



PROJECT FUNDING REQUEST

BOARD DATE: January 18, 2024

Team Manager: Dain Larsen

ACTION REQUESTED

Consider approving by resolution a request from the Arimak Water Supply Corporation (Kerr County) for \$975,023 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of water system improvements.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The Arimak Water Supply Corporation (Corporation) serves a community located 65 miles northwest of San Antonio. The Corporation provides water service to a population of approximately 108 residents.

PROJECT NEED AND DESCRIPTION

In December 2020, due to the level of radionuclides in the Corporation’s drinking water, the Texas Commission on Environmental Quality issued a proposed agreed order for violations discovered in June 2020. The Corporation’s ground storage tanks have also reached the end of their useful life.

The Corporation proposes to install a radium reduction system and variable frequency drive pumps at two well locations and replace the ground storage tanks with a new 20,000-gallon ground storage tank.

PROJECT SCHEDULE

| Task | Schedule Date |
|--|----------------------|
| Closing | April 18, 2024 |
| Engineering Feasibility Report Completion (End of Planning Phase) | September 17, 2024 |
| Design Phase Completion | July 14, 2025 |
| Start of Construction | August 14, 2025 |
| Construction Completion | August 9, 2026 |

KEY ISSUES

The funding being provided by the Texas Water Development Board is in the form of 100 percent principal forgiveness and therefore is not subject to a risk score analysis. The Corporation’s 2019 – 2022 IRS Form 1120 tax forms were reviewed to assess the applicant’s ability to manage existing obligations and its business practices.

COMMITMENT PERIOD: FOUR (4) MONTHS TO EXPIRE MAY 31, 2024

The conclusion of this assessment is that the Corporation is able to manage its obligations and has adequate capabilities to maintain project commitments.

The Corporation qualifies for principal forgiveness as a very small system in the amount of \$400,000 and as an urgent need project in the amount of \$500,000 with green eligible components in the amount of \$75,023.

LEGAL/SPECIAL CONDITIONS

- Conveyance and conversion
- Water Conservation program
- Compliance with all conditions as specified in the final environmental finding

Attachments

1. Project Data Summary
2. Project Budget
3. Resolution (24-)
4. Water Conservation Review
5. Location Map

| | |
|--|--|
| Responsible Authority | Arimak WSC |
| Program | DWSRF |
| Commitment Number | LF1001740 |
| Project Number | 62947 |
| List Year | 2023 |
| Type of Pledge | N/A |
| Pledge Level (if applicable) | N/A |
| Legal Description | \$975,023 Arimak WSC Principal Forgiveness Agreement |
| Tax-exempt or Taxable | Taxable |
| Refinance | No |
| Outlay Requirement | Yes |
| Disbursement Method | Escrow |
| Outlay Type | Outlay = Escrow Release |
| Qualifies as Disadvantaged | Yes |
| 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 | Approvable |
| Overall Risk Score | N/A |

PROJECT TEAM

| Team Manager | Financial Analyst | Engineering Reviewer | Environmental Reviewer | Attorney |
|---------------------|--------------------------|-----------------------------|-------------------------------|------------------|
| Dain Larsen | Caaren Skrobarczyk | Shubham Aggarwal | Kristin Miller | Marshall Walters |



**Project Budget
Summary**
Arimak WSC
62947 - Arimak WSC Water

| Budget Items | TWDB Funds | Total |
|--|---------------------|---------------------|
| Construction | | |
| Construction | \$539,000.00 | \$539,000.00 |
| Subtotal for Construction | \$539,000.00 | \$539,000.00 |
| Basic Engineering Services | | |
| Construction Engineering | \$15,000.00 | \$15,000.00 |
| Design | \$36,000.00 | \$36,000.00 |
| Planning | \$9,000.00 | \$9,000.00 |
| Subtotal for Basic Engineering Services | \$60,000.00 | \$60,000.00 |
| Special Services | | |
| Application | \$10,000.00 | \$10,000.00 |
| Environmental | \$30,000.00 | \$30,000.00 |
| Geotechnical | \$10,000.00 | \$10,000.00 |
| Inspection | \$135,000.00 | \$135,000.00 |
| O&M Manual | \$15,000.00 | \$15,000.00 |
| Permits | \$5,000.00 | \$5,000.00 |
| Project Management (by engineer) | \$10,000.00 | \$10,000.00 |
| Surveying | \$10,000.00 | \$10,000.00 |
| Testing | \$25,000.00 | \$25,000.00 |
| Water Conservation Plan | \$5,000.00 | \$5,000.00 |
| Subtotal for Special Services | \$255,000.00 | \$255,000.00 |
| Fiscal Services | | |
| Bond Counsel | \$15,000.00 | \$15,000.00 |
| Financial Advisor | \$17,500.00 | \$17,500.00 |
| Subtotal for Fiscal Services | \$32,500.00 | \$32,500.00 |
| Contingency | | |
| Contingency | \$88,523.00 | \$88,523.00 |
| Subtotal for Contingency | \$88,523.00 | \$88,523.00 |
| Total | \$975,023.00 | \$975,023.00 |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO THE ARIMAK WATER SUPPLY CORPORATION
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH \$975,023 IN PRINCIPAL FORGIVENESS

(24 -)

Recitals:

The Arimak Water Supply Corporation (Corporation), located in Kerr County, Texas has filed an application for financial assistance in the amount of \$975,023 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62947.

