

State of Texas
SFY 2009
Drinking Water State Revolving Fund
Intended Use Plan



Texas Water Development Board
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Available online at: www.twdb.state.tx.us/assistance/financial/fin_infrastructure/dwsrf.asp

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Texas Water Development Board rules governing the Drinking Water State Revolving Fund program (Texas Administrative Code, Title 31, Part 10, Chapter 371) may be accessed online at [info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC).

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I. INTRODUCTION

Texas' Intended Use Plan (IUP) for the Drinking Water State Revolving Fund (DWSRF) is prepared in accordance with the provisions of the Safe Drinking Water Act Amendments of 1996 (Act). The IUP describes the intended uses of the funds available in the DWSRF loan program for Fiscal Year (FY) 2009.

The IUP also includes a Priority List which lists projects rated and ranked in accordance with Administrative Rule, Chapter 371.19. A priority rating process provides control over the amount of loans made each year and facilitates the Texas Water Development Board's (Board's) compliance with federally mandated requirements. The Priority List is used to invite the submittal of applications for financial assistance in priority ranking order.

The Board administers the DWSRF program in accordance with the provisions of the Act, and Chapter 371 of the Board rules. The Board has a contractual relationship with the State's primacy agency, the Texas Commission on Environmental Quality (Commission), to provide activities such as: rating and ranking projects, state program management, small systems technical assistance, source water protection, and capacity development.

The Board continues to pursue a long range plan to protect the future health of the DWSRF while providing financial assistance to political subdivisions, disadvantaged communities, investor-owned utilities (IOUs), and eligible non-profit/non-community (NPNC) applicants for water infrastructure and treatment projects in Texas.

II. DWSRF GOALS

The primary goal of the DWSRF program is the same as the Act's to improve public health protection. The overall goals of the DWSRF program are:

1. Ensure public health protection;
2. Identify and provide funding for maintaining and/or bringing Texas' public water systems (PWS) into compliance with the Act;
3. Support affordable drinking water and sustainability; and
4. Maintain the long-term financial health of the DWSRF program fund.

The Board provides effective and efficient administration of the DWSRF program, combined with below-market interest rates and long-term financing to assist PWS to provide sufficient quality and quantity of affordable potable water throughout Texas. In addition, the DWSRF program set-aside funds are used to improve public health protection programs that support the goals of the Act.

A. Short-Term Goals of the DWSRF

1. Protect public health by providing funds for the supply of safe drinking water to the citizens of the State of Texas, and by expeditiously providing loans to water systems that are in non-compliance with state and federal drinking water regulations. Progress toward achieving this goal will be documented by reporting the number of binding commitments and the total dollar volume of assistance for the fiscal year. For State Fiscal Year (SFY) 2009, the Board intends to make commitments representing 100% of all funds available for loans.

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2. Ensure compliance with the Act by working with the Commission to ensure that public water systems are in compliance with established standards and to provide all possible technical and financial assistance. Progress toward meeting this goal will be documented by reporting the number of joint Board and Commission pre-application and follow-up meetings conducted for the fiscal year. For SFY 2009, the Board intends to conduct pre-application meetings for 100% of the projects within the funds available.
3. Assist systems to ensure affordable water by providing an efficient program that can respond to the financial and technical needs of water systems, and by providing financial assistance at affordable interest rates while maintaining the fiscal integrity of the fund. Progress toward meeting this goal will be documented by reporting the estimated dollar amount of interest savings (over the life of the loan) resulting from binding commitments made during the fiscal year.
4. Support components of the state drinking water and source water programs by directing the necessary resources toward the state's most pressing compliance and health needs. Progress toward meeting this goal will be documented by reporting the annual number and dollar amount of commitments made to applicants in the highest ranked portion of the annual priority list.
5. The Board is in Phase 1 of developing a comprehensive, agency-wide, automated loan and grant information management system, known as TxWISE (Texas Water Information System Expansion). This system, which will allow the agency to retire several independent legacy data systems and convert the data into one central repository, is anticipated to accomplish the following goals:
 - Provide agency-wide access to all internal Board offices;
 - Generate accurate and timely data;
 - Provide information collection and comparative analysis of financial and accounting data and all program resources to effectively increase loan volume and program pace;
 - Improve reporting capabilities with the Board's Environmental Protection Agency (EPA) partners and other agencies;
 - Allow for timely decision-making on financial, Treasury, and budgetary matters; and
 - Streamline the overall financial assistance programs' loan, grant, and contract processes.

Ultimately, the proposed system is also anticipated to be used by the Board's external customers to apply for and review the status of their financial assistance. The Board is working with the EPA Region 6 and Northbridge Environmental Management Consultants on this project and anticipates having the majority of the comprehensive system operating during calendar year (CY) 2010.

The TxWISE project is a large-scale agency-wide system development project that currently maintains a development and deployment schedule over a three-year period, with actual development beginning in CY 2008 and ending in CY 2010. Although some initial work with EPA Headquarters and its contractor, Northbridge Environmental Management Consultants, began in CY 2006 and CY 2007, those activities were

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considered more of a planning, information collection, and requirements definition nature, and not actual system development activities.

Major development and deployment project activities/milestones and the associated estimated schedule or time-line information is as follows:

Phase	Major Activities	Estimated Schedule
1	TxWISE data model	3/2008 through 7/2008
	Data conversion	6/2008 through 10/2008
	User interface changes	6/2008 through 11/2008
	Implementation	12/2008 through 2/2009
	Training and Support TxWISE 1.0	2/2009 through 12/2009
Phase 1 – All Activities		3/2008 through 12/2009
2	Data conversion	2/2009 through 5/2009
	User interface changes	2/2009 through 5/2009
	Implementation	5/2009 through 7/2009
	Training and Support TxWISE 2.0	7/2009 through 4/2010
Phase 2 – All Activities		2/2009 through 4/2010

Phase 1 Details:

- development of comprehensive TxWISE data model
- expansion of Loan and Grant Tracking System user interface to encompass all construction project activities
- read-only access to Financial Information System (FIS) data
- Contract Administration System (CAS; non-construction project data) not included
- implement TxWISE physical data structure on SQL server database
- convert Facility Needs Management Information System (FNMIS), Inspection & Field Support System (IFSS), and other databases and spreadsheets (except CAS) into TxWISE structure
- create data extraction routines to read FIS data and regularly refresh the data
- implement test version of TxWISE 1.0
- provide training and support
- meet with key staff to obtain feedback on user interface and data conversion
- modify user interface and data conversion based on feedback
- develop additional reports based on user requirements
- temporary parallel environment – test and production for FNMIS, IFSS, and other databases

Phase 2 Details:

- add non-construction project/contract data and activity into TxWISE
- modify user interface for these activities
- migrate CAS data and other related spreadsheets and data sources into TxWISE
- implement test version of Phase 2 of TxWISE
- provide training and support
- meet with key staff to obtain feedback on user interface and data conversion
- modify user interface and data conversion based on feedback

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- develop additional reports based on user requirements
 - implement TxWISE 2.0
 - provide production training and support
 - continue support and enhancement of original TxWISE functionality
6. The Board plans to apply to EPA Region 6 for a Federal Fiscal Year (FFY) 2008 DWSRF Capitalization Grant for the approximate amount of \$67,112,000 as stated in the final allotments memo from Steve Heare, Director of the EPA Drinking Water Protection Division.
 7. The Board has completed the development of a capacity model for the DWSRF program and updates it quarterly.
 8. The Board is currently assessing the demand for program funds in an effort to determine whether leveraging is a viable option.

B. Long-Term Goals of the DWSRF

1. Restore and maintain the chemical, biological, and physical integrity of the state's public drinking water by developing a financial and technical program capable of funding annually all projects which pose the most serious risk to public health and compliance with the Act. Progress toward meeting this goal will be documented by discussing the activities conducted during the year to ensure that the most critical health problems are being addressed. This will include the incorporation of environmental benefits measures in conjunction with the EPA workgroup on measures.
2. Maintain the fiscal integrity of the DWSRF and assure continuous enhancement of the fund for future generations by complying with generally accepted accounting standards and the establishment of a lending rate policy that also provides for long-term inflation. Progress toward meeting this goal will be documented by discussion of changes in the lending rate policy, loan monitoring activities, and default information.
3. Maintain the fund in perpetuity by establishing a lending rate policy that produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on state bonds of which the proceeds will be deposited to the fund. This would be balanced by a concern for the ability of applicants to afford the costs of their projects and with the provision of guidance, as necessary, in the planning and design of efficient and cost-effective projects. Progress toward meeting this goal will be documented by providing information regarding lending rates and status of leveraging.

III. DEVELOPMENT OF THE DWSRF INTENDED USE PLAN

A. Solicitation of Project Information

In accordance with Administrative Rule, Chapter 371.20, project information was solicited from eligible entities across the state in a letter dated October 26, 2007 with a response deadline of January 25, 2008. Board and Commission staff cooperated in the development of the DWSRF Intended Use Plan (IUP) project solicitation packet that is distributed to all eligible water systems. Potential applicants provide information based on the type of project - for public

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water systems or source water protection and for disadvantaged community status and/or consolidation. Only participants in the Commission's Source Water Protection (SWP) program are eligible to apply for source water protection funds.

