



Financial Assistance Programs

Presented by:

Texas Water Development Board
Office of Project Finance & Construction Assistance

Texas Water Development Board

TWDB Mission

To provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water for Texas.

I'll talk briefly about **Planning** but mostly cover **Financial Assistance** which, of course, leads to **responsible development.**

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Financial Assistance

Office of Project Finance & Construction Assistance (OPFCA)

- OPFCA administers the TWDB's loan and grant programs available for water and wastewater projects
 - Policy, Projections, & Marketing
 - Financial Assessment
 - Project Engineering & Review
 - Inspection & Field Support

OPFCA manages the Intended Use Plan, invites applicants, provides general, financial and engineering review of applications.

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Financial Assistance Programs

The TWDB offers several state and federal loan and grant programs for planning, design, and construction of new water and wastewater infrastructure projects and for making improvements to existing water and wastewater facilities. The following slides highlight some of these programs.

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Who Qualifies for TWDB Funds?

1. Political Subdivisions
2. Water Supply Corporations
(except CWSRF)
3. Investor-owned Public Drinking
Water Systems (DWSRF only)

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Financial Assistance

- TWDB provides financial assistance for the state's water and wastewater infrastructure.
 - As an annual percentage of total water and wastewater funding in the state, the TWDB's financing has ranged from about 10% to 41%.
 - This broad range of the total annual financing in the state is determined primarily by several factors, including interest rates, the economic environment, and the cyclical nature of TWDB programs and requirements versus the timing of borrower needs.

Since 1959, the TWDB has funded over \$9.3 billion of water and wastewater projects, and \$3.6 million of that amount has been from 1997 through 2006.

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**State Funded
Financial Assistance Programs**

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State Funded Programs

- D Fund II
- Rural Water Assistance Fund (RWAFF)
- Agricultural Water Conservation Program
- *Economically Distressed Areas Program (EDAP)
- *Colonia Self-Help Program
- *Small Community Hardship Program
- *Colonia Plumbing Loan Program

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State Funded Programs

Eligible Projects

- Planning & Design
- Water
- Wastewater
- Flood Control
- Irrigation
- Water Conservation
- Nonpoint Source Pollution Control
- Water Rights Acquisition
- System Acquisitions

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D Fund II

- Primary State Loan Program
- Easiest and most flexible (1st come, 1st served)
- Applications accepted throughout the year
- Interest Rates (as of June 22nd):
 - Tax Exempt: 4.96%
 - Taxable: 5.37%Interest rates float 0.35% above TWDB cost
- Average Loan Term: 22 years

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D Fund II (cont.)

Eligible Projects

- Water and Wastewater Related Projects
- Water Rights Acquisitions
- Nonpoint Source Pollution Abatement
- Flood Control:
 - Nonstructural and Structural
 - Bridge Upgrades
 - Acquisition of Flood Plain Land for Open Space
 - Acquisition and Removal of Buildings in Flood Plain
 - Relocation of Residents in Flood Plains
 - Flood Plain Management Plans

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Rural Water Assistance Fund (RWAF)

- Primarily used by Water Supply Corporations (WSCs)
- Can be applied for any time of the year
- Loan Term: 40 years
- Interest Rate (as of 6-22-07): 4.86%
- WSCs are tax exempt on materials used for projects
- Eligibility Criteria:
 - ✓ <10,000 population, or
 - ✓ counties w/ urban areas < 50,000 population

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RWAF (cont.)

Eligible Projects

- Planning, design & construction of water and wastewater systems
- Line extensions
- Overhead water storage facilities
- Well fields
- Water rights
- System acquisitions

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Agricultural Conservation Fund

- **Loan terms:**
 - ✓ Interest Rates: 1 year Treasury Note (4.9%)
 - ✓ Loan terms: 10 years
 - ✓ Loans can be applied for any time of the year
- **Grant terms:** Applications are accepted in September for consideration the following year. Grant amounts can be up to \$1 million, and can extend over several years thus compounding the 1 year maximum.
- **Eligible Applicants:** Irrigation districts, conservation districts, municipalities, and WSCs.
- **Eligible Projects:** "Improve Agricultural Water Use"

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Economically Distressed Areas Program (EDAP II)

Snapshot

Rules: EDAP II Rules went in to affect 1/2/2007.

