2/15/2011	2/15/2040
HAMLIN, CITY OF	5,500,000.00	3,610,000.00	3/1/2002	3/1/2031
HARRIS CO MUD #146	1,425,000.00	1,335,000.00	4/1/2012	4/1/2031
HARRIS CO MUD #50	200,000.00	200,000.00	3/1/2013	3/1/2015
HARRIS CO WCID #36	2,820,000.00	2,180,000.00	9/15/2009	9/15/2027
HIDALGO CO MUD #1	4,000,000.00	3,485,000.00	2/15/2010	2/15/2039
HOUSTON CO WCID #1	5,940,000.00	5,405,000.00	8/1/2009	8/1/2038
HOUSTON, CITY OF	5,745,000.00	4,125,000.00	12/1/2004	12/1/2023
HUBBARD, CITY OF	1,500,000.00	1,500,000.00	2/15/2014	2/15/2043
JUNCTION, CITY OF	3,480,000.00	2,855,000.00	3/1/2004	3/1/2033
KARNES CITY, CITY OF	3,300,000.00	3,240,000.00	6/1/2011	6/1/2037
KOUNTZE, CITY OF	930,000.00	595,000.00	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	5,200,000.00	5,190,000.00	12/1/2010	12/1/2039
LAMAR CO WSD	3,170,000.00	3,040,000.00	7/10/2008	7/10/2027
LAMAR CO WSD	590,000.00	585,000.00	7/10/2012	7/10/2039
LOWER NECHES VALLEY AUTHORITY	18,495,000.00	18,475,000.00	8/1/2009	8/1/2035
LOWER VALLEY WD	1,320,000.00	575,000.00	9/15/2010	9/15/2029
MARLIN, CITY OF	10,380,000.00	9,375,000.00	7/1/2007	7/1/2036
MEXIA, CITY OF	560,000.00	340,000.00	8/15/2003	8/15/2022
MEXIA, CITY OF	605,000.00	410,000.00	8/15/2005	8/15/2024
MEXIA, CITY OF	2,515,000.00	2,215,000.00	8/15/2010	8/15/2038
MEXIA, CITY OF	980,000.00	855,000.00	8/15/2010	8/15/2038
MIDLOTHIAN, CITY OF	11,515,000.00	8,485,000.00	9/1/2009	9/1/2028
MILLERSVIEW-DOOLE WSC	15,895,000.00	13,994,000.00	12/1/2005	12/1/2034
MISSION, CITY OF	7,330,000.00	6,780,000.00	2/15/2011	2/15/2030
MOUNT CALM, CITY OF	331,000.00	227,000.00	3/1/2005	3/1/2024
MOUNT PLEASANT, CITY OF	19,150,000.00	19,040,000.00	3/15/2009	3/15/2033
MOUNTAIN PEAK SUD	995,000.00	895,000.00	12/1/2010	12/1/2029
NACOGDOCHES, CITY OF	5,025,000.00	3,815,000.00	3/1/2008	3/1/2027
NORTH CENTRAL TEXAS MWA	5,500,000.00	5,500,000.00	7/10/2014	7/10/2043
NORTH SAN SABA WSC	310,000.00	292,719.81	2/1/2012	1/1/2022
NORTHEAST TEXAS MWD	12,400,000.00	11,590,000.00	9/1/2007	9/1/2026
NORTHEAST TEXAS MWD	8,650,000.00	7,695,000.00	9/1/2005	9/1/2024
OLNEY, CITY OF	1,250,000.00	775,000.00	9/1/2003	9/1/2022
ORANGE CO WCID #1	2,565,000.00	1,375,000.00	2/15/2003	2/15/2021
PALMER, CITY OF	1,405,000.00	805,000.00	7/1/2003	7/1/2022
PECOS CITY, TOWN OF	8,315,000.00	4,315,000.00	6/15/2001	6/15/2020
PHARR, CITY OF	12,465,000.00	11,650,000.00	9/1/2008	9/1/2027
PORT LAVACA, CITY OF	1,535,000.00	1,180,000.00	2/15/2005	2/15/2024
PORTER SUD	525,000.00	270,000.00	6/1/2009	6/1/2028
POSSUM KINGDOM WSC	4,700,000.00	3,080,000.00	12/15/2004	12/15/2023
POSSUM KINGDOM WSC	1,625,000.00	1,510,000.00	12/15/2010	12/15/2029
RAYMONDVILLE, CITY OF	3,030,000.00	1,995,000.00	4/1/2003	4/1/2022
RED RIVER CO WSC	99,000.00	99,000.00	4/1/2014	4/1/2041
RENO CITY OF	1,145,000.00	905,000.00	1/1/2005	1/1/2024
RENO CITY OF	840,000.00	670,000.00	1/1/2006	1/1/2024