The required information consisted of:

- A description of the proposed project;
- County map showing location of service area;
- Estimated total project cost (certified by registered professional engineer for costs of \$100,000 or greater)
- Estimated project schedule;
- Population currently served by the applicant; and
- Additional information as necessary to establish the priority rating scores for source water protection projects.

B. Priority Rating and Ranking System

The Commission performs the priority rating and ranking for both water system projects and source water protection projects according to the rating process developed by that agency. The rating factors can be found in §371.19, Rating Process, of the Board rules. Each project submitted by the January 25, 2008 deadline and found eligible for funding is listed in priority order on the Priority List.

C. Disadvantaged Communities Eligibility

Forty-two (42) projects were submitted for disadvantaged status. Twenty-nine (29) projects were deemed eligible for the Disadvantaged Communities funding option. Projects receiving this designation were awarded 1 point in the rating process.

1. **Definition** - A disadvantaged community is defined as a service area of a public water system that has an adjusted median household income which is no more than 75% of the state median household income for the most recent year for which statistics are available; and
 - a. if the service area is not charged for sewer services, has a household cost factor for water rates that is greater than or equal to 1.0%; or
 - b. if the service area is charged for water and sewer services, has a combined household cost factor for water and sewer rates that is greater than or equal to 2.0%.
2. **Eligibility** - Board staff determines eligibility for the Disadvantaged Communities funding option.

To be eligible to receive a 0% or 1% loan, the entity must be either:

- a. A political subdivision that:
 - (1) is a disadvantaged community; or
 - (2) will serve an area that:
 - (i) is located outside the boundaries of the political subdivision; and
 - (ii) meets the definition of a disadvantaged community; or

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- b. An owner of a community water system that is ordered by the Commission to provide service to a disadvantaged community, provided that the financial assistance is for the sole purpose of providing service to a disadvantaged community.

A community is a disadvantaged community if it meets the definition of a disadvantaged community presently or becomes a disadvantaged community as a result of a proposed project.

- 3. **Required Information** - The criteria for determining eligibility for Disadvantaged Communities funding consists of the adjusted median household income, household costs for water and sewer, and costs for the proposed project. There are two methods to determine the adjusted median household income.

- a. Use the following formula:

$$\frac{(2000 \text{ Annual Median Household Income}) \times (7/7/07 \text{ Texas Consumer Price Index})}{(2000 \text{ Texas Consumer Price Index})}$$

OR

- b. Use data from a survey approved by the Executive Administrator of a statistically acceptable sampling of customers in the service area completed within the last 12 months. Required survey information is provided to the entity by Board staff during the solicitation process.

Other required information is calculated as follows:

Average Annual Water Bill = (Avg. # of persons/household) x (2,325 gallons/person/month) x (Monthly water rate) x (12)

Average Annual Sewer Bill = (Avg. # of persons/household) x (1,279 gallons/person/month) x (Monthly sewer rate) x (12)

Household Cost Factor = $\frac{(\text{Average Annual Water Bill}) + (\text{Annual Loan Cost})}{(\text{Adjusted Median Household Income})}$

Combined Household Cost Factor = $\frac{(\text{Avg. Annual Water Bill}) + (\text{Avg. Annual Sewer Bill}) + (\text{Annual Loan Cost})}{(\text{Adjusted Median Household Income})}$

If taxes, surcharges, or other fees are used to subsidize the water and/or sewer system, the average annual amount per household may be included in calculating the household cost factor or the combined household cost factor.

D. Tie Breaking Procedure

In the event of ties in the ratings, priority will be given to the project serving the smaller total population based on information maintained by the Commission. Populations are shown in the Priority List.

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IV. METHOD OF DISTRIBUTION OF FUNDS

A. Funds Analysis - Water System Projects

The Executive Administrator will determine the amount of funds available and will assign all reserves (i.e. funds from the prior year that were not committed, potential commitments from the current fiscal year that have not been committed as of the date of the IUP, etc.) according to §371.21 of the Board's rules. The remaining funds will be applied to the list of projects for water system improvements designated to receive funding in the IUP.

To the extent that applications are received for projects ranked within the amount of funds available:

- A minimum of 15% of available funds will be made available to small communities (systems serving populations less than 10,000).
- An amount up to 30% of the capitalization grant will be made available to projects proposed by disadvantaged communities. It should be noted that funds equal to 30% of the grant are not set aside for these borrowers; rather, this is a funding limit established by the **Texas Administrative Code (TAC), Subchapter B, Rule 371.25**.
- An amount no more than 10% of the grant can be reserved for source water protection projects. No eligible source water protection projects were submitted for SFY 2009.
- In the event that small community projects above the funding line do not equal 15% of the funds available, the Executive Administrator may bypass projects for systems serving populations of 10,000 or greater to include additional small community projects above the funding line. Bypass of large community projects is used only to ensure that a minimum of 15% of total dollars credited to the fund is made available to small communities' systems.
- Prior to Board consideration, the Commission will conduct a review of each applicant's financial, managerial, and technical capability (FMT). Projects for applicants that receive FMT approval may be presented to the Board for consideration.

Large, Small and Disadvantaged Communities - Fundable				
Community Type	# of Projects	% of Total #	\$ of Projects	% of Total \$
Large	13	17%	\$207,200,000	46%
Small	64	83%	\$243,330,230	54%
Total	77	100%	\$450,530,230	100%
Disadvantaged	29	38%	\$188,040,000	42%

B. Notice of Availability of Funds

Notice is hereby given of the availability of approximately \$80,000,000 to fund projects in SFY 2009. This amount includes:

- \$24,000,000 in Disadvantaged Communities Funds
- \$56,000,000 in Mainstream (not disadvantaged) Funds

C. Funds Distribution - Water System Projects

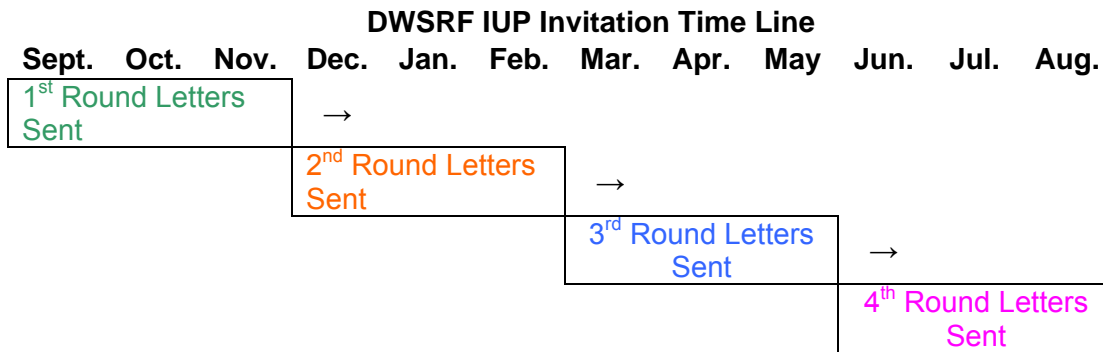
After the Executive Administrator has determined the amount of funds available and the Priority

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List is reviewed to ensure small and disadvantaged communities are represented according to Board rules, a funding line is established. All applicants within the available amount of funds will be notified and invited to submit applications within three months of the date of the invitation letter. The Board funding cycle reflects the requirements of the Board rules that refer to a funding line.

STEP 1 - Establishment of the Board's Funding Line

Funding Cycle I: Allows three months for the receipt of the application from date of invitation letter and three months for commitment (6 months total).



The term funding line refers to the point on the ranked list where all funds available for loans would be expended. Note that an actual funding line does not appear on the Project Priority List which lists projects in ranked order.

Applications for assistance may be submitted at any time after notification of the availability of funds and will be funded on a first-come, first-served basis. Funds shall be committed to a project designated to receive assistance upon Board approval of the application. The Board funding cycle allows for a maximum of four funding cycles per IUP year with additional cycles, if an entity/community formally declines and monies become available for the next project(s) in ranked order.

The funding line will be adjusted downward (1) if a project above the line declines or fails to submit a timely application, (2) if a potential applicant above the funding line submits written notification that it does not intend to submit an application, (3) if funds remain from SFY 2008 to be distributed to the SFY 2009 project list, or (4) if an increase occurs to the State's allocation of federal appropriations for the DWSRF program. Also note that each application will be reviewed for project eligibility and, as appropriate, for eligibility for Disadvantaged Communities subsidies prior to consideration by the Board. Funding applications will be accepted only for projects consistent with the applicant's Intended Use Plan project solicitation packet.

STEP 2 - Funding Line Adjustment

The Executive Administrator shall notify such additional potential applicants in writing and will invite the submittal of applications. Potential applicants receiving such notice will be given three months to submit an application and six months from the date of notification to receive a loan commitment.

