

Water for Texas

What is the Clean Water State Revolving Fund program, and who can apply?

The Clean Water State Revolving Fund allows the Texas Water Development Board (TWDB) to provide loans at below-market interest rates and with principal forgiveness for qualifying entities for planning, designing, and constructing wastewater infrastructure projects. Eligible applicants include cities, counties, districts, river authorities, other public bodies, and private entities proposing non-point source or estuary management projects. The program includes additional subsidies for disadvantaged communities and green projects.

Although nonprofit water supply corporations are considered political subdivisions for various other (TWDB) programs, they are not eligible to receive assistance from the Clean Water State Revolving Fund.

How can Clean Water State Revolving Fund loans be used?

Loans can be used for planning, designing, and constructing wastewater treatment facilities, wastewater recycling and reuse facilities, collection systems, stormwater pollution control, nonpoint source pollution control, and estuary management projects. For Fiscal Year 2012, which commenced on September 1, 2011, to the extent that sufficient eligible applicants apply for funding, not less than 20 percent of the capitalization grant funds in the Clean Water State Revolving Fund will be expended on projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.

What loan terms are offered through the Clean Water State Revolving Fund?

The Clean Water State Revolving Fund offers fixed and variable rate loans at subsidized interest rates. The maximum repayment period for a Clean Water

State Fiscal Year 2012 Clean Water State Revolving Fund

State Revolving Fund loan is 30 years from the completion of project construction. A loan origination fee of 1.85 percent is imposed at the time of loan closing to cover the administrative costs of operating the Clean Water State Revolving Fund. Applicants have the option to finance the origination fee in their loan. Individual entities will be limited to funding in an amount not to exceed 15 percent of the total funds available.

Interest rates are locked in at closing:

- ▶ Mainstream funds offer a net long-term fixed interest rate of 1.30 percent below market rate for Tier III loans and 0.95 percent below market rate for Tier II loans.
- ▶ Disadvantaged community funds may be offered to eligible communities, with principal forgiveness of 30 percent, 50 percent, or 70 percent based upon the adjusted annual median household income and the household cost factor. A limited amount of funding is available each year to applicants who qualify as disadvantaged communities.

What is the application and approval process?

Preapplication Process

Each year, the TWDB notifies all entities known to have an interest in wastewater infrastructure financing of the availability of funding for the next fiscal year. Along with the notification, the TWDB provides timelines that will apply to the upcoming cycle. Prospective loan applicants are asked to submit project information that describes their existing wastewater facilities, facility needs, the nature of the project being considered, and project

cost estimates. This information is used to rate each proposed project and to place it in priority order on the project priority list. A fundable projects list is established, and available funds are distributed in accordance with the funding order specified in the Intended Use Plan. All applicants on the list will be notified and invited to submit complete applications within three months of the date of the invitation letter. All applicants are required to schedule a preapplication conference that will guide them through the application process. The fundable projects list is revised throughout the year as potential applicants decline funding or funding becomes available. Invitations are then sent to the next eligible applicants on the list.

Application and Commitment

An application consists of an engineering feasibility report and an environmental statement and contains certain general, fiscal, and legal information. The time frame for submitting an application is dictated in the invitation letter from the TWDB. Applications for loans are considered for approval by the TWDB's governing Board at its monthly public meetings.

Loan Closing Option

In Fiscal Year 2012, the TWDB will begin offering applicants the opportunity to use a more efficient type of financial assistance that involves funding the planning and design portion of a project separately from funding the construction phase of a project. Beginning with the Fiscal Year 2013 Intended Use Plan, applicants will be required to be ready to advertise for bids or procurement packages at the time a loan commitment is sought from the TWDB and to have acquired bids prior to closing their loans.

The predesign funding option allows an applicant to receive a single loan commitment for planning, designing, and constructing a project and will continue to be offered on a limited basis based on readiness to proceed with the construction of the project. This option will only be considered for projects where no significant permitting, social, contractual, environmental, engineering, or financial issues exist that would make the project ineligible for funding.

Are there any special requirements?

- ▶ Applicants for loans greater than \$500,000 must adopt a water conservation and drought contingency plan, as mandated by Texas Administrative Code Title 31 §375.43.
- ▶ The Clean Water Act requires that all projects financed by a Clean Water State Revolving Fund loan have a National Environmental Policy Act-type environmental review performed. TWDB staff members are available to assist applicants in determining the scope of investigation required, preparing reports, and coordinating with pertinent federal and state environmental regulatory agencies.

- ▶ The Davis-Bacon Act wage rates must be applied to all projects financed in whole or in part with Clean Water State Revolving Fund funds.
- ▶ All Tier III Clean Water State Revolving Fund projects must comply with the TWDB's Disadvantaged Business Enterprise program, which requires applicants and prime contractors to follow six affirmative steps during procurement: (1) including qualified disadvantaged business enterprises on solicitation lists; (2) soliciting disadvantaged business enterprises whenever they are potential sources; (3) reducing contract size/quantities, when economically feasible, to permit maximum participation by disadvantaged business enterprises; (4) establishing delivery schedules to encourage participation by disadvantaged business enterprises; (5) using the services and assistance provided by the Small Business Administration, the Minority Business Development Agency, and the U.S. Department of Commerce, as appropriate; and (6) requiring all prime contractors to follow steps 1 through 5 when awarding subcontracts.

Detailed information and required forms for the Disadvantaged Business Enterprise Program are available online at <http://www.twdb.texas.gov/financial/programs/DBE/dbe.asp>.

Where may I get more information?

If you have specific questions regarding the Clean Water State Revolving Fund, please contact Clay Schultz at (512) 463-6277 or Clay.Schultz@twdb.texas.gov. Additional information on the Clean Water State Revolving Fund and other agency programs is also available on the TWDB Web site at <http://www.twdb.texas.gov/financial/programs>.

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