Use: Planning, acquisition, design, and construction of water projects.

Eligible Borrowers: Areas of the state meeting the definition of an “economically distressed area”.

Rates: Grant, a loan or a combination grant/loan.

If > 50% grant, then must have a nuisance determination made by TCEQ or Dept of Health.

All political subdivisions, including cities, counties, water districts and nonprofit water supply corporations are eligible. Project must be in area of the state meeting the definition of an “economically distressed area”.

An “economically distressed area” is defined as:

At least 1 resident must have lived in the area since June 2005.

The water or wastewater system must demonstrate noncompliance with minimum state standards.

Median Household Income of the area can be no greater than 75% of the state median household income.

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EDAP II

Highlights

- Statewide applications will be received after January 2, 2007.
- County must be in compliance with Model Subdivision Rules (MSR).
- Approved funding by 80th Legislative Session.
- Requires voter authorization (November election)
- Special federal requirements (federal crosscutters) apply:
 - SMWBE Procurement, and
 - Environmental Information Document.

The background of the slide is a photograph of a vast blue ocean under a blue sky with light, wispy clouds. The text is centered on the upper half of the image.

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**Federally Funded
Financial Assistance Programs**

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Federally Funded Programs

- Drinking Water State Revolving Fund
- Clean Water State Revolving Fund

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Drinking Water State Revolving Fund (DWSRF)

Use:	Planning, design, and construction of water projects
Eligible Borrowers:	Community water systems
Rates:	Disadvantaged = 0% or 1% and 15% or 35% loan forgiveness Mainstream = 1.5% below market
Term:	Disadvantaged = Up to 30 years Mainstream = Up to 20 years
Origination Fee:	2.25%

•The DWSRF program has been around for about 11 years (since September 1996) and was created to provide low interest loans to community water systems for planning, design, and construction of water projects.

•Any existing community public water system in Texas is eligible to apply. This includes political subdivisions, nonprofit WSCs, and privately-owned community water systems.

•Under the DW program, there are 2 different funding options:

1. communities who qualify as disadvantaged can obtain:
 - an interest rate of 0% or 1%, and
 - loan forgiveness of 15% or 35%; and
2. the mainstream, or nondisadvantaged, portion of the fund offers an interest rate of 1.5% below the market rate.

•For the Disadvantaged funding option, the term is up to 30 years and for the Mainstream option, the term is up to 20 years.

•For both of these funding options there is an origination fee of 2.25% that can be rolled into the loan amount.

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Disadvantaged Communities Funding

Available for communities who qualify as disadvantaged

If AMHI is:

≤75% and >70% of state MHI
≤70% and >60% of state MHI
≤60% and >50% of state MHI
≤50% of state MHI

Interest rate is:

1%
0%
0% (+15% DW loan forgiveness)
0% (+35% DW loan forgiveness)

AMHI = Adjusted Median Household Income
FY 2008 state MHI = \$46,793

•**The main criteria for determining eligibility for Disadvantaged Communities Funding is income. The adjusted MHI for your service area must be no more than 75% of the state MHI.**

•*A political subdivision is eligible for disadvantaged funding if:*

- the political subdivision itself qualifies as disadvantaged, or*
- the political subdivision will serve an area located outside its current service area that qualifies as disadvantaged.*

•*A disadvantaged community is defined as the area in which a project will provide service that has an adjusted median household income which is no more than 75% of the state median household income*

- AND has a household cost factor that is greater than or equal to 1% for water-only services*
- OR has a combined household cost factor that is greater than or equal to 2% for water and sewer services.*

•*You can use the Disadvantaged Communities Worksheet to determine if you meet the income and household cost factor requirements.*

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DWSRF

Eligible Projects

- Treatment
- Transmission & Distribution
- Storage
- Purchase of Systems
- Restructuring
- Land Acquisition
- Source Water Protection

- Listed here are the different categories of projects that are allowed.

Eligible Land Costs

(a) Eligible land costs include the purchase of land if the land is necessary to locate the project and the sale is from a willing seller. Acquisition of real property or real property interests are not eligible costs unless the acquisition is integral to an authorized project.

