

## **Public Informational Meeting for Leroy Tours Gerald WSC**

Public Hearing on the United States Department of Agriculture Rural Development Application for financial assistance for water improvements.

August 1<sup>st</sup>. 2022

Mr. John Simcik Called the meeting to Order at 7:00 p.m.

Mr. Simcik addressed the audience briefly.

This is a general informational meeting for the members of the LTG Water Supply Corporation. The items on this agenda are.

The Public Hearing on the United States Department of Agriculture Rural Development Application for financial assistance for water improvements. Representatives from the United States Department of Agriculture (USDA) and KSA Engineers will be in attendance to discuss and answer questions with meeting participants.

The Board will not answer any questions because this is a public informational meeting.

Mr. Simcik then made introductions of the Board of Directors, staff, legal counsel and the speakers who were presenting the information at this meeting.

John Simcik - President, Robert Polansky - Vice President,

Dennis Debbendener - Secretary/Treasurer, Carol Baker, Cole Canady, Cheryl Helms, Lyn Middleton, Don Ramsey, Stephen Symank

Roy Davis - Field Manager, Diane Delgado - Office Manager

Charles Buenger – Legal Counsel

Speakers will be: Danny Hays – Engineer and Terri Chenoweth – USDA-RD Loan Specialist

Please hold down the noise, everyone will have time to ask questions.

Mr. Danny Hays introduced himself along with giving a brief back ground on KSA Engineering and himself.

Mr. Hays did a power point presentation slide show on a projector screen.

Points addressed during presentation include:

Project Planning- Population trends, demand growth.

Existing facilities- History, regulatory violations, conditions of facilities, sustainability for continued use, why we need this project.

Alternatives, Selection of alternatives, Breakdown of proposed project, along with costs of each alternative.

Project planning- population growth over the next 30 to 40 years projection. Growth has been increasing with the population projection the growth could reach 1800 to 1900 by 2060. As of June, this year there are 582 meters. How we get calculation of growth we work with the state water plan published by the TWDB. LTG is listed individually as a defined user in that plan a lot of rural water systems are not. There

is a limited amount of ground water that can be pulled from STGW just shy of 54,500,000 gallons. Somewhere between now and 2030 you are projected to exceed that.

Facilities- Original system dates back to the 1950's. Whiskey Hollow in the 1980's, Bode Road followed in the 1990's. They looked at how water was used over 10 years to determine a base line. In 2011 thru 2020 you averaged 45,937,000 gallons. That is 84% of permitted capacity. You are running in the margin. You don't have a lot of room to sustain new growth. The need for additional water to sustain what you have now and what is to come in the future.

Regulatory violations- Went over arsenic MCL limits and the violations received from TCEQ since 2011. Went over that there could be penalties associated with the arsenic MCL level. Went over that we are in communications with the EPA, currently keeping them informed of the steps that are being taken.

Conditions of facilities- Additional source water is something you have got to start looking for. The importance of your position over a water system, if you are not looking for new water in the State of Texas you need to let someone else step into that role to do that.

TCEQ minimum System Capacity- How big your tanks, pumps, Wells, etc. Based on number of connections, pressure zone. When you hit 85% capacity at Bode Rd. you have to start planning to up size that.

Suitability for continued use, Plan to upgrade-Additional source water is going to be a recurring theme. Discussed the proposed upgrades, additions along with the life span of replacement items like pressure tanks, pumps, etc. at each of these locations

Plant 1 Leroy plant, Plant 4 Whiskey Hollow plant, Plant 5 Bode Rd plant

Health, sanitation and security- We need to produce and deliver water in compliance with the arsenic limit. That is an immediate action item you can not put off any longer.

9 different lines are scheduled to be upgraded through the system.

Aging infrastructure, deferred maintenance- Need to address that to reduce on going repetitive maintenance on the same thing. Also, if there is a tank that has gone to long it needs to be addressed.

Long-term growth start preparing.

