Water for Texas

January 2017

Show Me the Money!

Nuts, Bolts & Lessons Learned

of the TWDB Application Process

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OVERVIEW
What’s Changed?

- Streamlined Environmental Process with EA and EID templates
- Automatic eligibility of Categorical Exclusion for repair and replacement – water and sewer
- On-Line financial applications and Project Information Forms (PIFs)
- Structured Teams – constant contact with the SAME staff for your region
- Attitude – Pro-Active, Pro-Active, Pro-Active!
Regional Teams

Regional Water Planning Areas with New Groups
TWDB State Funding Programs

- State Revolving Funds (CWSRF and DWSRF)
- **Economically Distressed Areas Program (EDAP) – Not Accepting Applications due to Funding Constraints**
- Rural Water Assistance Fund (RWAF)
- Development Fund (Dfund)
- State Water Implementation Funds for Texas (SWIFT)
- Flood Protection Planning/Mitigation
- Agriculture Water Conservation Grants/Loans
- **Regional Facility Planning Grant Program (Suspended)**
- Planning Research Grant Program
FINANCIAL INCENTIVES & APPLICATION PROCESS
Key Financial Incentives

- Opportunity for subsidized loans
- Opportunity for grant funding in the form of Principal Forgiveness
- CWSRF and DWSRF offer Principal Forgiveness up to 70% dependent on need and availability of funds
  - Additional Principal Forgiveness funding available for certain green projects
Key Financial Incentives

- DWSRF interest rate is subsidized 125 basis points below market with up to 30-year term and multi-year commitments

- DWSRF also offers up to $200,000 Principal Forgiveness for Small Communities and $500,000 Principal Forgiveness for Urgent Need

- CWSRF interest rate is subsidized 120-155 basis points below market with up to 30-year term and multi-year commitments

- SWIFT currently offers interest rate subsidies up to 35% depending on repayment term
  - Currently there is additional subsidy, up to a total of 50%, for rural/agriculture entities
# Example Debt Service Cost Savings

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>Assumed Rate</th>
<th>Average Annual Payment</th>
<th>Total Payments Over 20 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>4.00%</td>
<td>$740,400</td>
<td>$14,808,000</td>
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<tr>
<td>CWSRF (1.55% Subsidy)</td>
<td>2.45%</td>
<td>$640,165</td>
<td>$12,803,290</td>
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<tr>
<td>- Estimated Savings</td>
<td>1.55%</td>
<td>$100,236</td>
<td>$2,004,710</td>
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<td>DWSRF (1.25% Subsidy)</td>
<td>2.75%</td>
<td>$658,737</td>
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<td>- Estimated Savings</td>
<td>1.25%</td>
<td>$81,663</td>
<td>$1,633,263</td>
</tr>
<tr>
<td>SWIFT (35% Subsidy to TWDB Rate of 3.65%)</td>
<td>2.37%</td>
<td>$635,173</td>
<td>$12,703,459</td>
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<tr>
<td>- Estimated Savings</td>
<td>1.63%</td>
<td>$105,227</td>
<td>$2,104,541</td>
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</tbody>
</table>

* Rates and subsidies for illustration only, subject to change

$10 million: 20 Year Tax-Exempt Comparison
SRF Application Process

- **Project Information Form Submittal**: March 3, 2017
- **Rating & Ranking Process**: March - May 2017
- **TWDB Prepares Draft IUP**: Public Comment Period June-July 2017
- **Financial Application Accepted**: August 30, 2017
- **Final IUP Approved**: August 2017
- **Closing & Receipt of Funds**: March 2018
Application Process

1. Pre-application Meeting
2. Submit Financial Application
3. Initial Review (Completeness)
4. TWDB Notice of Complete Application
5. TWDB Staff Recommendation to Board
6. Board Approves Commitment
7. TWDB Staff Reviews Authorizing Documents
8. Applicant Receives Governing Body Approval
9. Applicant Prepares Closing Documents
10. Execute Loan and Grant Closing

60-90 days

Board Approval

60-90 days
“OLA”
(Online Application for Financial Assistance)

- OLA allows entities to submit and manage PIFs and funding applications
- Designed to streamline and simplify the application process
  - The system will automatically list all known issues with the form and/or application prior to submittal
  - User may quickly identify missing information by clicking the associated link(s)
- Same portal used for each funding program
- TWDB will continue to accept paper applications
  - Form TWDB-0148
TWDB On-line Loan Application Login

Welcome to OLA, the Texas Water Development Board's Online Application. OLA allows entities to submit and manage Project Information Forms and applications for financial assistance from any of the TWDB's funding programs. It is designed to streamline and simplify the application process.

Follow the link for more information regarding the TWDB's funding programs.

The TWDB will continue to accept paper applications. Follow the link if you would prefer to use the paper application.

Username/email
Password

Sign In  Forgot/Change Password  Register

Please use the latest version of your browser for best performance. If you experience problems with this application, check your browser settings and adjust if necessary. If you are using IE, be sure Compatibility View mode is turned off.

https://ola.twdb.texas.gov
The system will automatically list all known issues with the form prior to submittal.

