

**TEXAS  
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**Borderlands Information Center  
(BIC)  
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**Water Information Integration and  
Dissemination  
(TWDB WIID System)  
<http://wiid.twdb.state.tx.us/>**



# **DRINKING WATER STATE REVOLVING FUND**

## **WHAT IS THE DWSRF PROGRAM AND WHO CAN APPLY?**

The Drinking Water State Revolving Fund (DWSRF) provides loans at interest rates lower than the market offers 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 federal Safe Drinking Water Act (SDWA). Projects must also be consistent with the 2007 State Water Plan. Applicants may be political subdivisions of the state, nonprofit water supply corporations, privately-owned water systems and state agencies.

## **HOW CAN DWSRF LOANS BE USED?**

Loans can be used for the planning, design and construction of projects to upgrade or replace water supply infrastructure, to correct exceedances of SDWA drinking water standards, to consolidate water supplies and to purchase capacity in water systems. DWSRF loan proceeds can also be used to purchase land integral to the project.

Under the Source Water Protection Program, an applicant may apply for a loan to purchase land or conservation easements if the purpose of the purchase is to protect the source water of a public water system from contamination and to ensure compliance with national primary drinking water regulations.

## **WHAT LOAN TERMS WILL BE OFFERED THROUGH THE DWSRF?**

The DWSRF offers a net long-term fixed interest rate loans at subsidized interest rates. The maximum repayment period for a DWSRF "mainstream" (not disadvantaged) loan is 20 years and for a "disadvantaged" loan is 30 years from the completion of project construction. A cost-recovery loan origination fee of 2.25% is imposed to cover administrative costs of operating the DWSRF. Applicants have the option to finance the origination fee in their loan or to pay it at closing. An additional interest rate subsidy is offered to those financing the origination fee.

Interest rates vary according to the type of financing selected and are locked in at closing:

- Mainstream loans offer a net long-term fixed interest rate of 1.50% below the marketrate for those applicants financing the origination fee. For applicants who pay the origination fee from other sources, the interest rate is 1.20% below the market rate.
- Disadvantaged Communities funds offer four (4) categories of interest rates depending on eligibility for communities with populations of any size.
  - a. 1% for those entities meeting eligible criteria and  $\leq 75\%$  and  $>70\%$  of state median household income.
  - b. 0% for those entities meeting eligible criteria and  $\leq 70\%$  and  $>60\%$  of state median household income.
  - c. 0% and 15% loan forgiveness for those entities meeting eligible criteria and  $\leq 60\%$  and  $>50\%$  of state median household income.
  - d. 0% and 35% loan forgiveness for those entities meeting eligible criteria and  $\leq 50\%$  of state median household income.

A limited amount of funding is available each year to applicants which qualify as disadvantaged communities.



## **WHAT IS THE APPLICATION AND APPROVAL PROCESS?**

### **Pre-application**

Prospective loan applicants are asked to submit a brief DWSRF Information Form to the Texas Water Development Board (TWDB) each year for inclusion in an Intended Use Plan (IUP) developed for that year. The Information Form describes the applicant's existing water facilities, additional facility needs and the nature of projects being considered for meeting those needs and project cost estimates. It also provides information to establish "disadvantaged community" status. The Texas Commission on Environmental Quality (TCEQ) prioritizes potential DWSRF loan applicants' projects using information contained in their files. Loan funds are distributed based upon the priority rating and an applicant's readiness to proceed.

TWDB staff will notify prospective applicants of their priority rating and will encourage them to schedule a pre-application conference for guidance in preparing the engineering, planning, environmental, financial and water conservation portions of the DWSRF application.

### **Application and Commitment**

The applicant must submit an engineering feasibility report and environmental information as well as certain general, fiscal and legal application information to the appropriate TWDB project manager for staff review. These application materials must be submitted by the first business day of the month preceding the month during which the applicant desires TWDB Board consideration (e.g., due November 1 for Board consideration in December). The applicant is encouraged to meet with TWDB staff for assistance in the preparation of the application and to discuss the terms of the loan.

Administratively complete applications for DWSRF loans are considered by the Board at its monthly public meetings.

### **Loan Closing Options**

Using the TWDB's pre-design funding option, an eligible applicant may receive a loan commitment based on preliminary engineering, environmental, economic, and social information. Because the DWSRF program is a reimbursement program, DWSRF loans are closed in installments. The interest rate is locked in at the first installment loan closing. Approved applications typically receive a two-year commitment. The applicant's ability to repay the loan is the major determining factor in the approval for using the pre-design funding option.

If the pre-design funding option is not used, the applicant must develop plans and specifications and have them approved, obtain all necessary permits, and open bids prior to closing the first installment of the loan.

## **ARE THERE ANY SPECIAL CONSIDERATIONS?**

- Applicants for loans greater than \$500,000 must adopt a water conservation and drought contingency plan (a statutory requirement).
- A National Environmental Policy Act type environmental review is required by the SDWA. TWDB staff is available to assist applicants in determining the scope of investigation required, preparing reports and coordinating with environmental regulatory agencies.
- All DWSRF projects must comply with the TWDB's Disadvantaged Business Enterprise (DBE) program, which requires applicants and prime contractors to follow six affirmative steps in procurement: (1) include qualified DBE's on solicitation lists; (2) solicit potential DBE's, whenever they are potential sources; (3) reduce contract size/quantities, when economically feasible, to permit maximum participation of DBE's; (4) establish delivery schedules to encourage participation by DBE's; (5) use the services and assistance of the Small Business Administration, Minority Business Development Agency, and the U.S. Department of Commerce, as appropriate; and (6) Require all prime contractors to follow steps 1-5 when awarding subcontracts or sub-agreements.
- The document entitled "DBE State Revolving Fund Program Guidance Document for the Utilization of Small, Minority, and Women-Owned Business Enterprises in Procurement" describes the program in detail and is available online at: [www.twdb.state.tx.us/publications/forms\\_manuals/SRF052\\_SMWBEGuidance.pdf](http://www.twdb.state.tx.us/publications/forms_manuals/SRF052_SMWBEGuidance.pdf). If you don't have access to the Internet or for specific questions regarding the required procurement steps, please contact Otis Williams at (512) 463-1878.

## **WHERE MAY I GET MORE INFORMATION?**

For more information, contact the Texas Water Development Board at 512-475-4816. Additional information on the DWSRF and other programs is also available on the TWDB web site at [www.twdb.state.tx.us/assistance/financial/financial\\_main.asp](http://www.twdb.state.tx.us/assistance/financial/financial_main.asp).

DWSRF 0109L

### **Our Mission**

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

### **EQUAL OPPORTUNITY EMPLOYER**

*The Texas Water Development Board does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services, programs or activities.  
1-800-RELAY TX (for the hearing impaired)*