### Alternatives

- Option 1 -No action. EPA legal action high level of enforcement. TCEQ, lawsuit, transfer of CCN-acquire facility, they can sell them, dispose of them. Receivership will take appropriate action to resolve the issues that need to be resolved.
- Option 2. Arsenic removal (Filtration), distribution improvements- Technology will work but must have proof of concept, must have pilot study, costly, must have approval from TCEQ, use of water. 9 system lines will be replaced. These lines are problematic or will not support growth. New drive by radio read meters. Scada a monitoring system. Plants 4 & 5 replacement of ground storage tanks, pressure tanks, pumps, etc. cooling tower improvements.

Plant 1 generator, plug the abandoned water well

Plant 3 will be put back in service. Will provide better pressure.

Plant 4 generator

- Option 3. Arsenic reduction (Blending with an alternate water supply), distribution improvements- Addition of pump station and storage station on Hilltop Plant 6. 9 system lines will be replaced. These lines are problematic or will not support growth. New drive by radio read meters. Scada a monitoring system. Plants 4 & 5 replacement of ground storage tanks, pressure tanks, pumps, etc.

Plant 1 generators, plug the abandoned water well

Plant 3 will be put back in service. Will provide better pressure.

Plant 4 generator

Life cycle costs for projects over the next 20 years. Often times you can have an alternative that has a lower cost to construct but over time has a higher operations and maintenance cost. Over 20 years its more expensive than the one that cost more up front.

McLennan County – Built into the annual debt service costs McLennan County has set aside 4.4 million dollars allocated it to a hand full of entities in eastern McLennan County who are facing this arsenic. About \$800,000 from the county that reduces the amount of money we have to ask the USDA for. This is calculated into the figures.

Went through the life cycle cost analysis on the 3 options given. Went over option 4 costs for doing both filtration and blending. The last 2 options for a reduced scope were to remove some items from each project. These were reviewed.

We looked at it from the engineering stand point and have gone forward with recommending the blending alternative. Primary reason for Option 3 it will address arsenic & capacity to get more water for the future in one loan. Increase available water through a contract with Waco water at 244 acres feet per year, we can reduce the arsenic below the 10 parts per million. We improve our system facility for sustained operation. We anticipate the total project duration to take somewhere around 36 months. Summarize those costs total project costs \$12,022,400 at present receiving from McLennan County \$ 796,516 with USDA a little over \$ 11,025,000. These numbers given are calculated at 100% of the loan over the 40 years. New monthly debt service per connection is \$ 72.38 how this is structured in the rates is a different discussion. If a grant at 45% max level each meter would drop to just below \$ 40.00 per customer per month.

- Mr. Hays opened the floor for questions or comments-

Dwayne Sinkule - In presentation you spoke of the EPA violations. There was supposed to be a plan in place and it was to be completed in 2020, why did this not go through?

Mr. Hays stated he was not the engineer at this time and cannot answer this question.

- Mr. Hays announces there is a hand full of people who signed up to speak. If they would like to introduce themselves and come up to ask their questions. We will document these for the record.

Kitty Powledge – We are in a drought right now and Waco is under restrictions. If we go with Waco and we are in a drought situation, are they going to guarantee the corporation water, are they going to supply the city of Waco first? As we are still paying them, is there a possibility that we are not going to get water?

Mr. Hays- That possibility always exists that there could be service disruption, for regular routine maintenance, etc. We have talked with the EPA about that they understand that stuff can happen. We might have these intermittent excursions. In the event of drought conditions what would happen is Waco has a drought contingency plan because you buy water from them you have to also follow that plan. So, they would enact those triggers, and you would have to follow those triggers. We have to plan for certain

limited outages we put enough storage volume in the system to try to buffer that. There will be significant storage to help buffer those systems throughout the system.

David Glomb – John Simcik and this current Board for taking action on some issues that have been long pushed aside. I know that they don't want their water bills going up I don't want mine going up. But I want dependable safe water at my doorstep. For now, for generations my grandchildren for my children. They are making some hard discussions that have been put off many times. I appreciate them getting some professional, licensed and accredited agencies, people that have knowledge in this water situation and being able to come up with a good solution for us as a community. I have been here all my life. I think they are doing a great job I believe we need to support this Board and help them with this tough discussion. I have been to a few meetings where questions weren't answered they delayed taking action. You see what delaying taking action has done. It has increased the price of this project tremendously that is not the current Boards fault. There are a lot of issues that need to be addressed. Infrastructure, retaining water. The State of Texas has designated Waco as a regional water source in this area. Other water sources have gotten Waco water. They say it's the best thing they could have done. So, you increase the water supply you take care of the arsenic problem and it's done. Filtration you're looking at maybe you get the arsenic out. I appreciate their dedication to help this community out and do the best that they can, I hope the whole community gives them their support. Thank you to the Board.

