

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: February 2, 2023

Team Manager: Tom Barnett

ACTION REQUESTED

Approve by resolution a request from the Tri-Try Water Supply Corporation (Stonewall County) for \$300,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a water system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

Tri-Try Water Supply Corporation (Corporation) is located in Stonewall County roughly 60 miles northwest of Abilene. The Corporation provides water service to approximately 80 residents and 60 connections.

PROJECT NEED AND DESCRIPTION

The Corporation's existing pump station is aged, dilapidated, and in need of replacement. In addition, the Texas Commission on Environmental Quality (TCEQ) has issued an enforcement order for lack of adequate storage at the existing pump station.

The Corporation is requesting planning, design, and construction funds for a new pump station that will include two 100-gallon-per-minute booster pumps, one 1,500-gallon pressure tank, and one 15,000-gallon ground storage tank.

PROJECT SCHEDULE

| Task | Schedule Date |
|--|--------------------|
| Closing | May 1, 2023 |
| Engineering Feasibility Report Completion (End of Planning Phase) | September 29, 2023 |
| Design Phase Completion | November 30, 2023 |
| Start of Construction | February 1, 2024 |
| Construction Completion | August 30, 2024 |

KEY ISSUES

The Corporation qualified to receive principal forgiveness for the entirety of the project under the Very Small Systems funding option.

The funding being provided by the TWDB is in the form of 100 percent principal forgiveness and therefore is not subject to our internal risk score analysis. For this request, staff reviewed the Corporation's Form 990 tax documents and financial assistance application to assess their business practices and ability to manage existing obligations.

COMMITMENT PERIOD: FOUR (4) MONTHS TO EXPIRE JUNE 30, 2023

Based on this analysis, staff has determined that the Corporation has adequate capabilities to manage its obligations.

LEGAL/SPECIAL CONDITIONS

- Conversion and conveyance

Attachments

1. Project Data Summary
2. Project Budget
3. Resolution (23-)
4. Water Conservation Review
5. Location Map

| | |
|--|---|
| Responsible Authority | Tri-Try WSC |
| Program | DWSRF |
| Commitment Number | LF1001590 |
| Project Number | 62930 |
| List Year | 2021 |
| Type of Pledge | N/A |
| Pledge Level (if applicable) | N/A |
| Legal Description | \$300,000 Principal Forgiveness Agreement |
| Tax-exempt or Taxable | Taxable |
| Refinance | No |
| Outlay Requirement | Yes |
| Disbursement Method | Escrow |
| Outlay Type | Outlay = Escrow Release |
| Qualifies as Disadvantaged | No |
| State Revolving Fund Type | Equivalency |
| Financial Managerial & Technical Complete | Yes |
| Phases Funded | Planning, Design, and Construction |
| Pre-Design | Yes |
| Project Consistent with State Water Plan | Yes |
| Water Conservation Plan | Exempt (\$500,000 or less) |
| Overall Risk Score | N/A |

PROJECT TEAM

| Team Manager | Financial Analyst | Engineering Reviewer | Environmental Reviewer | Attorney |
|---------------------|--------------------------|-----------------------------|-------------------------------|------------------|
| Tom Barnett | Jacob Berdoll | Shubham Aggarwal | Tim Harlow | Marshall Walters |



Project Budget Summary
Tri-Try WSC
62930 - Water System
Improvements

| Budget Items | TWDB Funds | Total |
|--|---------------------|---------------------|
| Construction | | |
| Construction | \$235,000.00 | \$235,000.00 |
| Subtotal for Construction | \$235,000.00 | \$235,000.00 |
| Basic Engineering Services | | |
| Construction Engineering | \$5,000.00 | \$5,000.00 |
| Design | \$20,000.00 | \$20,000.00 |
| Planning | \$2,500.00 | \$2,500.00 |
| Subtotal for Basic Engineering Services | \$27,500.00 | \$27,500.00 |
| Special Services | | |
| Application | \$7,500.00 | \$7,500.00 |
| Environmental | \$2,500.00 | \$2,500.00 |
| Surveying | \$8,500.00 | \$8,500.00 |
| Subtotal for Special Services | \$18,500.00 | \$18,500.00 |
| Contingency | | |
| Contingency | \$19,000.00 | \$19,000.00 |
| Subtotal for Contingency | \$19,000.00 | \$19,000.00 |
| Total | \$300,000.00 | \$300,000.00 |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO THE TRI-TRY WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH \$300,000 IN PRINCIPAL FORGIVENESS