UNAUDITED

Texas Water Development Board (580)
Schedule 6 - Loans and Contracts
For the Fiscal Year Ended August 31, 2012

Recipient	Original Amount	Outstanding Balance	Due From	Due To
RIO GRANDE CITY, CITY OF	12,125,000.00	11,835,000.00	2/15/2011	2/15/2040
RIO GRANDE CITY, CITY OF	7,865,000.00	7,565,000.00	2/15/2011	2/15/2040
ROBERT LEE, CITY OF	758,000.00	758,000.00	12/1/2013	12/1/2042
ROBERT LEE, CITY OF	67,000.00	67,000.00	12/1/2013	12/1/2042
ROMA, CITY OF	2,327,000.00	1,367,000.00	11/1/2000	11/1/2029
ROUND ROCK, CITY OF	12,000,000.00	9,855,000.00	8/1/2008	8/1/2028
SANTA ROSA, CITY OF	1,475,000.00	950,000.00	2/1/2007	2/1/2026
SEIS LAGOS UTILITY DISTRICT	315,000.00	135,000.00	3/1/2008	3/1/2027
SONORA, CITY OF	1,960,000.00	1,730,000.00	12/1/2010	12/1/2029
SOUTH HOUSTON, CITY OF	2,010,000.00	1,850,000.00	3/1/2011	3/1/2030
SOUTHMOST REGIONAL WATER AUTHORITY	995,000.00	375,000.00	9/1/2010	9/1/2039
SOUTHMOST REGIONAL WATER AUTHORITY	435,000.00	180,000.00	8/1/2010	8/1/2029
SPRINGS HILL WSC	3,130,000.00	2,974,000.00	11/1/2011	11/1/2030
STEPHENS REGIONAL SUD	45,000.00	45,000.00	8/15/2013	8/15/2042
SUNBELT FWSD	2,630,000.00	1,835,000.00	12/1/2002	12/1/2026
SURFSIDE BEACH, VILLAGE OF	1,035,000.00	795,000.00	2/15/2009	2/15/2028
TIOGA, CITY OF	580,000.00	515,000.00	4/1/2002	4/1/2031
TRINIDAD, CITY OF	250,000.00	230,000.00	1/1/2009	1/1/2037
TYLER COUNTY WSC	675,000.00	655,000.00	9/1/2011	9/1/2040
TYLER COUNTY WSC	340,000.00	338,000.00	9/1/2011	9/1/2040
VICTORIA CO WCID #1	2,515,000.00	2,430,000.00	3/1/2010	3/1/2029
WELLBORN SUD	3,500,000.00	3,035,000.00	7/15/2008	7/15/2027
WILLIS, CITY OF	3,245,000.00	2,400,000.00	8/1/2004	8/1/2023
WILLIS, CITY OF	3,150,000.00	3,150,000.00	8/1/2014	8/1/2043
WINTERS, CITY OF	1,645,000.00	1,465,000.00	10/1/2009	10/1/2038
WOLFE CITY, CITY OF	505,000.00	505,000.00	9/15/2012	9/15/2041
WOODSBORO, TOWN OF	520,000.00	490,000.00	3/1/2009	3/1/2028
ZAPATA COUNTY	14,682,000.00	13,692,000.00	2/15/2011	2/15/2040
Total - Drinking Water State Revolving Fund	\$ 680,466,562.97	\$ 560,236,384.58		