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STEP 3 - Re-Ranking After Six Months

If all available funds are not committed within six months after the date of notification, the Executive Administrator will return any applications which have not received loan commitments and move all projects for which no applications or incomplete applications were submitted to the bottom of the prioritized list, where they will be placed in priority order. Any funds remaining that exceed the amount needed to fund complete applications will be made available for the next fiscal year.

D. Funds Distribution - Source Water Protection Projects

After the Executive Administrator has determined the amount of funds available for source water protection projects, a line will be drawn not to exceed the funds available for loans for source water protection projects. Projects above the line are eligible to apply for assistance. The Executive Administrator shall notify in writing all applicants above the funding line of the availability of funds and will invite the submittal of applications. All applicants are required to submit applications and to receive funding commitments within six months of notification by the Executive Administrator.

If funds which have been reserved for source water protection projects are unused after all applicants have been provided an opportunity to submit an application, such funds may be made available for other projects pursuant to §371.21 of the Board's rules (relating to Criteria and Methods for Distribution of Funds for Water System Improvements).

E. Funding Shortage

Applications which are ready for scheduling for Board action at the time a fund shortage occurs will be presented in order of their priority ranking in accordance with §371.23(g) of the Board's rules. Funds will be made available to applicants in priority order until all available funds have been utilized. If a tie for commitment of funding exists among applicants with identical rating scores, the applications will then be funded based on the time of receipt of a complete application for assistance.

To the extent entities with eligible projects are interested and rank above the funding line, funds will be made available to projects proposed by private and community/non-community water systems. All private and community/non-community water system projects have been ranked and are included on the priority list.

V. SET-ASIDE ACTIVITIES AND ADMINISTRATION

A. Set-Aside Accounts

Federal regulations allow states to set aside up to 31% of the capitalization grant funds for purposes other than loans to water systems. Appendix B lists the set-asides by grant year, specified and unspecified funds, expenditures, and balances.

B. Board Administration Activities

The Act allows a state to set aside funds equal to 4% of its annual capitalization grant for the

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reasonable costs of administering the DWSRF (Administration Account). Federal regulations governing the DWSRF program permit a state to reserve its authority to take an amount equal to 4% of the current year's grant from a future grant to defray the cost of administering the program. Each year, beginning in FY 1998, the Board has reserved that authority. Exercising that authority, the Board will draw **administrative set-asides from the 2009 Capitalization Grant, which has been reserved from prior year allocations**. In addition, the Board reserves the authority to set aside an amount equal to 4% of the capitalization grant from a future grant. The Board has reserved the authority to set aside funds equal to 4% of prior year's capitalization grants from future capitalization grants to defray costs of program administration.

In addition, the Board assesses charges for the purpose of recovering administrative costs and places these funds in a separate account for future administrative expenses. Recipients of loan commitments will be assessed 2.25% of the DWSRF loan amount, excluding the amount of the origination charge. The loan origination charge is a one-time charge that is due and payable at the time of loan closing. The loan origination charge may be financed as a part of the DWSRF loan. Charges collected will be deposited into the Administrative Cost Recovery Fund. Monies deposited into the Administrative Cost Recovery Fund will be used only for administration of the DWSRF program, unless the Board authorizes the transfer of these funds to the DWSRF Program Account. Administrative Cost Recovery monies transferred to the DWSRF Program Account may be used for any purpose for which other funds in the DWSRF Program Account can be used. Monies in the DWSRF Administrative Cost Recovery Fund will be invested in authorized investments as provided by Board order, resolution, or rule. Program activities to be supported by the Administration Account include:

- 1. Reporting Activities** - This includes preparing capitalization grant applications; scheduling and conducting public hearings; conducting annual solicitation of projects; preparing and submitting the annual Intended Use Plans (IUP); preparing and submitting biennial reports, annual financial reports, and audits; project tracking and reporting; reporting to the EPA information management system; and participating in an annual EPA oversight.
- 2. Payment Processing** - This includes loan closings, processing requests for reimbursement, making wire transfers, processing cash draws from the automated clearing house (ACH), and preparing and submitting annual outlay reports.
- 3. Pre-Application Activities** - This includes contacting systems on the IUP to arrange for pre-application conferences, scheduling and conducting conferences, counseling and providing advice and information on preparation of financial applications, engineering feasibility reports and environmental information documents, assisting in public participation activities, assisting with or conducting coordination with other environmental regulatory agencies.
- 4. Application Review** - This includes conducting engineering, environmental, financial, and legal reviews of financial assistance application materials; checking for compliance with federal cross-cutters; preparing board resolutions (assistance agreements); and preparing and presenting agenda items for Board approval of loan commitments.
- 5. Engineering Review** - This includes conducting engineering reviews/approvals of engineering plans and contract documents, reviewing/approving bid documents and checking for compliance with federal cross-cutters, preparing documents for loan closings,

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authorizing contract award and issuing notices to proceed, in-office monitoring of construction progress and assisting with contractor claims and disputes, reviewing/approving contract change orders and addenda, and preparing engineering related project close-out documents.

- 6. Construction Progress Inspection** - This includes scheduling and conducting pre-construction project management conferences, assisting loan recipients in setting up construction records, participating in contract pre-construction conferences, scheduling and conducting regular construction progress inspections, preparing inspection reports and follow-up letters, assisting in resolution of contractor claims and disputes, conducting contract and project final inspections, and preparing close-out documents.
- 7. Portfolio, Audit and Cash & Securities Management** - This includes forecasting, preparing and managing Board bond sales; external audit monitoring to ensure finance-related legal and contractual compliance and ongoing financial stability of applicants; and managing program cash, securities, and related banking and investment activities in compliance with applicable laws, contracts, and policies of the Board.
- 8. Financial Management** - This includes processing payments (loan closings, investments, grant payments, making wire transfers, processing cash draws from EPA, and administration), preparing accounting entries to the general ledger, preparing reports (Quarterly Federal Cash Transaction Report, Annual Financial Status Report, Annual Financial Report), preparing reconciliations, and monitoring the Federal Capitalization Grant, the amount reserved for disadvantaged communities, and monitoring the Internal Master Portfolio Management System.
- 9. Technical Assistance** - This includes the provision of technical assistance to public water systems regarding water conservation and other issues of interest. The technical assistance may be provided in the form of printed materials, public service announcements, videotapes, and other types of media presentation. Technical assistance also includes collecting and analyzing ground water quality data and providing it to the public. Data may be provided via published reports or printed data or available in the form of electronic data.

C. Texas Commission on Environmental Quality Activities

- 1. State Program Management** - The Board will set aside an amount equal to approximately 10% (\$6,779,955) of the capitalization grant for the Commission to carry out the following set-aside activities relating to State Program Management.
 - a. Administration of the state Public Water System Supervision (PWSS) program - 1452(g)(2)(A) = \$4,271,372.**
 - (1) Maintenance and functional expansion of the integrated data system for the Public Drinking Water Section and the Utilities & Districts Section.
 - (2) Conduct Surface Plant Comprehensive Performance Evaluations (CPE) in order to increase the number of surface water treatment plants that are in compliance with current federal regulations and prepare the plants for implementation of the Interim Enhanced Surface Water Treatment Rule.

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- (3) Perform an additional number of inspections, sanitary surveys, and complaint responses.
- b. Administer and provide technical assistance through source water protection programs - 1452(g)(2)(B) = \$677,996.
 - (1) Develop, issue, and manage contracts with professional services vendors and/or other agencies to establish source water protection programs
 - (2) Enter into joint funding agreement with USGS to establish baseline pesticide levels in public drinking water sources for source water assessment model.
- c. Develop and implement a capacity development strategy - 1452(g)(2)(C) = \$1,830,588.

Develop, issue, and manage contracts with technical assistance vendors to conduct capacity assessments and provide assistance to PWS to improve their financial, managerial and technical capacities including prioritized public water systems, applicants for DWSRF or Economically Distressed Area Program (EDAP) funding, referrals, candidates for consolidation, and other systems as directed by the Commission.

2. Small Systems Technical Assistance

- a. An additional 2% (\$1,342,240) will be set aside for the Commission to provide technical assistance to small systems - 1452(g)(2) of the Act.
- b. Develop, issue, and manage contracts with professional service vendors to conduct engineering feasibility studies, facility evaluations and reports, financial audits, environmental reviews, cost estimates, technical assistance, and project coordination for small PWS.

3. Local Assistance

- a. Source Water Protection
 - Up to 10% of the capitalization grant may be set aside for Source Water Protection.
 - No eligible Source Water Protection projects were submitted for SFY 2009.
- b. Capacity Development
 - The Board reserves the right to request up to 5% of the FY 2009 grant for capacity development activities.

VI. FINANCIAL STATUS OF THE DWSRF

The final enacted FFY 2008 DWSRF funding is now available with passage of the FY 2008 Omnibus Appropriations Act. A capitalization grant for Texas has been allotted in the amount of \$67,112,000 to be matched by \$13,422,400 in state funds (20% of the capitalization grant) for a total project budget of \$80,534,000, which will be used to fund projects on the SFY 2009 IUP. The state match will be made up of a combination of appropriated funds and proceeds from the sale of

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state General Obligation bonds. The actual amount of SFY 2009 funds available will depend upon the Congressional appropriations for this program. The Board does not cross-collateralize between the DWSRF and CWSRF programs. The Board intends to apply for the FFY 2009 grant upon notification of the availability of funds.