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$975,023 with 100 percent to be forgiven, as is more specifically set forth in the application and in recommendations of the TWDB's staff.

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.

Findings:

1. 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 in accordance with Texas Water Code § 15.607.
2. 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. The Corporation has submitted a proposed program of water conservation for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules.
4. 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. The Corporation has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).

6. 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 \$400,000.
7. The project qualifies as an Urgent Need project in accordance with the applicable Intended Use Plan and 31 TAC § 371.21(f) and is eligible for principal forgiveness in the amount of \$500,000.
8. The TWDB has determined that the entire Project, or a portion of the Project, satisfies the applicable Intended Use Plan's criteria for Green Projects and is eligible for Principal Forgiveness in the amount of \$75,023.

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

A commitment is made by the TWDB to the Arimak Water Supply Corporation for financial assistance in the amount of \$975,023 from the Drinking Water State Revolving Fund with 100 percent to be forgiven. This commitment will expire on May 31, 2024.

The 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 as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.
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 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 that incorporates those conditions.
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 be held at a designated state depository institution or other properly chartered 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 shall not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must include a provision that states the Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage, sludge, contaminated sediments, or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials, or employees as a result of activities relating to the Project to the extent permitted by law.
9. Before 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 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 under the contract, and acceptable to the Executive Administrator.
10. Before 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 the executed agreement to the TWDB.
11. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

State Revolving Fund Conditions:

12. The Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
13. 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 in this commitment shall insert in full, in any contract in excess of \$2,000, the contract clauses as provided by the TWDB.

14. 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 Unique Entity Identification Number and shall register with System for Award Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.
15. The Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the Corporation will adhere to the approved project schedule.
16. 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.
17. The Principal Forgiveness Agreement must contain a covenant that the Corporation shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

Drinking Water State Revolving Fund Conditions:

18. Before 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 Obligations.

Water Supply Corporation Conditions:

19. Before release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions.

Special Conditions:

20. Before closing, the Corporation shall adopt and implement the water conservation program approved by the TWDB.

21. The Corporation must notify the Executive Administrator in writing, thirty (30) days before taking any action to alter its legal status in any manner.
22. The Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing before taking any action to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

APPROVED and ordered of record this 18th day of January 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

| | |
|-------------------------------------|-------------|
| <input checked="" type="checkbox"/> | Water |
| <input type="checkbox"/> | Wastewater |
| <input type="checkbox"/> | Other _____ |

WATER CONSERVATION REVIEWEntity: Arimak Water Supply Corporation

Other entity: _____

WATER CONSERVATION PLAN DATE:2022**Approvable****Adopted**

| | Total GPCD | Residential GPCD | Water Loss GPCD |
|---------------------|------------|------------------|-----------------|
| Baseline | 146 | 114 | 31 |
| 5-year Goal | 146 | 114 | 31 |
| 10-year Goal | 146 | 114 | 31 |

WATER LOSS AUDIT YEAR:2022Service connections: 36Length of main lines (miles): 15Water Loss GCD: 22Retail population: 100Connections per mile: 2Water Loss GPCD: 8ILI¹: NA*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:

Population ≤ 10K, connections/mile < 32 :

| 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 |
|---|---|---|---|---|--|
| 16 | 15 | NA | 26 | 1,600 | NA |

Does the applicant meet Water Loss Threshold Requirements?

Yes No NA **ADDITIONAL INFORMATION**

The corporation states in its draft water conservation plan that the purpose of the plan is to promote the wise and responsible use of water by implementing structural programs that result in quantifiable water conservation results while developing, maintaining, and enforcing water conservation policies. To accomplish this, the corporation plans to minimize its water loss by replacing deteriorating water mains and leaking pipes and monitoring consumption to detect readings that vary from previously established water use patterns. Furthermore, the corporation plans to inform its customers of various water conservation methods through media outlets, to new customers, and via planned civic activities.

STAFF NOTES AND RECOMMENDATIONS

The corporation will need to provide proof of adoption of its water conservation plan prior to loan closing.

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.

GCD means gallons per connection 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.

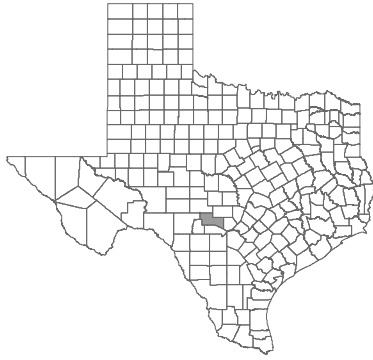
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



Arimak Water Supply Corporation Kerr County