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, 2012

	Total Enterprise Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Receivables from:	
Federal	52,467.71
Loans and Contracts	3,507,996.00
Total Current Assets	3,560,463.71
Non-Current Assets:	
Loans and Contracts	62,660,718.97
Total Non-Current Assets	62,660,718.97
Total Assets	66,221,182.68
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts Payable	14,958.24
Due to Other Funds	37,509.47
Total Current Liabilities	52,467.71
Total Liabilities	52,467.71
NET ASSETS	
Unrestricted	66,168,714.97
Total Net Assets	\$ 66,168,714.97

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, 2012

	Total Enterprise Funds (Exhibit F-2)
OPERATING EXPENSES:	
Salaries and Wages	2,056,733.61
Payroll Related Costs	372,056.98
Professional Fees and Services	137,089.33
Travel	20,660.02
Materials and Supplies	8,602.92
Communication and Utilities	19,572.02
Repairs and Maintenance	600.32
Rentals and Leases	72,448.07
Printing and Reproduction	163.33
Other Operating Expenses	6,605.86
Total Operating Expenses	2,694,532.46
Operating Income (Loss)	(2,694,532.46)
 NONOPERATING REVENUES (EXPENSES):	
Federal Revenue (2F-96692301)	25,627,657.70
Other Benefit Payments	(552,124.93)
Other Nonoperating Revenue (Expenses)	(15,500,466.42)
Total Nonoperating Revenue (Expenses)	9,575,066.35
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	6,880,533.89
 OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:	
Transfers In	2,432,628.74
Transfers Out	(3,389,591.26)
Total Other Revenue, Expenses, Gain/Losses and Transfers	(956,962.52)
Change in Net Assets	5,923,571.37
 Total Net Assets - Beginning	 60,245,143.60
Total Net Assets, August 31, 2012	\$ 66,168,714.97

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, 2012

	<u>ARRA Drinking Water Loan Program</u>	<u>ARRA Administration (Federal)</u>	<u>ARRA Totals (Exhibit I)</u>
ASSETS			
Current Assets:			
Receivables from:			
Federal		52,467.71	52,467.71
Loans and Contracts	3,507,996.00		3,507,996.00
Total Current Assets	<u>3,507,996.00</u>	<u>52,467.71</u>	<u>3,560,463.71</u>
Non-Current Assets:			
Loans and Contracts	62,660,718.97		62,660,718.97
Total Non-Current Assets	<u>62,660,718.97</u>		<u>62,660,718.97</u>
Total Assets	<u>66,168,714.97</u>	<u>52,467.71</u>	<u>66,221,182.68</u>
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts Payable		14,958.24	14,958.24
Due to Other Funds		37,509.47	37,509.47
Total Current Liabilities		<u>52,467.71</u>	<u>52,467.71</u>
NET ASSETS			
Unrestricted	66,168,714.97		66,168,714.97
Total Net Assets	<u>\$ 66,168,714.97</u>		<u>\$ 66,168,714.97</u>