A. State Fiscal Year 2008 Funds

The Board has invited applications from a sufficient number of applicants to make binding commitments for all of the capitalization grants and state matching funds. However, if not all of the funds are committed or otherwise obligated; any funds remaining after Board adoption of the SFY 2009 IUP and after the SFY 2008 funding cycle has ended will be rolled forward to the SFY 2009 IUP. As they become available, such funds will be distributed to the project list in accordance with §371.213 of the Board rules, the funding lines will be adjusted downward, and additional applications will be invited. In a similar manner, any SFY 2009 funds remaining after the adoption of the SFY 2010 IUP and after the SFY 2009 funding cycle has ended will be rolled forward to the SFY 2010 IUP.

B. Long-Term Financial Health of the Fund

The long-term financial health of the DWSRF Project Fund (Loan Account) is ensured by the establishment of the Board's lending rate policy for the Loan Account to preserve the corpus of all capitalization grants and state match funds not utilized for loan forgiveness for disadvantaged communities. Assistance for disadvantaged communities and for eligible private and community/non-community applicants on the SFY 2009 IUP will be made available from a combination of federal grant monies and appropriated state match funds. State appropriated match for the SFY 2009 projects on the IUP proposed for these two categories of applicants is estimated as an appropriated amount up to \$3,517,099 as the Board cannot use bond proceeds for such borrowers. Management of the accounts in this fashion is intended to ensure the maximum viability of the Loan Account portfolio. Past experience with the Clean Water SRF indicates that the repayment stream from the Loan Account, with the lending rate established as described, will still leave capacity to leverage the Loan Account in the future by depositing the proceeds from the sale of State bonds in excess of the required match, should the Board choose to do so. (The exception is the Disadvantaged Communities part of the DWSRF; to the extent that the Disadvantaged Communities funding option is provided at 0% interest, it will reduce the capacity of the program.) The Board is currently developing a capacity model for the DWSRF in anticipation of leveraging the program.

C. Interest Rate Policy

The Board has established an interest rate policy for most DWSRF borrowers in §371.52 of the Board's rules that provides for fixed and variable rates. The Board has considered the criteria set forth below in establishing this rate policy:

- (1) The interest rate required to retire state bonds.
- (2) The interest rate necessary to maintain the buying power of the DWSRF.

The Board offers repayment periods no longer than twenty years past construction completion dates to most applicants. The program is designed to provide borrowers with a 150 basis point reduction from the market based on a level debt service schedule. Fixed rates are set five business days prior to the adoption of the political subdivision's bond ordinance or resolution or the execution

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of the loan agreement and are in effect for forty-five days.

Disadvantaged Community Program interest rates and levels of subsidies are determined by the provisions of §371.24(c) of the Board rules. Any loan amount subject to forgiveness will not be subject to an interest rate. The repayment period for applicants receiving Disadvantaged Communities funds may be extended up to thirty years.

Service Area Adjusted Median Household Income	Loan Interest Rates	Principal Forgiveness
No more than 75% and greater than 70% of the state median household income	1%	0%
Less than or equal to 70% but greater than 60% of the state median household income	0%	0%
Less than or equal to 60% but greater than 50% of the state median household income	0%	15%
Less than 50% of the state median household income	0%	35%

At no time will the aggregate of loan forgiveness exceed 30% of the Capitalization Grant (estimated to be \$20,133,600 for SFY 2008). Consolidation Projects also are eligible to receive principal forgiveness. The amount of principal that will be forgiven will be deducted from the cost of the project before calculating the amount of financial assistance.

Applicant	Principal Forgiveness
Acquires another public water system or provides retail service to another public water system	20% of the cost of the project is subject to forgiveness of principal.
If the applicant provides wholesale service to another public water system	15% of the cost of the project is subject to forgiveness of principal.

VII. DESCRIPTION OF THE DWSRF PROJECT FUND

Seventy-nine percent, or **\$53,562,790**, of the funds available from the **SFY 2007** Capitalization Grant will be placed in the Loan Account. In addition, the Board will continue to work with the Commission during SFY 2009 to determine if there are any identified unspecified set-aside funds that can be moved (via amendment) in SFY 2009 to the Loan Accounts.

A. Use of Loan Funds

Entities ranked on the IUP priority list can use DWSRF loans for planning, design, and construction of projects to:

- Correct water system deficiencies including water quality, capacity, pressure, and water loss;
- Upgrade or replace water systems;
- Provide new or existing water service to other water systems through consolidation projects;
- Purchase capacity in water systems; and
- Implement source water protection projects.

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B. Eligible Applicants

Applicants eligible to apply for assistance include:

- Existing community public water systems including political subdivisions, nonprofit water supply corporations and privately owned community water systems;
- Non-profit, non-community public water systems; and
- State agencies.

VIII. PUBLIC PARTICIPATION

A. Notice

The purpose of this IUP is to inform the public and to seek public comment on the proposed uses of funds. The IUP is mailed to stakeholders, placed on the Board website, and a notice of public hearing is published in the Texas Register. This year's public hearing will be held on July 11, 2008 at 1:30 PM in Room 1-100 of the William B. Travis Building located at 1701 N. Congress Ave. in Austin, Texas.

B. Comment

Written comments are accepted 30 days prior to and after the public hearing. All comments are reviewed and responded to in accordance with federal requirements. Copies of this information will also be provided to all commentators and will be included in the FFY 2009 grant application to the EPA.

C. Approval

The IUP is submitted to the Board for consideration at its August Board meeting in accordance with the EPA requirement that the IUP be approved prior to the beginning of the state fiscal year (September 1). Board members receive a copy of the IUP along with a summary of the comments received and the Board's responses to those comments.

D. Documentation

After Board approval, the approved IUP will be submitted to EPA along with all information documenting the public participation process. In addition the approved IUP will be sent to all entities that submitted projects to be included in the IUP and those projects above the funding line will be informed of the opportunity to submit an application.

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Appendix A. Sources and Uses of Funds

Statement of Sources and Uses of Capital for Loans

	<u>SFY 1997 to 2008</u>	<u>SFY 2009</u>
SOURCES		
Historical Federal Grants with Set Asides	\$685,744,350	
Historical State Match	133,413,844	
Current Grant Balance with Set Asides (up to SFY 2007)		\$287,305,936
SFY 2008 Federal Grant		67,112,000
SFY 2008 State Match		13,422,400
Interest Repayments from Loans (as of 5/31/08)	25,270,804	7,760,170
Principal Repayments from Loans (as of 5/31/08)	52,244,000	17,083,000
Investment Earnings on Funds (as of 5/31/08)	13,841,798	2,898,518
Projected Fee Income		1,084,669
TOTAL SOURCES	\$910,514,796	\$396,666,693
USES		
Set-Asides (Please see Appendix B for a break out by set-aside type.)		
Administrative Reimbursements	\$20,662,502	\$4,407,151
Texas Commission on Environmental Quality (TCEQ)	48,030,837	6,711,200
2% TCEQ (Small Systems)	3,154,985	1,342,240
TxWISE Project		13,706
SRF Loan & Marketing Process Review Project		9,181
Source Water Protection	5,745,000	
Outstanding Set Asides from Previous Grants		18,973,014
Loan/Grant Installments Funded		
Loans	386,913,000	
Principal Forgiveness	19,228,426	4,078,672 *
Binding Commitments		473,567,000 *
Debt Service		
Match Bond Principal Payments	7,735,000	2,768,366
Match Bond Interest Payments	25,270,804	3,730,826
TOTAL USES	\$516,740,554	\$515,601,356
NET SOURCES (USES)	\$393,774,242	(\$118,934,663)

* This report shows a negative balance at the end of SFY 2009. This model assumes that entire loans are funded at the time of closing. Instead, loans are made on an installment basis (historically, loans close at an average rate of 20% of the loan amount per year); not all cash is expended at once. Therefore, this model does not correlate to the Board's actual cash position or its projected cash position.