(b) For the source water protection program, acquisition of land or conservation easements from a willing seller or grantor is eligible for loan assistance if the purpose of the acquisition is to protect the source water of a public water system from contamination and to ensure compliance with national primary drinking water regulations.

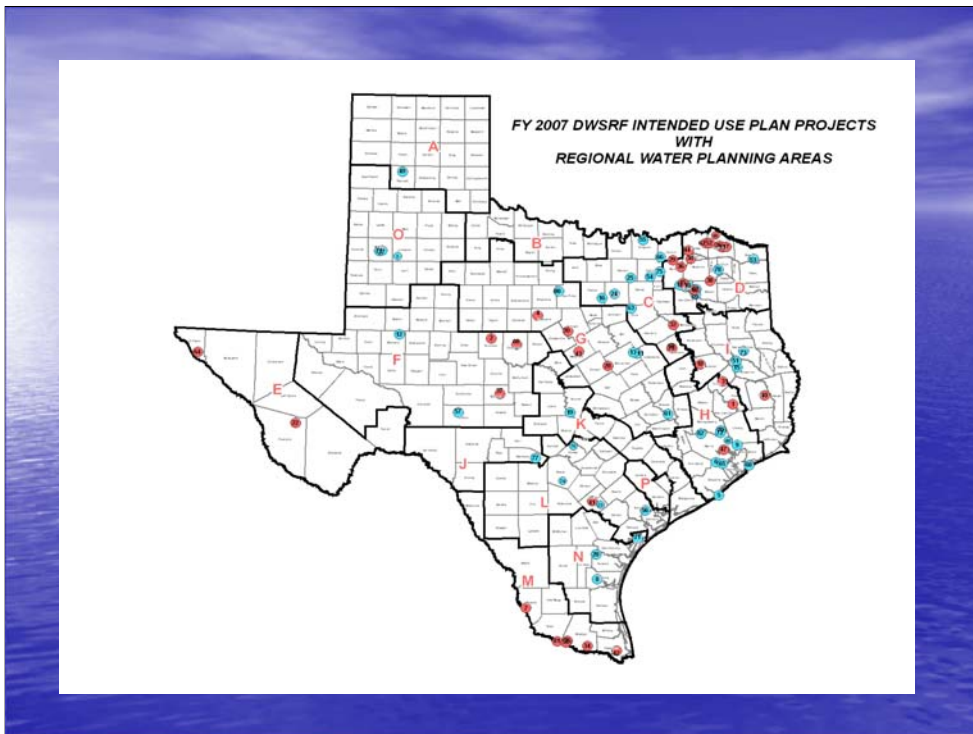
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DWSRF

Eligible Borrowers

- Existing community public water systems including political subdivisions, nonprofit water supply corporations, and privately owned community water systems
- Nonprofit, noncommunity public water systems
- State agencies

•In addition to community public water systems, nonprofit, noncommunity public water systems (e.g. church camps) and state agencies are also eligible to apply for funding.