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, 2012

	ARRA Drinking Water Loan Program	ARRA Administration (Federal)	ARRA Totals (Exhibit II)
OPERATING REVENUES:			
Interest and Investment Income	333.94		\$ 333.94
Total Operating Revenues	333.94		333.94
OPERATING EXPENSES:			
Salaries and Wages		2,056,733.61	2,056,733.61
Payroll Related Costs		372,056.98	372,056.98
Professional Fees and Services		137,089.33	137,089.33
Travel		20,660.02	20,660.02
Materials and Supplies		8,602.92	8,602.92
Communication and Utilities		19,572.02	19,572.02
Repairs and Maintenance		600.32	600.32
Rentals and Leases		72,448.07	72,448.07
Printing and Reproduction		163.33	163.33
Other Operating Expenses		6,605.86	6,605.86
Total Operating Expenses		2,694,532.46	2,694,532.46
Operating Income (Loss)	333.94	(2,694,532.46)	(2,694,198.52)
NONOPERATING REVENUE (EXPENSES):			
Federal Revenue	22,933,125.24	2,694,532.46	25,627,657.70
Other Benefit Payments	(552,124.93)		(552,124.93)
Other Nonoperating Revenue (Expenses)	(15,500,466.42)		(15,500,466.42)
Total Nonoperating Revenue (Expenses)	6,880,533.89	2,694,532.46	9,575,066.35
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	6,880,867.83		6,880,867.83
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:			
Transfers In	2,432,294.80		2,432,294.80
Transfers Out	(3,389,591.26)		(3,389,591.26)
Total Other Revenue, Expenses, Gain/Losses and Transfers	(957,296.46)		(957,296.46)
Change in Net Assets	5,923,571.37		5,923,571.37
Total Net Assets - Beginning	60,245,143.60		60,245,143.60
Total Net Assets, August 31, 2012	\$ 66,168,714.97		\$ 66,168,714.97

DWSRF Attachment:
TCEQ Annual Report for the Small
Systems Technical Assistance Program

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**FY 2012
Drinking Water State Revolving Fund
Small System Technical Assistance
Two Percent Set-Aside**

**Work Plan
Annual Report**

Texas Commission on Environmental Quality

November 2012

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Water Supply Division

Program Element 1 and 3: Water Supply PWSS Program Administration

Program Element 2 and 4: Capacity Development

**DRINKING WATER STATE REVOLVING FUND
Small System Technical Assistance
Two Percent Set-Aside**

Annual Report Work Plan FY 2012

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 Local Assistance (15%). The Texas Commission on Environmental Quality (TCEQ) proposes to obligate 2% of the Capitalization grant for PWSS Program Administration and Capacity Development programs. The TCEQ may return 2% set-aside funds unexpended in 2012 to the loan fund depending on the amount unexpended and reserves the right to use those funds at a later date. The amount of unexpended funds that may be returned to the loan fund will be determined after the project year is finished. TCEQ also plans to obligate the entire 2% and 10% set-asides for FFY 2011 (State FY12).

The PWSS Program Administration and Capacity Development programs will help ensure that Texas' public drinking water supplies remain safe and affordable and that public drinking water systems that receive funding will have assistance available to ensure that the system will be properly operated and maintained.

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

WORK PROGRAM ORGANIZATIONAL STRUCTURE

There was one TCEQ division that participated in this work plan. The Water Supply Division was responsible for two program elements: Water Supply PWSS Program Administration and Capacity Development for small water systems.

STATE AND FEDERAL FUNDING

For FY 2012, the State of Texas received a Drinking State Revolving Fund (DWSRF) grant award from the EPA in the amount of approximately \$1,197,080 pursuant to Section 1452(g)(2) of the SDWA. This is the Small Systems Technical Assistance set-aside also known as the 2%. Small public water systems serve less than 10,000 customers. This award was the full amount of the 2%

Federal Fiscal Year 2011 allotment available to the State of Texas for the Section 1452(g) (2) set-aside. In addition, TCEQ used \$200,000 of unliquidated obligations (ULOs). Work was performed through contracts for services as described in the work plan.