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Appendix B. Projected Set-Aside Expenditures and Balances

Drinking Water SRF Federal Funding Sources

SFY	Grant Funds	Loan portion of grant	TxWISE	SRF Process Review	TCEQ Portion	SWP Portion	TCEQ 2% Small Systems	Banked Admin	TWDB Admin Set-Aside
1997	\$70,153,800	\$64,847,648			\$2,500,000				\$2,806,152
1998	54,014,400	49,139,400			4,875,000				
1999	56,612,200	44,284,672			4,505,732	5,661,220			2,160,576
2000	58,836,500	54,246,988			4,505,732	83,780			
2001	59,079,800	50,915,312			5,900,000				2,264,488
2002	62,023,700	52,529,766			5,900,000		1,240,474		2,353,460
2003	61,651,000	52,207,808			5,900,000		1,180,000		2,363,192
2004	63,953,900	53,897,562			6,395,390		1,180,000		2,480,948
2005	63,818,500	53,694,240			6,381,850		1,276,370		2,466,040
2006	67,799,550	57,429,348			6,381,850		1,276,370		2,711,982
2007	67,801,000	55,953,268	32,000		6,779,955		1,200,000	1,123,737	2,712,040
2008 ¹	67,112,000	54,628,522	13,706	9,181	6,711,200		1,342,240	1,722,671	2,684,480
Total	\$752,856,350	\$643,774,534	\$45,706	\$9,181	\$66,736,709	\$5,745,000	\$8,695,454	\$2,846,408	\$25,003,358

Drinking Water SRF Set-Aside Expenditures

SFY	Grant Funds Drawn	Loan Portion Drawn	TxWISE	SRF Process Review	TCEQ Drawn	SWP Drawn	TCEQ 2% Small Systems Drawn	Banked Admin	TWDB Admin Set-Aside Drawn
1997	-\$70,153,800	-\$64,847,648			-\$2,500,000				-\$2,806,152
1998	-54,014,400	-49,139,400			-4,875,000				0
1999	-56,612,200	-44,284,672			-4,505,732	-5,661,220			-2,160,576
2000	-58,836,500	-54,246,988			-4,505,732	-83,780			0
2001	-59,079,800	-50,915,312			-5,900,000				-2,264,488
2002	-62,023,700	-52,529,766			-5,900,000		-1,240,474		-2,353,460
2003	-14,292,496	-4,849,304			-5,900,000		-1,180,000		-2,363,192
2004	-9,610,849	0			-6,395,390		-734,511		-2,480,948
2005	-8,847,890	0			-6,381,850		0		-2,466,040
2006	-3,879,115	0			-1,167,133	0	0		-2,711,982
2007	-1,087,664	0	-32,000		0	0	0	0	-1,055,664
2008 ¹	0	0			0	0	0	0	0
Total	-\$398,438,414	-\$320,813,090	-\$32,000	\$0	-\$48,030,837	-\$5,745,000	-\$3,154,985	\$0	-\$20,662,502

¹ Projected

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Appendix B. Projected Set-Aside Expenditures and Balances (continued)

Drinking Water SRF Set-Aside Remainder

SFY	Grant Funds Remainder	Loan Portion Remainder	TxWISE	SRF Process Review	TCEQ Remainder	SWP Remainder	TCEQ 2% Small Systems Remainder	Banked Admin	TWDB Admin Set-Aside Remainder
1997	\$0	\$0			\$0	\$0	\$0		\$0
1998	0	0			0	0	0		0
1999	0	0			0	0	0		0
2000	0	0			0	0	0		0
2001	0	0			0	0	0		0
2002	0	0			0	0	0		0
2003	47,358,504	47,358,504			0	0	0		0
2004	54,343,051	53,897,562			0	0	445,489		0
2005	54,970,610	53,694,240			0	0	1,276,370		0
2006	63,920,435	57,429,348			5,214,717	0	1,276,370		0
2007	66,713,336	55,953,268	0		6,779,955	0	1,200,000	1,123,737	1,656,376
2008 ¹	67,112,000	54,628,522	13,706	9,181	6,711,200	0	1,342,240	1,722,671	2,684,480
Total	\$354,417,936	\$322,961,444	\$13,706	\$9,181	\$18,705,872	\$0	\$5,540,469	\$2,846,408	\$4,340,856

¹ Projected

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Appendix C. Alphabetic List of Eligible Projects

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
70	61540	1110007	Acton MUD				\$1,230,000	3,060	D	0.00	New water line from storage tank.	9/2/08	Hood
53	61569	1840164	Annetta				\$245,000	1,108	M	0.50	New well, storage & pressure tank & disinfection to address production & storage capacity.	3/1/09	Parker
51	61582	2200001	Arlington				\$13,500,000	332,969	M	1.00	Distribution improvements to address outages. Does not address fluoride & aluminum.	1/1/09	Tarrant
52	61541	1550016	Axtell WSC				\$595,000	1,107	W	0.50	Additional storage and emergency generator to address pressure & pressure tank capacity. Does not address arsenic.	1/20/10	McLennan
50	61511	1230001	Beaumont				\$10,225,000	113,866	M	1.00	Water treatment plant improvements to include sludge removal, high service pumps & raw water pumps to address pressure.	6/1/09	Jefferson
41	61504	1390004	Blossom	1%			\$750,000	1,439	M	1.00	Elevated storage tank improvements, replace mains & meters.	7/1/09	Lamar
39	61508	1940001	Bogota	0%			\$1,110,000	1,396	M	1.00	New well, treatment & distribution, tank & meter improvements.	9/1/09	Red River
68	61526	0740044	Bois D'Arc MUD				\$1,965,000	2,790	D	0.00	New water well, rehab existing elevated storage tank, new water lines, meters and SCADA telemetry for addressing capacity issues.	2/1/09	Fannin

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Appendix C. Alphabetic List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
8	61570	0270008	Buena Vista Subdivision WS				\$1,070,000	387	I	7.65	New treatment plant, disinfection, distribution lines & storage to address pressure, production & DBPs.	1/1/09	Burnet
55	61535	0450052	Cardon Villa MHP				\$92,230	35	P	0.25	New disinfection & storage tank to address ground water storage deficiency. New well.	1/1/09	Colorado
34	61509	2010050	Chalk Hill SUD				\$940,000	3,363	D	1.25	New well, storage, treatment and distribution to address pressure and capacity.	1/1/08	Rusk
66	61510	036XXXX	Chambers-Liberty Cos. ND				\$18,795,000	1,070	D	0.00	Water supply, treatment, transmission, distribution and storage.	1/1/09	Chambers
32	61507	1160003	Commerce	0%	x		\$1,970,000	7,669	M	1.28	Distribution, valve, clarifier, pond & disinfection improvements.	9/1/09	Hunt
65	61547	0270013	Cottonwood Shores				\$4,575,000	877	M	0.00	New water treatment plant, service pumps & raw water pumps & control improvements.	6/1/08	Burnet
63	61551	0570078	Dallas Co. Park Cities MUD		x		\$37,325,000	31,733	D	0.13	New filters & treatment improvements.	6/1/09	Dallas
26	61580	2330001	Del Rio Utilities Commission	0%			\$61,525,000	33,867	M	2.25	Distribution line & storage tank improvements to address to address pressure & water loss. Does not address TDS.	1/1/10	Val Verde
5	61513	2340002	Edgewood	0%			\$835,000	1,348	M	14.40	New filters, ground storage tank, pumps, treatment to address pressure, water loss & turbidity.	9/1/09	Van Zandt

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Appendix C. Alphabetic List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
11	61536	0710019	El Paso Co. Tornillo WID	0%			\$1,985,000	3,400	D	6.32	Treatment to address arsenic, TDS and chloride. Does not address production.	11/1/08	El Paso
54	61586	1900001	Emory		x		\$8,170,000	1,021	M	0.38	New elevated storage, clearwell, distribution line improvements to address storage and production.	6/1/10	Rains
62	61502	0790474	Fort Bend Co. FWSD 1				\$3,785,000	2,100	D	0.25	Extend public water systems to homes with private wells.	2/1/10	Fort Bend
74	61528	1860001	Fort Stockton				\$10,005,000	7,846	M	0.00	New wells, storage & distribution.	4/1/09	Pecos
3	61514	2020067	G-M WSC	0%			\$2,970,000	7,800	W	37.65	New treatment plant to address pressure <20 psi, disinfection, water loss and aluminum & DBPs.	4/1/09	Sabine
69	61523	2500006	Golden WSC				\$1,345,000	3,030	W	0.00	Pump and line improvements.	6/1/10	Wood
72	61537	1110001	Granbury				\$13,550,000	5,718	M	0.00	New water treatment plant. Does not address TDS & chloride.	6/1/09	Hood
46	61519	1470002	Groesbeck	0%			\$1,025,000	4,291	M	1.00	Replace elevated storage. Does not address water loss.	7/1/09	Limestone
19	61520	2280001	Groveton	0%			\$3,050,000	1,107	M	2.50	New well, valves, lines & emergency generators to address pressure, water loss & production capacity.	1/1/10	Trinity
71	61518	1010260	Harris Co. FWSD 47				\$5,240,000	4,290	D	0.00	Distribution line improvements.	3/1/09	Harris