FY'07 DWSRF Projects for Region G – Brazos

of Projects from Region G = 8

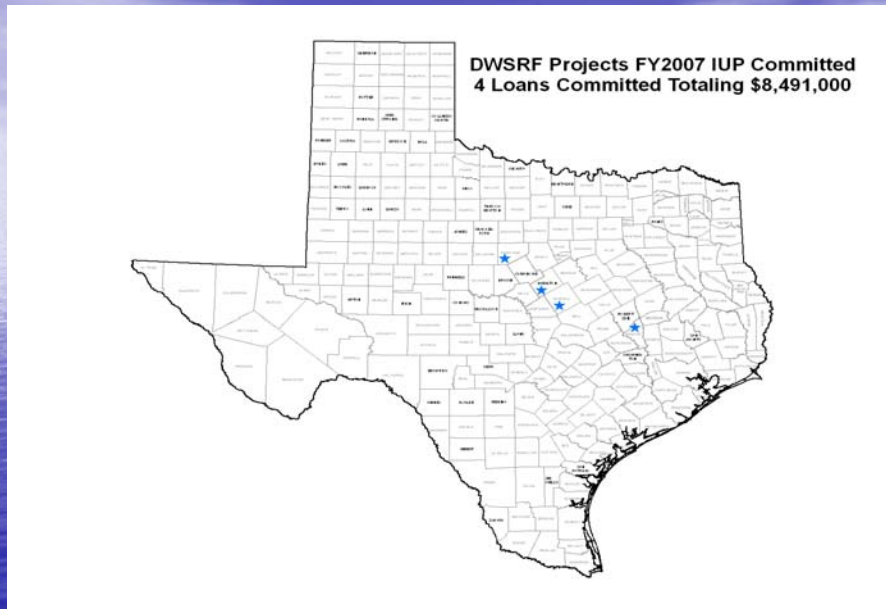
Total = \$11,826,000

Rank

- 13 Axtell WSC (McLennan) = \$760,000
- 4 Cisco (Eastland) = \$2,905,000
- 39 Dublin (Erath) = \$220,000
- 43 Hamilton (Hamilton) = \$1,474,000
- 28 Oglesby (Coryell) = \$615,000
- 80 Possum Kingdom (Palo Pinto) = \$1,715,000
- 11 Prairie Hill WSC (McLennan) = \$640,000
- 61 Wellborn SUD (Brazos) = \$3,500,000

TOTAL = \$11,826,000

Region G - Brazos



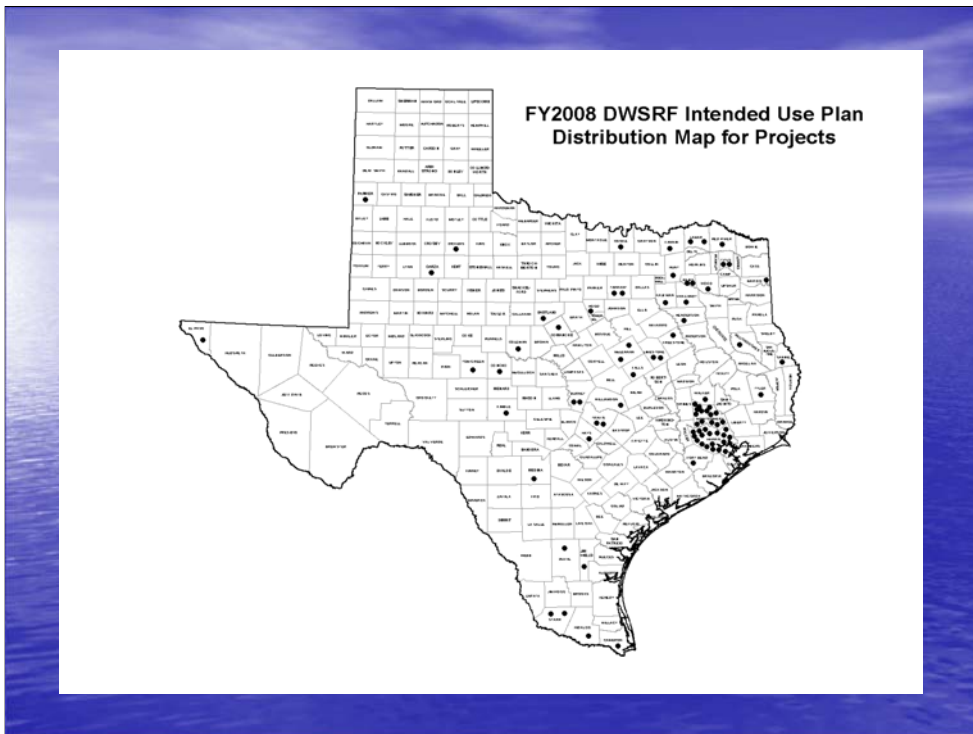
FY'07 DWSRF Committed Projects for Region G

4 Loans Committed Totaling = \$8,491,000

Rank

- 4 Cisco (Eastland) = \$2,905,000
- 43 Hamilton (Hamilton) = \$1,474,000
- 28 Oglesby (Coryell) = \$612,000
- 61 Wellborn SUD (Brazos) = \$3,500,000