TCEQ/EPA STRATEGIC PLAN LINKAGE

<p>EPA: Goal 2: Protecting America’s Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.</p> <p>Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.</p> <p>Strategic Measures: Water Safe to Drink. By 2015, 90 percent of community water systems will provide 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 2: Protecting America’s Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.</p> <p>Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.</p> <p>Strategic Measures: Water Safe to Drink. By 2015, 90 percent of community water systems will provide drinking water that meets all applicable health-based drinking water standards</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 02-01-02 – 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>

through approaches including effective treatment and source water protection.	
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DIVISION FUNDING BY PROGRAM ELEMENT

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

Program Element Number	PROGRAM ELEMENT	DIVISION	AMOUNT	PERCENT OF TOTAL
1	Water Supply PWSS Program Administration	Water Supply	\$ 494,666	36%
2	Capacity Development	Water Supply	\$ 702,414	50%
	Subtotal		\$1,197,080	
3	ULO Water Supply PWSS Program Administration	Water Supply	\$ 61,226	04%
4	ULO Water Supply Capacity Development	Water Supply	\$ 138,774	10%
	Total		\$1,397,080	100%

PROJECT SCHEDULE

The TCEQ conducted this project over a 12-month period, beginning September 1, 2011 and ending August 31, 2012.

WORK PLAN AND DELIVERABLES

WATER SUPPLY DIVISION

Program Element 1 & 3: Water Supply PWSS Program Administration

This program element implements portions of the Public Water System Supervision (PWSS) program in Texas. Specifically, emergency preparedness plan review and implementation, analysis of special Cryptosporidium study samples, exception and plan review determination and assistance, implementation of electronic data reporting portal and other technical assistance to public water systems.

Strategic Plan Linkage:

EPA Goal: Goal 2: Protecting America's Waters

Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.

Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.

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.

Objective: *To reduce the risk of both long term and short term health effects by implementing EPA rules, evaluating exception requests and providing technical assistance through August 31, 2012 at a cost of approximately \$494,666 and \$61,226 in ULOs for FY 2012.*

Task 1.1 Special Cryptosporidium Studies

- Contract to collect and analyze drinking water samples for Cryptosporidium.

DELIVERABLES AND OUTPUT

1. There were no special Cryptosporidium samples collected with these funds.

Task 1.2 Review of Exception Requests, Emergency Preparedness Plans and Engineering Plans

- Contracts to analyze and respond to exception requests and engineering plans for public water systems.

DELIVERABLES AND OUTPUTS:

1. Logged in, tracked, analyzed, reviewed and responded to exception requests and public water system engineering plans and specifications.
2. Provided data and responses for public water systems, consulting engineers and TCEQ.

Task 1.3 Electronic Data Reporting Portal Implementation

- Implement use of an electronic data reporting portal to provide the public more efficient

assistance with compliance and violation prevention activities and address EPA's Enforcement Response Policy Enforcement Targeting Tool list in a timely and efficient manner.

DELIVERABLES AND OUTPUTS:

1. Product is currently in the test phase and feedback and comments have been provided to the contractor.

PROGRAM ELEMENT 2 & 4: Capacity Development

STRATEGIC PLAN LINKAGE:

EPA Goal: Goal 2: Protecting America's Waters
Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.

Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.

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 small public water systems on a statewide basis in developing and implementing the Capacity Development Strategy requirement of the SDWA through August 31, 2012 at a cost of approximately \$702,414 and \$138,774 in ULOs for FY 2012.*

TASK 2.1 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.
- Evaluate and provide assistance to surface water treatment plants to comply with regulations and optimize performance.

DELIVERABLES AND OUTPUTS:

TCEQ:

1. Identified small public water systems that need 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. Maintained status component, implemented optimization recognition program, conducted special performance

evaluations, conducted comprehensive performance evaluations, conducted operator training and provided directed assistance module oversight.