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Appendix C. Alphabetic List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
28	61549	1010938	Harris Co. MUD 148	1%			\$3,700,000	3,736	D	2.00	Extension of existing line, meter, ground storage tank and disinfection improvements to address pressure.	9/2/08	Harris
43	61571	1010719	Harris Co. MUD 50				\$5,920,000	2,473	D	1.00	New surface water treatment plant.	11/1/11	Harris
48	61553	1010239	Harris Co. WCID 36	1%			\$7,150,000	10,320	D	1.00	Distribution line improvements.	1/1/09	Harris
47	61572	1080021	Hidalgo				\$4,715,000	7,322	M	1.00	New surface water treatment plant to address TDS, sulfate & chloride.	10/1/08	Hidalgo
56	61500	1330151	Hill River Water Works				\$25,000	150	I	0.25	New well to address production capacity.	10/15/07	Kerr
44	61573	0570012	Hutchins				\$4,085,000	2,805	M	1.00	Additional line to address pressure.	1/1/09	Dallas
67	61521	1520001	Idalou				\$290,000	2,157	M	0.00	New booster pump, pumps and improvement & well analysis.	10/1/08	Lubbock
29	61516	2120016	Jackson WSC				\$605,000	3,786	W	1.75	New well, storage & service pumps to address outages, production, pressure tank capacity & aluminum.	3/1/09	Smith
31	61555	1080213	La Joya	0%			\$3,060,000	3,303	M	1.50	Treatment plant expansion & new raw water pump to address production and aluminum	3/1/08	Hidalgo
7	61524	1390015	Lamar Co. WSD/Roxton	0%	x		\$1,385,000	722	D	9.10	Distribution & disinfection improvements to address pressure, disinfection & DBPs.	9/1/09	Lamar

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Appendix C. Alphabetic List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
6	61550	2210005	Lawn	1%			\$3,005,000	353	M	12.50	Construct water lines & pump stations to purchase treated water to address pressure, water loss, disinfection, aluminum and turbidity.	1/1/10	Taylor
23	61522	1540002	Lohn WSC	0%			\$970,000	210	W	2.25	Distribution, disinfection improvements, new storage tank & additional source to address pressure & water loss.	9/1/08	McCulloch
77	61548	1000035	Lumberton MUD				\$17,900,000	22,668	D	0.00	New well, storage tank, transmission & distribution improvements.	3/1/11	Hardin
24	61529	0730002	Marlin	0%			\$3,000,000	6,628	M	2.25	New elevated storage & distribution to address pressure & water loss. Doesn't address fluoride.	7/1/09	Falls
14	61532	0280003	Maxwell WSC		x		\$2,755,000	4,883	W	4.44	Distribution & tank improvements to address pressure.	1/1/09	Caldwell
76	61538	1080007	Mercedes				\$2,265,000	13,649	M	0.00	Distribution line improvements. Does not address chloride, TDS, sulfate and aluminum.	3/1/09	Hidalgo
2	61553	0480015	Millersview-Doole WSC		x		\$12,270,000	5,250	W	44.90	New surface water supply, treatment & distribution lines to address pressure, production, water loss & radionuclides.	6/1/08	Concho
37	61546	0820012	Moore WSC				\$905,000	762	W	1.00	New elevated storage & transmission line to address pressure.	3/1/09	Frio

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Appendix C. Alphabetic List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
36	61584	1010087	Morgan's Point				\$2,170,000	336	M	1.00	New elevated storage tank to address pressure.	1/1/09	Harris
1	61583	2060003	North San Saba WSC				\$1,345,000	775	W	75.70	New well, storage tank & distribution lines to address production, water loss, TDS, chlorides & radionuclides.	9/2/08	San Saba
75	61554	1810005	Orange Co. WCID 1				\$7,675,000	11,440	D	0.00	New well, transmission lines & elevated storage.	2/1/11	Orange
15	61564	0730016	Perry WSC				\$1,395,000	390	W	3.80	Distribution improvements & treatment to address water loss, pressure, arsenic & fluoride.	6/1/10	Falls
60	61567	0950003	Petersburg				\$308,000	1,262	M	0.25	New elevated storage to address pressure.	10/1/08	Hale
20	61539	1080009	Pharr	0%			\$2,515,000	46,660	M	2.50	R. O. to address production and aluminum, sulfate, chloride & TDS.	1/1/10	Hidalgo
10	61530	1470011	Prairie Hill WSC				\$55,000	2,000	W	6.80	Arsenic pilot study to address arsenic. Does not address water loss.	6/1/08	Limestone
22	61576	1370009	Presbyterian Pan American School				\$590,000	200	W	2.25	Disinfection, distribution, pump & storage improvements to address pressure, disinfection & capacity.	9/1/08	Kleberg
18	61515	1940008	Red River Co. WSC	1%			\$3,500,000	5,550	W	3.25	New well, distribution lines, treatment, storage and pump station to address pressure, disinfection & pressure tank capacity.	3/1/09	Red River
4	61517	1540008	Richland SUD	0%			\$14,395,000	1,050	D	34.72	Pump water from existing well in San Saba county to address production & radionuclides.	9/2/08	McCulloch

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Appendix C. Alphabetical List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
17	61577	2140018	Rio Grande City	0%	x		\$15,285,000	11,923	M	3.50	Distribution improvements to address pressure & water loss.	1/1/09	Starr
40	61545	2270016	Rollingwood				\$3,215,000	1,403	M	1.00	Distribution improvements to address pressure.	8/1/09	Travis
13	61542	1990002	Royse City		x		\$9,685,000	2,957	M	4.50	Distribution improvements & new elevated storage to address pressure & microbiological violations.	1/1/09	Rockwall
42	61568	1520003	Shallowater				\$2,580,000	2,086	M	1.00	New lines, valves, elevated storage & looping to address outages.	10/1/08	Lubbock
73	61565	0790373	Sienna Plantation MUD 1				\$41,415,000	7,455	D	0.00	New surface water treatment plant.	10/1/09	Fort Bend
25	61559	1010294	South Houston				\$2,010,000	15,833	M	2.25	New disinfection, pumps & controls & storage tank & distribution improvements to address pressure, disinfection & water loss.	1/1/09	Harris
58	61534	1830027	South Murvaul WSC				\$100,000	504	W	0.25	Add booster pumps, storage tanks & loop lines to address storage capacity.	9/2/08	Panola
21	61531	0310150	Southmost Regional WA	0%	x		\$13,090,000	168,541	D	2.42	Treatment to remove arsenic & well field expansion to increase supply.	11/1/08	Cameron
27	61527	0630012	Spur	0%	x		\$2,605,000	1,088	M	2.13	Distribution improvements to address low pressure and water loss. Does not address production or sulfate, chloride & TDS.	1/1/10	Dickens

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Appendix C. Alphabetic List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
16	61552	2150007	Stephens Regional SUD	0%			\$5,000,000	3,070	D	3.50	Pump station, storage & line improvements & treatment to address pressure, disinfection, pressure tank capacity & water loss.	1/1/10	Stephens
38	61566	1400005	Sudan				\$480,000	1,039	M	1.00	Distribution improvements to address pressure.	10/1/09	Lamb
45	61578	2050007	Taft	0%			\$4,140,000	3,396	M	1.00	Distribution improvements.	6/1/08	San Patricio
61	61579	1660003	Thorndale				\$3,425,000	1,278	M	0.25	New well, treatment, service pumps, storage tank & transmission lines to address production.	3/1/09	Milam
64	61581	0740009	Trenton				\$4,285,000	662	M	0.00	Distribution improvements, new well , storage tank & pump station.	6/1/10	Fannin
49	61544	2360058	Trinity RA/Huntsville RWSS	0%			\$16,735,000	35,078	D	1.00	Treatment plant improvements, new service pump, filters, chemical feed & clearwell.	11/1/08	Walker
30	61525	0540015	White River MWD	0%	x		\$3,110,000	8,480	D	1.75	New well field.	1/1/09	Crosby
35	61563	1700003	Willis	1%			\$5,100,000	3,985	M	1.25	New well, booster pumps, ground storage & pressure tank to address elevated & pressure tank capacity.	11/1/09	Montgomery
33	61501	2250003	Winfield				\$465,000	499	M	1.25	Storage tank & pressure valve improvements to address pressure & production.	8/1/08	Titus
59	61503	1750023	Winkler WSC				\$80,000	601	W	0.25	Replace pumps, ground storage & pressure tanks to address pressure.	1/1/09	Navarro

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Appendix C. Alphabetic List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
12	61506	1160005	Wolfe City	0%			\$1,015,000	1,566	M	6.25	Replace distribution line, modify filter, new raw water pump station & clarifier improvements to address water loss and pressure < 20 psi & microbiological violations.	9/1/09	Hunt
57	61505	1330137	Wood Trails WS				\$35,000	200	I	0.25	Storage tanks, booster pumps & pressure tank to address storage deficiency.	4/1/08	Kerr
9	61512	2540003	Zavala Co. WCID 1	0%			\$850,000	1,886	D	7.00	Treatment to address radionuclides.	3/1/09	Zavala
	Totals		77	29	11	0	\$450,530,230						

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Appendix D. Alphabetic List of Ineligible Projects

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
	61574	199XXXX	McLendon-Chisholm				\$10,000,000	937		0.00	Not a PWS.		Rockwall
	Totals		1	0	0	0	\$10,000,000						

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Appendix E. Priority List of Eligible Projects