TOTAL = \$8,491,000



Draft FY08 DWSRF Eligible Projects Submitted from Region G

of Projects = 9

Totaling = \$25,046,000

Rank

- 81 Action MUD (Hood) = \$1,055,000
- 59 Axtell WSC (McLennan) = \$545,000
- 31 Eastland (Eastland) = \$2,385,000
- 23 Groesbeck (Limestone) = \$2,150,000
- 29 Jarrell (Williamson) = \$1,545,000
- 80 McGregor (McLennan) = \$910,000
- 24 Mexia (Limestone) = \$4,500,000
- 7 Perry WSC (Falls) = \$270,000
- 17 Upper Leon River MWD (Comanche) = \$3,195,000

TOTAL = \$25,046,000

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Clean Water State Revolving Fund (CWSRF)

Use:	Planning, design, and construction of wastewater projects
Eligible Borrowers:	Political subdivisions
Rates:	Disadvantaged = 0% or 1% Tier III (Federal) = 1.95% below market Tier II (State) = 0.95% below market
Term:	Up to 20 years
Origination Fee:	1.85%

- **The CWSRF has been around for about 20 years** (since September 1986) and was created to provide low interest loans to wastewater treatment and sewer systems for planning, design, and construction of wastewater projects.
- Any political subdivision with the authority to own or operate a wastewater system in Texas is eligible to apply.
- Under the CW program, there are 3 different funding options:
 1. communities of 25,000 or less who qualify as disadvantaged can obtain an interest rate of 0% or 1%,
 2. Tier III funding, the federal portion of the revolving fund, offers an interest rate of 1.95% below the market rate, and
 3. Tier II funding, the state portion of the revolving fund, offers an interest rate of 0.95% below the market rate.
- For all of these funding options, the term is up to 20 years and there is an origination fee of 1.85% that can be rolled into the loan amount.

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Disadvantaged Communities Funding

Available for communities with a population of 25,000 or less who qualify as disadvantaged

If AMHI is:

≤75% and >70% of state MHI

≤70% of state MHI

Interest rate is:

1%

0%

AMHI = Adjusted Median Household Income

FY 2008 state MHI = \$46,793

•To determine eligibility for Disadvantaged Communities Funding under the CW program, the adjusted MHI for your service area must be no more than 75% of the state MHI AND the population must be 25,000 of less.

- A political subdivision is eligible for disadvantaged funding if:
 - the political subdivision itself qualifies as disadvantaged, or
 - the political subdivision will serve an area located outside its current service area that qualifies as disadvantaged.
- A disadvantaged community is defined as the area in which a project will provide service that has an adjusted median household income which is no more than 75% of the state median household income
 - AND has a household cost factor that is greater than or equal to 1% for water-only services
 - OR has a combined household cost factor that is greater than or equal to 2% for water and sewer services.
- You can use the Disadvantaged Communities Worksheet to determine if you meet the income and household cost factor requirements.

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CWSRF

Eligible Projects

- WWTP Expansion
- Sludge Treatment Capacity Expansion
- Facilities Rehabilitation
- Collection System Rehabilitation/Overflow Control
- Unserved Areas
- Trunk Sewer, Diversion
- Trunk Sewer, Developing Area
- Reuse
- Nonpoint Source Pollution Control/Estuary Management

- **Listed here are the different categories of projects that are allowed.**
- **In addition to traditional wastewater projects, the CW program can be used to fund nonpoint source pollution control and estuary management projects.**
 - *Nonpoint source projects involve clean up where no discharge permit is involved (e.g. putting filters along a creek to filter runoff into the creek).*
- *Rank Tie Breakers*
 1. *treatment plant capacity (highest capacity is rated higher) and*
 2. *per capita income (lowest income is rated higher)*