Charles Hutyra – How are developers that are coming in going to be involved in sharing these costs? Has this been determined?

Mr. Hays – At present we have had some developers reach out. But nothing at this time. In general terms what do they pay. Until the negotiations on what is needed happen you don't know. Development and growth. The more connections the more this will decrease the debt service cost amount per member meter. Doing things to set up grow, benefits that in the long run. Staff will be looking at water rates every year. Making small adjusts when increase of connections grows or the cost of operations go up. This is not for debt service amount. How much development will depend on the cost. To many variables.

- Mr. Hays opened the floor again for any other questions or comments-

Mr. Simcik gives the floor to Terri Chenoweth with the USDA-RD

Terri Chenoweth – We look at all projects as loan only to prepare you for the worst-case scenario. A couple of things that go into determining grant assistance is the medium house hold income of the service area. Using 2010 census data that qualifies them at a maximum of 45% grant. That doesn't mean that they are going to get that. Best case scenario. Underwriting we look at that, look at rate structure, we look at similar systems costs. We can't put any grant assistance into any project that lowers your system costs to your users below that of similar systems. We look at grant availability at time of your application is ready to be funded. There are a lot of factors that go into determining grant eligibility. Underwriting will look over financials of the corporation the propose water rates to support the debt structure. How that compares to similar systems. We make a recommendation to our state office, we can recommend a 45% grant but when it goes to our state office for funding, they may not have those funds available because they are working for the whole state. Environmental and Preliminary Engineering Report are completed. I think we are pretty close to that. Then we will be coming back to the corporation with our funding offer for them to except or turn it away at that point.

Kitty Powledge – 45% is the maximum grant say based on all factors that at present time the state only has 25% is it possible to come back for the additional funds or a one & done?

Ms. Chenoweth – This is a one and done. We are funding the entire project we take the whole project in to consideration.

Roy Davis- Say everything goes right and you apply for the money when does the money go to the bank? When does the new census go into effect?

Ms. Chenoweth- Depends on when the application is ready to be funded. Our Engineers and our environmental coordinator and we get the updated financial information from the corporation so I can do the under writing. Typically, we are able to fund a project within 90 days of a complete application. We are getting close to the end of our fiscal year which is September the 30<sup>th</sup>. That is when our funds cut off for this year. I can tell you right now we don't have any grant money available. We have to beg for it from our national office. Our new year begins October 1<sup>st</sup>. but as you know congress does not always pass a budget by October 1<sup>st</sup>. but we continue to process applications it could be December or January before your project can be funded waiting on funds. But we can get it to the point of obligation. Waiting for money to come down from congress. The new census is going to be coming into play October 1<sup>st</sup>. At this point I do not know if any projects that have been approved but not obligated, I do not know if those will be grandfathered in or not.

- Mr. Hays opened the floor again for questions. No one else stepped forward.

Mr. Hays – To echo what Ms. Chenoweth was saying we are close. We have already had the report to them they have reviewed it and had comments. We have addressed most of them the last two pieces are the propose first year operation and the expected rate structure. We are looking at the next few weeks so they can begin the processing the balance of the application.

Mr. Polansky made a motion to adjourn the meeting. Mr. Canady seconded the motion.

Mr. Ramsey – You haven't addressed the people to speak who signed up.

In the audience - several people call out saying they called for people to speak. Mr. Hays and Mr. Simcik confirmed there were requests for people to come forward to speak several times.

Mr. Ramsey- (Not able to hear. Speaking to low.) To many speaking at once across the room.

Mr. Simcik- There is a Call for a vote to adjourn.

Vote to adjourn: Robert Polansky, Dennis Debbendener, Cole Canady, Lyn Middleton, Stephen Symank, John Simcik

Unsure of vote: Carol Baker, Cheryl Helms, Don Ramsey

The majority have the vote. The vote passes. Meeting is adjourned at 7:50 p.m.