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
1	61583	2060003	North San Saba WSC				\$1,345,000	775	W	75.70	New well, storage tank & distribution lines to address production, water loss, TDS, chlorides & radionuclides.	9/2/08	San Saba
2	61553	0480015	Millersview-Doole WSC		x		\$12,270,000	5,250	W	44.90	New surface water supply, treatment & distribution lines to address pressure, production, water loss & radionuclides.	6/1/08	Concho
3	61514	2020067	G-M WSC	0%			\$2,970,000	7,800	W	37.65	New treatment plant to address pressure <20 psi, disinfection, water loss and aluminum & DBPs.	4/1/09	Sabine
4	61517	1540008	Richland SUD	0%			\$14,395,000	1,050	D	34.72	Pump water from existing well in San Saba county to address production & radionuclides.	9/2/08	McCulloch
5	61513	2340002	Edgewood	0%			\$835,000	1,348	M	14.40	New filters, ground storage tank, pumps, treatment to address pressure, water loss & turbidity.	9/1/09	Van Zandt
6	61550	2210005	Lawn	1%			\$3,005,000	353	M	12.50	Construct water lines & pump stations to purchase treated water to address pressure, water loss, disinfection, aluminum and turbidity.	1/1/10	Taylor
7	61524	1390015	Lamar Co. WSD/Roxton	0%	x		\$1,385,000	722	D	9.10	Distribution & disinfection improvements to address pressure, disinfection & DBPs.	9/1/09	Lamar

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
8	61570	0270008	Buena Vista Subdivision WS				\$1,070,000	387	I	7.65	New treatment plant, disinfection, distribution lines & storage to address pressure, production & DBPs.	1/1/09	Burnet
9	61512	2540003	Zavala Co. WCID 1	0%			\$850,000	1,886	D	7.00	Treatment to address radionuclides.	3/1/09	Zavala
10	61530	1470011	Prairie Hill WSC				\$55,000	2,000	W	6.80	Arsenic pilot study to address arsenic. Does not address water loss.	6/1/08	Limestone
11	61536	0710019	El Paso Co. Tornillo WID	0%			\$1,985,000	3,400	D	6.32	Treatment to address arsenic, TDS and chloride. Does not address production.	11/1/08	El Paso
12	61506	1160005	Wolfe City	0%			\$1,015,000	1,566	M	6.25	Replace distribution line, modify filter, new raw water pump station & clarifier improvements to address water loss and pressure < 20 psi & microbiological violations.	9/1/09	Hunt
13	61542	1990002	Royse City		x		\$9,685,000	2,957	M	4.50	Distribution improvements & new elevated storage to address pressure & microbiological violations.	1/1/09	Rockwall
14	61532	0280003	Maxwell WSC		x		\$2,755,000	4,883	W	4.44	Distribution & tank improvements to address pressure.	1/1/09	Caldwell
15	61564	0730016	Perry WSC				\$1,395,000	390	W	3.80	Distribution improvements & treatment to address water loss, pressure, arsenic & fluoride.	6/1/10	Falls

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
16	61552	2150007	Stephens Regional SUD	0%			\$5,000,000	3,070	D	3.50	Pump station, storage & line improvements & treatment to address pressure, disinfection, pressure tank capacity & water loss.	1/1/10	Stephens
17	61577	2140018	Rio Grande City	0%	x		\$15,285,000	11,923	M	3.50	Distribution improvements to address pressure & water loss.	1/1/09	Starr
18	61515	1940008	Red River Co. WSC	1%			\$3,500,000	5,550	W	3.25	New well, distribution lines, treatment, storage and pump station to address pressure, disinfection & pressure tank capacity.	3/1/09	Red River
19	61520	2280001	Groveton	0%			\$3,050,000	1,107	M	2.50	New well, valves, lines & emergency generators to address pressure, water loss & production capacity.	1/1/10	Trinity
20	61539	1080009	Pharr	0%			\$2,515,000	46,660	M	2.50	R. O. to address production and aluminum, sulfate, chloride & TDS.	1/1/10	Hidalgo
21	61531	0310150	Southmost Regional WA	0%	x		\$13,090,000	168,541	D	2.42	Treatment to remove arsenic & well field expansion to increase supply.	11/1/08	Cameron
22	61576	1370009	Presbyterian Pan American School				\$590,000	200	W	2.25	Disinfection, distribution, pump & storage improvements to address pressure, disinfection & capacity.	9/1/08	Kleberg
23	61522	1540002	Lohn WSC	0%			\$970,000	210	W	2.25	Distribution, disinfection improvements, new storage tank & additional source to address pressure & water loss.	9/1/08	McCulloch

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
24	61529	0730002	Marlin	0%			\$3,000,000	6,628	M	2.25	New elevated storage & distribution to address pressure & water loss. Doesn't address fluoride.	7/1/09	Falls
25	61559	1010294	South Houston				\$2,010,000	15,833	M	2.25	New disinfection, pumps & controls & storage tank & distribution improvements to address pressure, disinfection & water loss.	1/1/09	Harris
26	61580	2330001	Del Rio Utilities Commission	0%			\$61,525,000	33,867	M	2.25	Distribution line & storage tank improvements to address to address pressure & water loss. Does not address TDS.	1/1/10	Val Verde
27	61527	0630012	Spur	0%	x		\$2,605,000	1,088	M	2.13	Distribution improvements to address low pressure and water loss. Does not address production or sulfate, chloride & TDS.	1/1/10	Dickens
28	61549	1010938	Harris Co. MUD 148	1%			\$3,700,000	3,736	D	2.00	Extension of existing line, meter, ground storage tank and disinfection improvements to address pressure.	9/2/08	Harris
29	61516	2120016	Jackson WSC				\$605,000	3,786	W	1.75	New well, storage & service pumps to address outages, production, pressure tank capacity & aluminum.	3/1/09	Smith
30	61525	0540015	White River MWD	0%	x		\$3,110,000	8,480	D	1.75	New well field.	1/1/09	Crosby
31	61555	1080213	La Joya	0%			\$3,060,000	3,303	M	1.50	Treatment plant expansion & new raw water pump to address production and aluminum	3/1/08	Hidalgo

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
32	61507	1160003	Commerce	0%	x		\$1,970,000	7,669	M	1.28	Distribution, valve, clarifier, pond & disinfection improvements.	9/1/09	Hunt
33	61501	2250003	Winfield				\$465,000	499	M	1.25	Storage tank & pressure valve improvements to address pressure & production.	8/1/08	Titus
34	61509	2010050	Chalk Hill SUD				\$940,000	3,363	D	1.25	New well, storage, treatment and distribution to address pressure and capacity.	1/1/08	Rusk
35	61563	1700003	Willis	1%			\$5,100,000	3,985	M	1.25	New well, booster pumps, ground storage & pressure tank to address elevated & pressure tank capacity.	11/1/09	Montgomery
36	61584	1010087	Morgan's Point				\$2,170,000	336	M	1.00	New elevated storage tank to address pressure.	1/1/09	Harris
37	61546	0820012	Moore WSC				\$905,000	762	W	1.00	New elevated storage & transmission line to address pressure.	3/1/09	Frio
38	61566	1400005	Sudan				\$480,000	1,039	M	1.00	Distribution improvements to address pressure.	10/1/09	Lamb
39	61508	1940001	Bogota	0%			\$1,110,000	1,396	M	1.00	New well, treatment & distribution, tank & meter improvements.	9/1/09	Red River
40	61545	2270016	Rollingwood				\$3,215,000	1,403	M	1.00	Distribution improvements to address pressure.	8/1/09	Travis
41	61504	1390004	Blossom	1%			\$750,000	1,439	M	1.00	Elevated storage tank improvements, replace mains & meters.	7/1/09	Lamar
42	61568	1520003	Shallowater				\$2,580,000	2,086	M	1.00	New lines, valves, elevated storage & looping to address outages.	10/1/08	Lubbock

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
43	61571	1010719	Harris Co. MUD 50				\$5,920,000	2,473	D	1.00	New surface water treatment plant.	11/1/11	Harris
44	61573	0570012	Hutchins				\$4,085,000	2,805	M	1.00	Additional line to address pressure.	1/1/09	Dallas
45	61578	2050007	Taft	0%			\$4,140,000	3,396	M	1.00	Distribution improvements.	6/1/08	San Patricio
46	61519	1470002	Groesbeck	0%			\$1,025,000	4,291	M	1.00	Replace elevated storage. Does not address water loss.	7/1/09	Limestone
47	61572	1080021	Hidalgo				\$4,715,000	7,322	M	1.00	New surface water treatment plant to address TDS, sulfate & chloride.	10/1/08	Hidalgo
48	61553	1010239	Harris Co. WCID 36	1%			\$7,150,000	10,320	D	1.00	Distribution line improvements.	1/1/09	Harris
49	61544	2360058	Trinity RA/Huntsville RWSS	0%			\$16,735,000	35,078	D	1.00	Treatment plant improvements, new service pump, filters, chemical feed & clearwell.	11/1/08	Walker
50	61511	1230001	Beaumont				\$10,225,000	113,866	M	1.00	Water treatment plant improvements to include sludge removal, high service pumps & raw water pumps to address pressure.	6/1/09	Jefferson
51	61582	2200001	Arlington				\$13,500,000	332,969	M	1.00	Distribution improvements to address outages. Does not address fluoride & aluminum.	1/1/09	Tarrant
52	61541	1550016	Axtell WSC				\$595,000	1,107	W	0.50	Additional storage and emergency generator to address pressure & pressure tank capacity. Does not address arsenic.	1/20/10	McLennan
53	61569	1840164	Annetta				\$245,000	1,108	M	0.50	New well, storage & pressure tank & disinfection to address production & storage capacity.	3/1/09	Parker