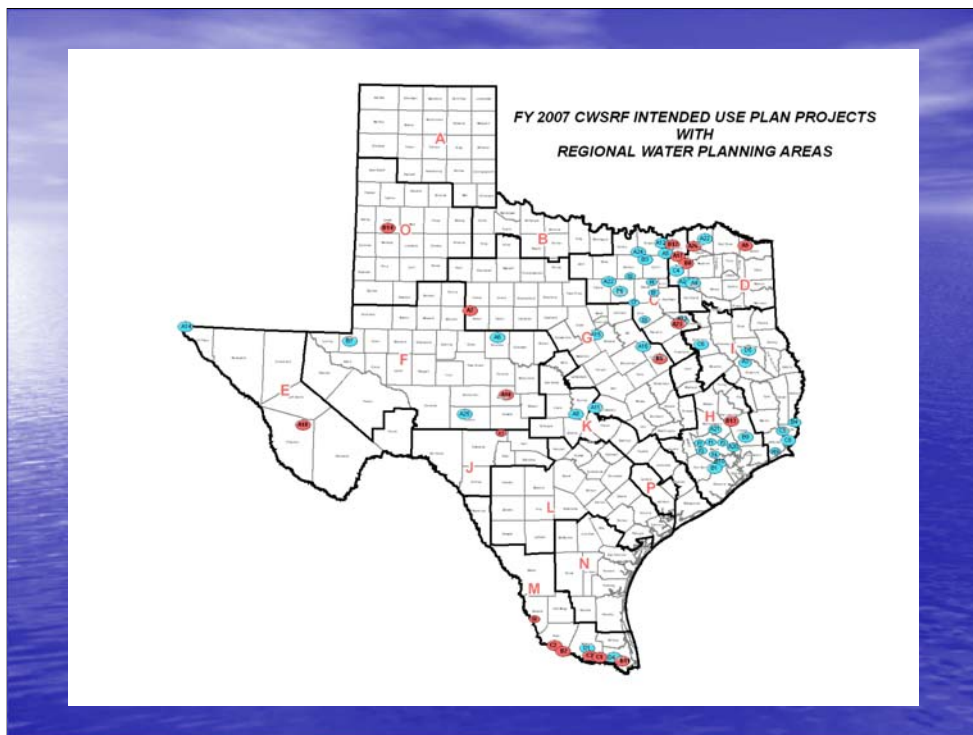
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CWSRF

Eligible Borrowers

- Any political subdivision with the authority to own or operate a waste disposal plant in Texas (e.g. cities, commissions, counties, districts, river authorities, systems)
- Authorized Indian tribal organizations
- Any political subdivision seeking assistance for nonpoint source pollution control or estuary management projects

•In addition to political subdivisions, Indian tribal organizations are also eligible to apply for funding.