(23-)

WHEREAS, the Tri-Try Water Supply Corporation (Corporation), located in Stonewall County has filed an application for financial assistance in the amount of \$300,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62930; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$300,000 with 100 percent to be forgiven, as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13; and

WHEREAS, the TWDB hereby finds:

1. that no debt obligations are to be assumed by the Corporation for the financial assistance and no taxes or revenues are required to be pledged by the Corporation;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the Corporation is exempt from requirements to adopt a water conservation program because the TWDB's financial assistance will be \$500,000 or less;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);
5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Corporation and filed with the TWDB in accordance with Texas Water Code § 16.053(j); and
6. that the Corporation meets the definition of a very small system in accordance with the current Intended Use Plan and is therefore eligible for principal forgiveness in the amount of \$300,000.

NOW, THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the Tri-Try Water Supply Corporation for financial assistance in the amount of \$300,000 from the Drinking Water State Revolving Fund with 100 percent to be forgiven. This commitment will expire on June 30, 2023.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371;
3. this commitment is contingent on the Corporation executing a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
4. the Corporation shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;
5. the Principal Forgiveness Agreement must contain a provision that the Corporation agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein.
6. the Principal Forgiveness Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Principal Forgiveness Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
7. financial assistance funds are public funds and, as such, the Principal Forgiveness Agreement must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
8. financial assistance funds proceeds shall not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils and/or media at the project site. The Principal Forgiveness Agreement shall include an environmental indemnification provision wherein the Corporation agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage

sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

9. prior to closing, and if not previously provided with the application, the Corporation shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
10. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

State Revolving Fund Conditions:

11. the Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
12. the Principal Forgiveness Agreement must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The Corporation, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
13. the Principal Forgiveness Agreement must include a provision stating that the Corporation shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The Corporation shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during the term of the Principal Forgiveness Agreement;
14. the Principal Forgiveness Agreement shall provide that all funds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the Corporation will adhere to the approved project schedule;

15. the Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions:

16. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the Corporation has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Principal Forgiveness Agreement; and
17. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

PROVIDED, however, the commitment is subject to the following special condition:

Special Condition:

21. during construction of the Project, the Corporation must notify the Executive Administrator in writing thirty (30) days prior to taking any actions to alter its legal status in any manner including the conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility, including conveying its assets and liabilities to any nonprofit water supply corporation, for profit water supply corporation, or investor-owned utility, or private person.

APPROVED and ordered of record this 2nd day of February 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

Review Date:

Project ID:

WATER CONSERVATION REVIEW

- Water
- Wastewater
- Other

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:

Approvable

Adopted

| | Total GPCD | Residential GPCD | Water Loss GPCD |
|---------------------|------------|------------------|-----------------|
| Baseline | | | |
| 5-year Goal | | | |
| 10-year Goal | | | |

WATER LOSS AUDIT YEAR:

Service connections:
Retail population:

Length of main lines (miles):
Connections per mile:

Water Loss
(gal/connection/day):
Water Loss GPCD:
ILI¹:

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

WATER LOSS THRESHOLDS

Water Loss Project:

Wholesale Adjusted:

Threshold Type

| | Apparent Loss Gallons per connection per day | Real Loss Gallons per mile per day | Real Loss Gallons per connection per day | Apparent Loss Threshold Gallons per connection per day | Real Loss Threshold Gallons per mile per day | Real Loss Threshold Gallons per connection per day |
|--|---|---------------------------------------|---|--|--|--|
| | | | | | | |

Does the applicant meet Water Loss Threshold Requirements?

Yes

No

NA

ADDITIONAL INFORMATION

STAFF NOTES AND RECOMMENDATIONS

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population divided by 365.

Total water loss is the sum of the apparent and real water losses.

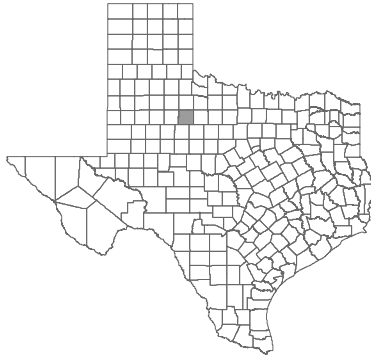
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



Tri-Try Water Supply Corporation Stonewall County