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
54	61586	1900001	Emory		x		\$8,170,000	1,021	M	0.38	New elevated storage, clearwell, distribution line improvements to address storage and production.	6/1/10	Rains
55	61535	0450052	Cardon Villa MHP				\$92,230	35	P	0.25	New disinfection & storage tank to address ground water storage deficiency. New well.	1/1/09	Colorado
56	61500	1330151	Hill River Water Works				\$25,000	150	I	0.25	New well to address production capacity.	10/15/07	Kerr
57	61505	1330137	Wood Trails WS				\$35,000	200	I	0.25	Storage tanks, booster pumps & pressure tank to address storage deficiency.	4/1/08	Kerr
58	61534	1830027	South Murvaul WSC				\$100,000	504	W	0.25	Add booster pumps, storage tanks & loop lines to address storage capacity.	9/2/08	Panola
59	61503	1750023	Winkler WSC				\$80,000	601	W	0.25	Replace pumps, ground storage & pressure tanks to address pressure.	1/1/09	Navarro
60	61567	0950003	Petersburg				\$308,000	1,262	M	0.25	New elevated storage to address pressure.	10/1/08	Hale
61	61579	1660003	Thorndale				\$3,425,000	1,278	M	0.25	New well, treatment, service pumps, storage tank & transmission lines to address production.	3/1/09	Milam
62	61502	0790474	Fort Bend Co. FWSD 1				\$3,785,000	2,100	D	0.25	Extend public water systems to homes with private wells.	2/1/10	Fort Bend
63	61551	0570078	Dallas Co. Park Cities MUD		x		\$37,325,000	31,733	D	0.13	New filters & treatment improvements.	6/1/09	Dallas
64	61581	0740009	Trenton				\$4,285,000	662	M	0.00	Distribution improvements, new well, storage tank & pump station.	6/1/10	Fannin

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
65	61547	0270013	Cottonwood Shores				\$4,575,000	877	M	0.00	New water treatment plant, service pumps & raw water pumps & control improvements.	6/1/08	Burnet
66	61510	036XXXX	Chambers-Liberty Cos. ND				\$18,795,000	1,070	D	0.00	Water supply, treatment, transmission, distribution and storage.	1/1/09	Chambers
67	61521	1520001	Idalou				\$290,000	2,157	M	0.00	New booster pump, pumps and improvement & well analysis.	10/1/08	Lubbock
68	61526	0740044	Bois D'Arc MUD				\$1,965,000	2,790	D	0.00	New water well, rehab existing elevated storage tank, new water lines, meters and SCADA telemetry for addressing capacity issues.	2/1/09	Fannin
69	61523	2500006	Golden WSC				\$1,345,000	3,030	W	0.00	Pump and line improvements.	6/1/10	Wood
70	61540	1110007	Acton MUD				\$1,230,000	3,060	D	0.00	New water line from storage tank.	9/2/08	Hood
71	61518	1010260	Harris Co. FWSD 47				\$5,240,000	4,290	D	0.00	Distribution line improvements.	3/1/09	Harris
72	61537	1110001	Granbury				\$13,550,000	5,718	M	0.00	New water treatment plant. Does not address TDS & chloride.	6/1/09	Hood
73	61565	0790373	Sienna Plantation MUD 1				\$41,415,000	7,455	D	0.00	New surface water treatment plant.	10/1/09	Fort Bend
74	61528	1860001	Fort Stockton				\$10,005,000	7,846	M	0.00	New wells, storage & distribution.	4/1/09	Pecos

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Appendix E. Priority List of Eligible Projects (continued)

Rank	Project #	PWS #	Project	Disadvantaged	Consolidation	SWP	Project Cost	Population	Owner Type	Total Points	Description	Projected Start Date	County
75	61554	1810005	Orange Co. WCID 1				\$7,675,000	11,440	D	0.00	New well, transmission lines & elevated storage.	2/1/11	Orange
76	61538	1080007	Mercedes				\$2,265,000	13,649	M	0.00	Distribution line improvements. Does not address chloride, TDS, sulfate and aluminum.	3/1/09	Hidalgo
77	61548	1000035	Lumberton MUD				\$17,900,000	22,668	D	0.00	New well, storage tank, transmission & distribution improvements.	3/1/11	Hardin
	Totals		77	29	11	0	\$450,530,230						

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Appendix F: Rating Criteria

Public Drinking Water

Combined Rating Factor
Health and Compliance Factors
Primary Compliance Factors

Microbiological Factors (TCV=s)+(ACV=s)+(TT)-1

The sum of the total coliform MCL violations, acute coliform MCL violations, and the treatment technique violations (including all exceedances of the 0.5 NTU standard), disregarding one violation.

Chronic Chemical Result/MCL

The compliance result above the MCL for any chronic exposure chemical, divided by the MCL level.

Acute Chemical (Result/MCL) X 3

Three times the compliance result above the MCL for Nitrate or Nitrite, Divided by the MCL level.

Carcinogen (Result/MCL) X 2

Two times the compliance result above the MCL for any carcinogenic chemical, divided by the MCL level.

Lead / Copper (Greater of (Pb90/0.015) or (Cu90/1.3)) X 2

Two times the greater of the 90th percentile lead level divided by the lead action level or the 90th percentile copper level divided by the copper action level.

Filtration 12 points

12 points awarded to any system with one or more sources identified as surface water or groundwater under the direct influence of surface water for which no filtration is provided.

Population Factor

Population Factor	
0-100	0
101-1,000	1
1,001-10,000	2
10,001-100,000	3
100,001+	4

The population factor should be added to the sum of the other Primary compliance factors to determine the overall compliance rating.

Secondary Compliance Factors

Secondary Chemical (Result/MCL) X 0.5

One half the compliance result above the MCL for any secondary chemical violation for sulfate, chloride and total dissolved solids, divided by the MCL level. (Maximum of 1 pt.)

Physical Deficiency Factor

A rating based on the confirmed existence of physical deficiencies within the water system. This rating will be used to prioritize systems with no other Health and Compliance Factors or Affordability Factors.

Deficiency	pts	Deficiency	pts
Pressure <20 psi	1.0	Production <85%	.25
No disinfection	1.0	Storage < 85%	.25
Pressure >20 & <35 psi	.20	Water Loss >25%	.25
Other Secondary MCLs	.20		

Consolidation Factor

The sum of all factors for each system which will be consolidated. One half the sums of all factors for each system which will be provided wholesale water.

Tie Breaker

Equal Combined rating factors will be ranked in descending order according to population.

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Appendix F: Rating Criteria (continued)

Source Water Protection

SYSTEM VULNERABILITY - 6 points

Ground Water - The well is vulnerable if there is insufficient thickness of clay or similar earth materials between the ground surface and top of the water producing aquifer. Geologic protection is defined as the presence of one layer of clay 30 feet thick or thicker or the presence of thinner clay layers whose cumulative thickness is 100 feet thick or thicker. Other criteria which will be considered in determining vulnerability include Nitrate (N) >2 mg/1, selected vulnerable aquifer (aquifers with rapid flow), and confirmed organic chemical detection. These definitions were created for and are used in the Waiver Program for Phases II and V National Primary Drinking Water Regulations. This program was approved by ISOPIA. All community and non transient/non community public water systems have been evaluated using these criteria.

Surface Water - All surface water in Texas is obtained through water flowing within watersheds. A watershed is defined as the contributing area of water to a surface water body such as a river or reservoir. Some watersheds in Texas are enormous. Watersheds of this size can only be addressed with gross, regional recommendations for source water protection. Smaller watersheds will be awarded higher points because source water protection efforts can be more effectively focused. Small watersheds where individual landowners and businesses can be contacted and convinced that their efforts may have a direct impact to the drinking water quality of a specified water system are ideal source water protection candidates. A small watershed is defined as approximately 20 square miles or less with known geographic limits plotted on USGS 7.5 minute topographic maps. Additional points may be awarded to those systems who have confirmed organic chemical detections.

Ability to Implement Best Management Practices - 3 points

Two points will be awarded to systems that have the ability and authority to implement land use controls including but not limited to ordinances and land acquisition. One point will be awarded to those systems that have the ability to implement other non-land use controls such as public education, contingency planning, and conducting toxic and/or hazardous waste collection events. One point will be awarded to those systems who plug abandoned wells within the delineated source water protection area. For those systems who have confirmed siting and/or well construction problems listed on the most recent TCEQ sanitary survey, one point may be awarded for proposals which will correct these problems.

Affordability Factor (from TWDB) - 1 point

One point if the service area lies within a census tract which average income is 25% less or the unemployment rate is 25% more than the state average.