FY'07 CWSRF Projects for Region G – Brazos

of Projects from Region G = 5

Total = \$10,805,000

Rank

A7 Roscoe (Nolan) = \$1,560,000

A11 Liberty Hill (Williamson) = \$6,785,000

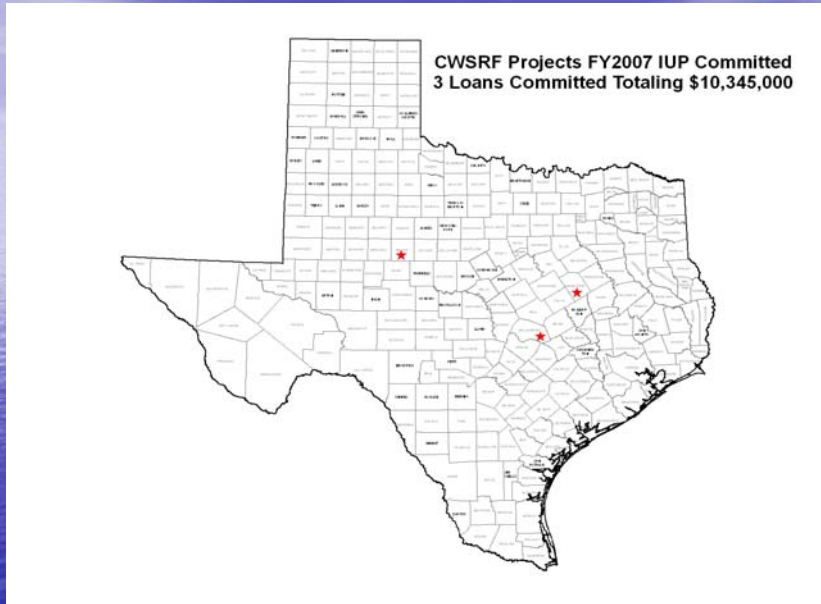
A15 Iredell (Bosque) = \$145,000

A16 Mount Calm (Hill) = \$315,000

B5 Groesbeck (Limestone) = \$2,000,000

TOTAL = \$10,805,000

Region G - Brazos



FY'07 CWSRF Committed Projects for Region G

3 Loans Committed Totaling = \$10,345,000

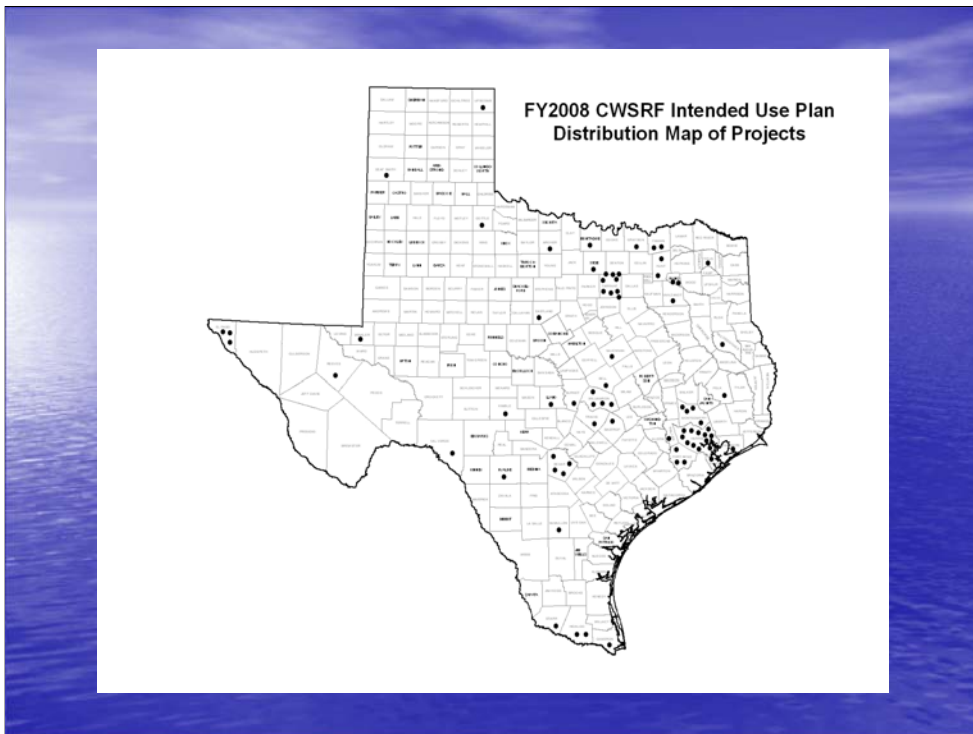
Rank

A7 Roscoe (Nolan) = \$1,560,000

A11 Liberty Hill (Williamson) = \$6,785,000

B5 Groesbeck (Limestone) = \$2,000,000

TOTAL = \$10,345,000



Draft FY08 CWSRF Eligible Projects Submitted from Region G

of Projects: 6

Totaling = \$52,295,000

Rank

A5 Liberty Hill (Williamson) = \$1,250,000

B15 Eastland (Eastland) = \$2,525,000

B16 McGregor (McLennan) = \$1,265,000

C2 Hutto (Williamson) = \$15,300,000

C3 Lower Colorado RA, Hutto (Williamson) = \$28,955,000

C9 Taylor (Williamson) = \$3,000,000

TOTAL = \$52,295,000

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SRF Special Requirements

Funding Option	Federal Crosscutter Requirements	
	Environmental Review (EID)	SMWBE Procurement
DWSRF Disadvantaged	✓	✓
DWSRF Mainstream	✓	✓
CWSRF Tier III (Federal)	✓	✓
CWSRF Tier II (State)		
CWSRF Disadvantaged		

•Now we're going to go over some elements that pertain to both the CW and DW programs.

•Since we receive federal subsidies to operate these programs, there are certain requirements that borrowers must adhere to – what we refer to as the federal crosscutter requirements.

