

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: October 5, 2023

Team Manager: Dain Larsen

ACTION REQUESTED

Consider approving by resolution a request from the Crystal Clear Special Utility District (Guadalupe County) to amend Texas Water Development Board Resolution No. 17-036 to authorize a) \$1,950,000 in financing from the Drinking Water State Revolving Fund for construction of a water system improvements; and b) a waiver from the requirement to include funds to mitigate water loss as a part of this project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The Crystal Clear Special Utility District (District) primarily serves an area in rural Guadalupe County and portions of Comal, Hays, and Caldwell counties located near the cities of San Marcos and Seguin. The District has 5,686 water and 176 wastewater connections and a service population of 17,961.

PROJECT NEED AND DESCRIPTION

In 2014, 2015, and 2016, the District received multiple enforcement actions from the Texas Commission on Environmental Quality due to aging infrastructure and system deficiencies. To address systemwide issues the District needed to combine pressure zones, develop redundancy in the system, and upgrade transmission lines. In 2023, the bid amounts received for the remaining project work exceeded available funding due to an escalation in construction costs.

The District's project includes work at multiple locations throughout the water system, including rehabilitation of several storage tanks, water treatment plant improvements, distribution system improvements, installation of new transfer pumps, construction of new storage tanks, and installation of relief valves to reduce pressure within the distribution system.

The District is requesting additional funds to construct a 600,000-gallon ground storage tank at the Nelson booster station, three booster pumps, a detention pond, and approximately 6,500 linear feet of 12-inch water main along Watson Lane.

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE OCTOBER 31, 2024

PROJECT SCHEDULE

Task	Schedule Date
Closing	January 15, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	March 23, 2023
Design Phase Completion	April 5, 2023
Start of Construction	July 26, 2023
Construction Completion	August 25, 2025

KEY ISSUES

The District is requesting funding from the 2023 Drinking Water State Revolving Fund Project reserve dedicated to existing projects with cost increases. The request is for additional funds resulting from cost increases to the original project only, no additional work is proposed. The District is also requesting a waiver from the requirement to include funds to mitigate water loss as a part of this project.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Resolution (17-036)
5. Water Conservation Review
6. Water loss waiver request letter
7. Location Map

Financial Review

Crystal Clear Special Utility District

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 4.37%	State: 1.49%
Top 10 Customers % of Total Revenue	11%	10-15%
Median Household Income as % of State	98%	100%
Days of Cash on Hand (3-year Average)	85 days	30-149 days
Net Fixed Assets/ Annual Depreciation	32 years	12-24 years
Debt Service Coverage Ratio	0.37x	1.0x
Debt-to-Operating Revenues	1.76x	4.00-5.99x
Unemployment Rate (July 2023)	Hays: 3.8%	State: 4.5%
Working Capital Ratio	1.29	> 1.0

Key Risk Score Strengths

- A high working capital ratio provides the District with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The County is seeing population growth that exceeds the state benchmark. Water connections have increased by 44 percent between 2018 and 2022.

Key Risk Score Concerns

- Based on 2022 audited figures, the District has a debt service coverage ratio of 0.37 times, the District is projected to need to raise rates by \$18.33 to meet the 1.0x coverage requirement. However, the analysis does not include non-operating revenue in the form of impact and installation fees of \$7,032,432. Impact fees have increased by 188 percent from the previous year and, if used, could offset the projected rate increases.

PLEDGE

Legal Pledge Name	Utility System Revenue
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (Year 2025)	Current Household Cost Factor	Projected Household Cost Factor
Water	8,008	\$57.48	\$66.65	1.64	2.00
Wastewater	8,630	\$25.10	\$34.27		

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the District could save approximately \$347,911 over the life of the financing.

Project Data Summary

Responsible Authority	Crystal Clear SUD
Program	DWSRF
Commitment Number	L1001697
Project Number	62742
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$1,950,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Bonds, Series 2024
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay < > Escrow Release
Qualifies as Disadvantaged	No
State Revolving Fund Type	Non-Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	No
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Dain Larsen	Rand Zeolla	Shubham Aggarwal	Kristin Miller	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Crystal Clear SUD

\$1,950,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Bonds, Series 2024

Dated Date: 1/15/2024	Source: DWSRF-NON-EQUIVALENCY
Delivery Date: 1/15/2024	Rate: 2.93%
First Interest: 9/15/2024	IUP Year: 2023
First Principal: 3/15/2025	Case: Revenue
Last Principal: 3/15/2044	Admin.Fee: \$38,235
Fiscal Year End: 09/30	Admin. Fee Payment Date: 1/15/2024
Required Coverage: 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$1,950,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$1,891,249	\$1,855,285	\$0	-	\$35,964	\$35,964	\$1,891,249	1.00
2025	1,978,404	1,855,322	70,000	2.47%	53,082	123,082	1,978,404	1.00
2026	1,978,404	1,848,785	75,000	2.37%	51,328	126,328	1,975,113	1.00
2027	1,978,404	1,847,036	75,000	2.30%	49,577	124,577	1,971,613	1.00
2028	1,978,404	1,844,683	80,000	2.30%	47,795	127,795	1,972,478	1.00
2029	1,978,404	1,834,328	80,000	2.29%	45,959	125,959	1,960,287	1.01
2030	1,978,404	1,834,548	85,000	2.34%	44,048	129,048	1,963,596	1.01
2031	1,978,404	1,479,705	85,000	2.32%	42,068	127,068	1,606,773	1.23
2032	1,978,404	1,226,959	90,000	2.37%	40,015	130,015	1,356,974	1.46
2033	1,978,404	1,220,749	90,000	2.46%	37,842	127,842	1,348,591	1.47
2034	1,978,404	1,219,016	95,000	2.58%	35,509	130,509	1,349,525	1.47
2035	1,978,404	1,211,507	100,000	2.70%	32,934	132,934	1,344,441	1.47
2036	1,978,404	1,130,781	100,000	2.81%	30,179	130,179	1,260,960	1.57
2037	1,978,404	896,528	105,000	2.93%	27,235	132,235	1,028,763	1.92
2038	1,978,404	896,830	105,000	3.01%	24,117	129,117	1,025,947	1.93
2039	1,978,404	897,533	110,000	3.05%	20,859	130,859	1,028,392	1.92
2040	1,978,404	896,790	115,000	3.09%	17,405	132,405	1,029,195	1.92
2041	1,978,404	900,126	115,000	3.13%	13,828	128,828	1,028,954	1.92
2042	1,978,404	898,908	120,000	3.17%	10,127	130,127	1,029,035	1.92
2043	1,978,404	896,090	125,000	3.21%	6,218	131,218	1,027,308	1.93
2044	1,978,404	132,854	130,000	3.24%	2,106	132,106	264,960	7.47
		\$26,824,363	\$1,950,000		\$668,192	\$2,618,192	\$29,442,555	