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DWSRF Attachment:
TCEQ Annual Report for the Texas State
Management Program

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**SFY 2012
Drinking Water State Revolving Fund
State Management Program
Ten Percent Set-Aside**

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Program Elements 1 and 7: PWSS Program Administration

Program Element 2 and 9: Capacity Development

Program Element 3: Source Water Protection Program

Program Element 8: Homeland Security

Field Operations Support Division

Program Element 4: PWSS Inspections & Investigations

Program Element 5: PWSS Laboratory Inspections & Accreditation

Enforcement Division

Program Element 6: Public Drinking Water System Enforcement Cases

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

Work Plan Annual Report SFY 2012

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 Local Assistance (15%). The Texas Commission on Environmental Quality (TCEQ) proposes to obligate approximately 10% (\$5,985,400) of the tentative \$59,854,000 Federal Fiscal Year (FFY) 2011 Capitalization grant funds for state program management. The TCEQ may return 10% set-aside funds unexpended in 2012 to the loan fund depending on the amount unexpended and reserves the right to use those funds at a later date. The amount of unexpended funds that may be returned to the loan fund will be determined after the project year is finished. TCEQ also plans to obligate the entire 2% and 10% set-asides for FFY 2011 for activities in State Fiscal Year (SFY) 2012.

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

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

The 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.

WORK PROGRAM ORGANIZATIONAL STRUCTURE

There are three TCEQ divisions that participated in the ten percent set-aside work plan. The **Water Supply Division** was responsible for five of the program elements; #1 and #7 - Public Water System Supervision (PWSS) Program Administration, #2 and #9 - Capacity Development, #3 - Source Water Protection, and # 8 - Homeland Security. Other divisions were responsible for the remaining program elements: The **Field Operations Support Division** was responsible for two of the elements #4 - Inspections & Investigations and #5 - Laboratory

Inspections and Accreditation and the **Enforcement Division** was responsible for element #6 - Public Drinking Water System Enforcement Cases.

STATE AND FEDERAL FUNDING

For FFY 2011, the State of Texas received a DWSRF grant award from the EPA in the amount of approximately \$59,854,000 pursuant to Section 1452 of the SDWA. This award (\$5,985,400) was the anticipated full amount of the 10% Federal Fiscal Year 2011 allotment available to the State of Texas for the Section 1452 set-aside.

There were 57.95 Full Time Equivalent (FTEs) who performed the work described in the work plan.

EPA & TCEQ Strategic Plan Linkage

<p>EPA: Goal 2: Protecting America’s Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.</p> <p>Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.</p> <p>Strategic Measures: Water Safe to Drink. By 2015, 90 percent of community water systems will provide 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 2: Protecting America’s Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.</p> <p>Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters,</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>including protecting source waters.</p> <p>Strategic Measures: Water Safe to Drink. By 2015, 90 percent of community water systems will provide drinking water that meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.</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>EPA: Goal 5: Enforcing Environmental Laws. Protect human health and the environment through vigorous and targeted civil and criminal enforcement. Assure compliance with environmental laws.</p> <p>Objective 5.1: Pursue vigorous civil and criminal enforcement that targets the most serious water, air, and chemical hazards in communities. Assure strong, consistent, and effective enforcement of federal environmental laws nationwide.</p>	<p>TCEQ: Goal 03 - Enforcement and Compliance Assistance To protect public health and the environment by administering enforcement and environmental assistance programs that promote compliance with environmental laws and regulations, voluntary efforts to prevent pollution, and offer incentives for demonstrated environmental performance while providing strict, sure, and just enforcement when environmental laws are violated.</p> <p>Strategy 03-01-01 Promote compliance with environmental laws and regulations by conducting field inspections and responding to citizen complaints.</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

The requested funding was allocated to the following Divisions by program elements.

Program Element Number	Program Element Title	Division/Section	Amount	Percent of Total
1	Water Supply PWSS Program Administration	Water Supply	\$747,170	12%
2	Capacity Development	Water Supply	\$1,552,011	24%
3	Source Water Protection	Water Supply	\$342,230	5%
4	Inspection & Investigations	Field Operations Support Division/Program Support, and Coastal & E. Texas, N. Central & W. Texas, and Border & S. Central Areas Sections	\$2,837,389	44%
5	Laboratory Inspections & Accreditation	Field Operations Support Division/Laboratory & Quality Assurance Section	\$199,351	3%
6	PWSS Enforcement Cases	Enforcement	\$173,586	3%
7	PWSS Administration ULO	Water Supply	\$229,522	4%
8	Water Supply PWSS Homeland Security	Water Supply	\$133,663	2%
9	Capacity Development ULO	Water Supply	\$188,508	3%
		Total	\$6,403,430	100%

PROJECT SCHEDULE

The TCEQ conducted these projects over a 12-month period, beginning September 1, 2011 and ending August 31, 2012.