•Namely, they consist of submission of an environmental information document and compliance with the procurement of small, minority, and women-owned business enterprises (SMWBE).

•These requirements apply to both of the DW funding options and the Tier III funding option under CW. The Tier II and Disadvantaged funding options under CW are not subject to these federal crosscutter requirements.

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SRF Special Requirements

Environmental Review

Requires either of the following:

- Environmental Information Document (EID)
 - Analysis of alternatives to the preferred project and the differential environmental effects of each alternative
 - EID is submitted to pertinent agencies and the Board
- Categorical Exclusion
 - EID is not required if the proposed project qualifies for a categorical exclusion (i.e. projects involving only minor rehabilitation, expansion or upgrade of existing facilities, functional replacement of equipment, or construction of related facilities adjoining the existing facilities that do not substantially increase the volume or loading of pollutants)

- **The Environmental Information Document (EID) identifies alternatives to your project and their impact on the environment.**
- **If your project qualifies for a categorical exclusion (there are some listed under the bottom bullet on the slide), then you don't need to submit an EID, but you will need to submit paperwork that identifies your categorical exclusion.**

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SRF Special Requirements

SMWBE Procurement Compliance

- Procurement process for all prime contracts for services, equipment, supplies, and construction
- Requires demonstration of a “good faith effort” to procure the services of small, minority, and women-owned business enterprises

•For procurement of contracts for services, equipment, and construction, the federal government requires that you make a good faith effort to procure such contracts with small, minority, and women-owned businesses, and that you demonstrate that you made that effort.

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Intended Use Plan (IUP)

The CWSRF and DWSRF IUPs describe how the state intends to use the federal and state moneys and identifies eligible projects on the Project Priority Lists.

Project Priority Lists

- CWSRF – Ranked by TWDB
- DWSRF – Ranked by TCEQ

•Now that you've had a quick overview of the two SRF programs, what do you have to do if you're interested in an SRF loan?

•Your water or wastewater project needs to be listed in the Intended Use Plan (IUP).

•The IUP is a document that identifies the intended uses of the funds available in each SRF program.

•The heart of the IUP is the Project Priority List, the list of projects that are eligible for funding.

•In order to get on the list, you submit information about your project which goes through a priority rating process.

•Under the CW program, projects are rated and ranked by TWDB staff.

•Under the DW program, projects are rated and ranked by TCEQ staff.

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FY 2009 SRF Timeline

- October 2007 DWSRF IUP solicitation packets mailed
- November 2007 CWSRF IUP solicitation packets mailed
- January 2008 DWSRF IUP forms due
- February 2008 CWSRF IUP forms due
- June 2008 Draft IUPs distributed
- July 2008 Public hearings held
- August 2008 IUPs presented for Board approval
- September 2008 Invitation letters sent to eligible entities

•The Intended Use Plan is an annual process under the SRF program. Around October-November of this year, we will send out packets across the state with the forms that will allow entities to submit project information for the FY09 funding cycle.

•Once projects are rated and ranked, the priority list is prepared and a draft of the IUP is published and distributed in June to all of the entities listed in the IUP.

•Over the summer, we provide a period of public review and comment to give entities a chance to address any issues or concerns that they may have.

•Once any issues or concerns are addressed, our Board approves the IUP in August and we start inviting folks in for funding in September.

•If you are not sure if you are interested in SRF funding, it's a good idea to submit your project information form and get on the IUP anyway; because, being on the IUP is the only way to get invited in for funding.

•If you are invited in for funding and don't want it, you're under no

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Contact Information

TWDB Web Site

www.twdb.state.tx.us/assistance/financial/financial_main.asp

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State Water Plan

Ann Omoegbele	512-936-0814	ann.omoegbele@twdb.state.tx.us
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TCEQ

Dorothy Young	512-239-6064	dyoung@tceq.state.tx.us
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•Question and answer session

•*Drinking Water projects must be consistent with the State Water Plan.*

•*DW projects are rated based on the following factors:*

- health and compliance*
- physical deficiency*
- consolidation*
- affordability*

•*CW projects are rated based on the following factors:*

- capacity*
- environmental compliance*
- service to unserved areas*
- innovative or alternative management*
- impact on stream segments*
- regional service*