User may quickly identify missing information by clicking the associated link(s).
ENGINEERING & ENVIRONMENTAL SECTIONS
Project Information Form (PIF) – Key Elements

- Documentation of Issues! Water/Pressure Loss, Line Breaks/Repairs, Sewer Overflows, Treatment Issues and Others
- Understand the Scoring Criteria!
- TCEQ Enforcement Actions
- PAD or PADC?
- Project Description and Cost
- Water & Wastewater Rates
- Reminder – PIF Amount does not include Origination Fee for SRF Funding!
Informed Decision-Making Minimizes Costly Changes Down the Road

Equivalent Life Cycle Cost for Project Change

<table>
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<th>Phase</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Planning</td>
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<tr>
<td>Design</td>
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<tr>
<td>Construction</td>
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<tr>
<td>Operation</td>
<td>$2.00</td>
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Key Forms and Potential Issues

- Water Rights/Permitting Certification (WRD-208 (a) and (b))
- Site Certificate (ED-101)
- Water Loss Audits and Water Use Surveys
- Water Conservation Plan ($500,000 or more)
- MWBE Documentation
- Preliminary Engineering Feasibility Report (PEFR)
- Project Schedule and Cash Flow
- Percent Green of Project (greater than 30% for benefit)
- Add Contingency to the Funding Resolution!
Pro-Active Strategies

- I/I Studies/WW Collection Rehab/WWTP Sizing
- Leak Detection/Water Line Replacement
- Meter Replacement - Check the Cash Register!
- Rate Studies/Repair & Replacement Fund
- Identify Green Elements of the Project
- Water Conservation and Drought Management Plan Development
- Multiple Funding Sources (USDA, CDBG)
- Document Issues!
- Timely Audits!
- GIS Development/CIP Planning
FINANCIAL SECTION
Financial Components – System Information

- Number of customers
  - Current and historical
- Top ten customers
  - Usage and percentage of revenue
- Rate structure
  - Average monthly bill
  - Planned increases
Financial Components – Economic and Demographic

- Tax base and tax rates (if applicable)
  - Overlapping taxing entities
  - Tax base classification and makeup
  - Top ten taxpayers
- Sales tax collection history (if applicable)
- Largest employers
Financial Components – Financial

- Operating statements
  - Five year history
- Most recent audit
- Outstanding debt by type (if applicable)
  - Bond rating
- Pro-forma
  - System revenues
  - Property tax supported
  - Combination of system revenues and property taxes
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Gross Revenues (1)</th>
<th>Operating Expenses</th>
<th>Net Revenues Available</th>
<th>Water System - Projected Revenues Available for Debt Service</th>
<th>DWSRF - PAD Aggregate</th>
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<tr>
<td>2017</td>
<td>$1,000,000</td>
<td>$600,000</td>
<td>$400,000</td>
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<td>636,366</td>
<td>-</td>
</tr>
</tbody>
</table>

**Notes:**
1. Assumes growth in revenue to maintain 1.1x coverage.
2. See breakdown of water system debt on question B10.

*Principal paid annually 2/15, first interest payment scheduled 8/15/2017.*
LEGAL SECTION
Legal Section – Federal vs. State Programs

- Federal Drinking Water Act and Clean Water Act
  - RFQ process (except for CWSRF Non-Equivalency loans)
  - Davis-Bacon Act Compliance
  - American Iron and Steel
  - Uniform Land and Relocation Assistance Act
  - Loan funds held in escrow by third-party custodian
  - Ongoing compliance and monitoring

- State Programs
  - No DBE procurement required
  - Less monitoring/controls
Legal Section – Compliance and Monitoring

- 31 T.A.C. 371.88 (DWSRF Administrative Rule)

“After the satisfactory completion of the project, the Applicant remains responsible for compliance with applicable laws and rules relating to the project and to the financial assistance documents including, but not limited to, submission of an annual audit, implementation and enforcement of the approved water conservation program and other assurances made to the Board. The Board has a continuing interest in the State's investment and therefore, the Applicant shall be subject to the continuing authority of the Board and the executive administrator through final payment of the financial assistance.”
Legal Section – Compliance and Monitoring

31 T.A.C. 371.89 (DWSRF Administrative Rule)

a) “The financial assistance provided by the Board is based on the project’s economic feasibility, and the Board shares the Applicant's desire to maintain this feasibility in the project's operation and maintenance at all times. The executive administrator shall periodically inspect, analyze, and monitor the project’s revenues, operation, and any other information the Board requires in order to perform its duties and to protect the public interest.

b) After construction is complete and the Applicant has completed construction, the executive administrator is authorized:

1) to inspect the project at any time. If the executive administrator determines that the project is being improperly or inadequately operated and maintained to the extent that the project purposes are not being properly fulfilled or that integrity of the State’s investment is being endangered, the executive administrator may require the Applicant to take corrective action;

2) to inspect certified copies of all minutes, operating budgets, monthly operating statements, contracts, leases, deeds, audit reports, and other documents concerning the operation and maintenance of the project;

3) to inspect and review the project and to obtain information through documents or interviews with appropriate personnel to ensure the Applicant is complying with the requirements of the covenants of the bond indenture and/or the master agreement;

4) to inspect accounting and financial records to ensure that the Applicant maintains debt service fund accounts and all other fund accounts related to the DWSRF debt in accordance with standards set forth by the Governmental Accounting Standards Board; and

5) to request the Applicant to determine the status of compliance with mitigation measures as required in the final environmental determination.”
Legal Section – Pledge of Revenues

- Ad Valorem Tax Debt
- Revenue Bonds
  - Existing Covenants
  - Reserve Fund Requirements
  - Additional Bonds Test
  - USDA Consent; Parity Agreement
- Contract Revenue Bonds
  - No Additional Bonds Test or Reserve Fund Requirements
  - Contracts must be nearly final
- Nonprofit and For Profit Water Providers
  - Mortgage on all revenues, property rights, and facilities
  - Title insurance policy
Legal Section – DBE Procurement

- EPA policy: must make a “good faith effort” via “six affirmative steps”
- Must use at least two different methods to advertise bids (RFQ):
  - Internet, newspaper, mail, television, radio, trade & gov’t publications
- RFQs must contain specific language to comply with DBE rules
- Must keep bid window open for at least 14 days
- All actions must be well documented with appropriate forms
Water for Texas

Discussion