WATER SUPPLY DIVISION

Program Elements 1 and 7: Water Supply, PWSS Program Administration

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

Strategic Plan Linkage:

EPA Goal: Goal 2: Protecting America's Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.

Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.

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.

Objective: *To reduce the risk of both long term and short term health effects by implementing EPA rules, evaluating exception requests and providing technical assistance through August 31, 2012 at a cost of approximately \$747,170 and \$229,522 for ULOs for FY 2012.*

Task 1.1 Implementation of the 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. Provided necessary equipment, rental space and supplies to perform Comprehensive Performance Evaluations (CPEs) and Special Performance Evaluations.
2. Provided necessary resources to develop tracking tools for the optimization status component and recognition program.
3. Reviewed surface water treatment plant performance data for targeting assistance resources

Task 1.2 Reviews 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 1.3 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 meets 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 are implemented correctly.

Task 1.4 Special Study Sample Analyses

- 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 including metals, minerals and volatile organic compounds (VOCs) to complete special inquiries designated by the TCEQ.
2. Provided data for monthly TCEQ review.

Program Element 2 and 9: Capacity Development

Strategic Plan Linkage:

EPA Goal: Goal 2: Protecting America's Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.

Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.

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 small public water systems on a statewide basis in developing and implementing the Capacity Development Strategy requirement of the SDWA through August 31, 2012 at a cost of approximately \$1,552,011 and \$188,508 for ULOs for FY 2012.*

Task 2.1: 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).
- Evaluate and provide assistance to surface water treatment plants to comply with regulations and optimize performance.

DELIVERABLES AND OUTPUTS:

TCEQ:

1. Identified public water systems that need 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 will allow internal and external users the ability to determine whether it would be possible for the TCEQ to issue a permit to a water and/or wastewater service provider based on current Certificate of Convenience and Necessity (CCN) service boundaries.
13. Maintained status component, implemented optimization recognition program, conducted special performance evaluations, conducted comprehensive performance evaluations, conducted operator training, and provided directed assistance module oversight.

Contractor:

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

Task 2.2 Provide assistance to public water systems in the development of water conservation and/or drought contingency programs to maintain or increase abilities of public water systems to meet state requirements.

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

DELIVERABLES AND OUTPUTS:

1. Provided technical assistance to retail public water supply systems in the development of 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.
3. Successfully implemented water conservation and/or drought contingency plans.

4. Increased the number of viable systems.

**Program Element 3: Develop and Implement A Source Water Protection Strategy
1452(g) (2) (B)**

This program element implements portions of the Public Water System Supervision (PWSS) program in Texas, specifically source water protection.

Strategic Plan Linkage:

EPA Goal: Goal 2: Protecting America’s Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.

Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.

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.

OBJECTIVE: *To implement source water protection and wellhead protection activities within the state and to provide ongoing assessment of sources with respect to vulnerability to contamination at a cost of approximately \$342,230.*

Task 3.1 Contact PWSs in areas of the state for the purpose of establishing Source Water Protection (SWP) Programs.

DELIVERABLES AND OUTPUTS:

The Texas Source Water Protection program worked with over 30 public water systems to complete their Source Water Protection (SWP) programs. This was accomplished through TCEQ contractor Atkins North America. The Texas Rural Water Association also provided SWP technical assistance through SWP workshops. Systems attended these workshops and learned valuable knowledge enabling them to complete a new SWP projects or update existing SWP projects. The TCEQ Drinking Water Protection Team assisted water systems by providing maps, databases, best management practice recommendations and inventory technical assistance.

