

Case Study:

Fifth Ward Water Systems Avoyelles Parish, Louisiana



Improving Water Delivery in Rural Louisiana

Fifth Ward Water Systems is responsible for water delivery to the residents of a small, rural area of Avoyelles Parish in central Louisiana. The well and pneumatic ground water tank system created in the early 1970s was antiquated and no longer capable of serving the needs of Fifth Ward's 1,700 customers.

“When the electricity would go out, people were without water in 15 minutes,” says Ronald Lemoine, president of the board of directors for Marksville-based Fifth Ward. “Our system was old and our population was growing. We had tried for years to get money to develop a new water system, but this was not the type of project that interested prospective lenders.”

Ed Crump, Jr., Senior Business Development Officer for Red River Bank in nearby Alexandria, first heard about the water system's funding need from a local engineering firm. “We were a new bank at the time, and were the only bank in the area that belonged to FHLBank Dallas. Fifth Ward met a key qualification for the Economic Development

Program (EDP) – it was a rural area with a population under 25,000 where household incomes were at or below 115% of the Area Median Income.

Public-Private Financing Package

EDP provides low-cost advances to FHLBank Dallas members to help finance economic development and commercial revitalization in their communities. Using EDP, Red River Bank was able to provide a \$1.4 million, 15-year loan to fund the water system upgrade.

“Financing for water systems is difficult,” Crump said. “Banks don’t like to go over 10 years for loans. Water systems can also be a credit risk because their cash flow may not always meet their obligations. But Fifth Ward qualified for the USDA rural utilities loan guarantee and grant program, and that took away most of the credit risk for us,” Crump said.

“The EDP application process was amazing,” noted Crump. “The review process went much more quickly than expected. Securing the USDA loan guarantee and grant took more time and rates went up in the interim. However, because the EDP program provided a free rate lock, we did not need to pass the rate increase along,” Crump explained.

The Result

Lemoine has eliminated the ground storage tanks and built two, 250,000-gallon elevated water tanks. The new tanks, along with two large generators, ensure a continuous water supply, good water pressure and the ability to add more customers to the system.

“Programs like EDP can play a critical role in funding challenging projects like ours,” said Lemoine. “After years of seeking funds, we were able to move forward and make a big improvement in the quality of life for residents of this area.”