Program Element 8: Homeland Security – Water Supply

Strategic Plan Linkage:

EPA Goal: Goal 2: Protecting America's Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.

Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.

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.

Objective: *To provide homeland security assistance to public water systems through the TXWARN program through August 31, 2012 at a cost of approximately \$133,663.*

Task 8.1 Services provided include: 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 which facilitates response and recovery from any all hazards event.

DELIVERABLES AND OUTPUTS:

1. Developed and conducted training on emergency situations including an all-hazards webcast and workshops on drought.
2. Monitored and assisted water systems in need during emergencies. Found and provided resources through the TXWARN system.
3. Made presentations at conferences about the TXWARN system to increase the number of members.
4. Provided assistance when requested during emergencies.

FIELD OPERATIONS SUPPORT DIVISION

Program Element 4: PWSS Inspections & Investigations

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

Strategic Plan Linkage:

EPA Goal: Goal 5: Enforcing Environmental Laws. Protect human health and the environment through vigorous and targeted civil and criminal enforcement. Assure compliance with environmental laws.

Objective 5.1: Pursue vigorous civil and criminal enforcement that targets the most serious water, air, and chemical hazards in communities. Assure

strong, consistent, and effective enforcement of federal environmental laws nationwide.

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

Objective: *To conduct 2,535 comprehensive compliance investigations at public water systems and respond to complaints where appropriate through August 31, 2012 at a cost of approximately \$2,837,389.*

Task 4.1 Field Inspection, Sanitary Surveys, and Complaint Response

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

DELIVERABLES AND OUTPUTS:

1. Conducted 2,206 Comprehensive Compliance Investigations (sanitary surveys) of PWSs.
2. Conducted 276 Focused Investigations.
3. Investigated 628 complaints on PWSs.
4. Procured office space for regional staff.
5. Obtained regional staff training from optimization personnel in order to improve compliance with the Surface Water Treatment Rule.

FIELD OPERATIONS SUPPORT DIVISION

Program Element 5: PWSS Laboratory Inspections & Accreditation

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

Strategic Plan Linkage:

EPA Goal: Goal 2: Protecting America's Waters. Protect and restore our waters to ensure that drinking water is safe, and that aquatic ecosystems sustain fish, plants and wildlife, and economic, recreational, and subsistence activities.

Objective 2.1: Protect Human Health. Reduce human exposure to contaminants in drinking water, fish and shellfish, and recreational waters, including protecting source waters.

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.

Objective: *To inspect 30 PWS laboratories statewide through August 31, 2012 at a cost of approximately \$199,351.*

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

DELIVERABLES AND OUTPUTS:

1. TCEQ completed inspections of 45 laboratories in Texas and two laboratories outside of Texas that analyze public drinking water samples. The labs outside of Texas were EPA Region 8 in Denver and Cardinal Labs in Hobbs, New Mexico.

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 Water Supply, Field Operations and Compliance Support divisions.

Strategic Plan Linkage:

EPA Goal: Goal 5: Enforcing Environmental Laws. Protect human health and the environment through vigorous and targeted civil and criminal enforcement. Assure compliance with environmental laws.

Objective 5.1: Pursue vigorous civil and criminal enforcement that targets the most serious water, air, and chemical hazards in communities. Assure strong, consistent, and effective enforcement of federal environmental laws nationwide.

TCEQ 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.

Objective: *To address significant noncompliance and significant deficiencies through August 31, 2012 at a cost of approximately \$173,586.*

Task 6.1 Initiate Enforcement Actions

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

DELIVERABLES AND OUTPUTS:

Addressed significant noncompliance and significant deficiencies consistent with the Enforcement Division's policies and procedures. Calculated penalties, determined technical corrective requirement and

negotiated agreed orders or pursued other appropriate remedies.
Continued implementation of the Enforcement Response Policy.

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