AVERAGE (MATURITY) LIFE	11.69 YEARS
NET INTEREST RATE	2.932%
COST SAVINGS	\$347,911
AVERAGE ANNUAL REQUIREMENT	\$124,676

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any warranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.



Project Budget Summary
Crystal Clear SUD
62742 - Crystal Clear Water System Improvements

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Local and Other Funds	Total
Construction					
Construction	\$11,366,274.25	\$1,253,782.00	\$12,620,056.25	\$1,973,563.53	\$14,593,619.78
Subtotal for Construction	\$11,366,274.25	\$1,253,782.00	\$12,620,056.25	\$1,973,563.53	\$14,593,619.78
Basic Engineering Services					
Construction Engineering	\$523,207.00	\$20,000.00	\$543,207.00	\$0.00	\$543,207.00
Design	\$1,300,000.00	\$0.00	\$1,300,000.00	\$0.00	\$1,300,000.00
Planning	\$50,183.35	\$0.00	\$50,183.35	\$0.00	\$50,183.35
Subtotal for Basic Engineering Services	\$1,873,390.35	\$20,000.00	\$1,893,390.35	\$0.00	\$1,893,390.35
Special Services					
Application	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Environmental	\$123,392.60	\$0.00	\$123,392.60	\$0.00	\$123,392.60
Geotechnical	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Inspection	\$12,480.00	\$0.00	\$12,480.00	\$0.00	\$12,480.00
Permits	\$37,737.41	\$0.00	\$37,737.41	\$0.00	\$37,737.41
Project Management (by engineer)	\$190,681.80	\$0.00	\$190,681.80	\$0.00	\$190,681.80
Surveying	\$714,576.84	\$0.00	\$714,576.84	\$0.00	\$714,576.84
Testing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Distribution Modeling	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal for Special Services	\$1,078,868.65	\$0.00	\$1,078,868.65	\$0.00	\$1,078,868.65
Fiscal Services					
Bond Counsel	\$121,250.00	\$35,000.00	\$156,250.00	\$0.00	\$156,250.00
Financial Advisor	\$219,843.75	\$50,000.00	\$269,843.75	\$0.00	\$269,843.75
Fiscal/Legal	\$10,300.00	\$0.00	\$10,300.00	\$0.00	\$10,300.00
Issuance Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Loan Origination Fee	\$330,073.00	\$38,235.00	\$368,308.00	\$0.00	\$368,308.00
Subtotal for Fiscal Services	\$681,466.75	\$123,235.00	\$804,701.75	\$0.00	\$804,701.75
Other					
Land/Easements Acquisition	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Project Legal Expenses	\$0.00	\$15,000.00	\$15,000.00	\$0.00	\$15,000.00
Subtotal for Other	\$0.00	\$15,000.00	\$15,000.00	\$0.00	\$15,000.00
Contingency					
Contingency	\$0.00	\$537,983.00	\$537,983.00	\$0.00	\$537,983.00
Subtotal for Contingency	\$0.00	\$537,983.00	\$537,983.00	\$0.00	\$537,983.00
Total	\$15,000,000.00	\$1,950,000.00	\$16,950,000.00	\$1,973,563.53	\$18,923,563.53

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 17-086
TO PROVIDE ADDITIONAL FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$1,950,000 TO THE CRYSTAL CLEAR SPECIAL UTILITY DISTRICT

(23 -)

Recitals:

At its May 4, 2017 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 17-036, made a commitment to provide financial assistance in the amount of \$15,000,000 to the Crystal Clear Special Utility District (District) from the Drinking Water State Revolving Fund, to finance improvements to its water system, to be secured by the TWDB's purchase of \$15,000,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Bonds, Series 2017 for Project No. 62742, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made.

The District has requested that the TWDB amend Resolution No. 17-036 to provide additional financial assistance to enable the improvements to its water system.

The District is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the District's system water loss because the District has been working diligently through multiple methods to reduce the District's water loss and is seeing improvement year over year.

In accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law.

Findings:

The TWDB finds that the amendment(s) to the amount of financial assistance is reasonable and that the request is in the public interest and will serve a public purpose.

The term of the Obligations does not exceed the expected useful life of the project proposed by the District.

That based on the conditions, as described above, that the District is satisfactorily addressing the District's system water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the District's system water loss in accordance with Texas Water Code § 16.0121(g);

NOW THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the Crystal Clear Special Utility District for financial assistance in the amount of \$1,950,000 from the Drinking Water State

Revolving Fund through the TWDB's purchase of \$1,950,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Bonds, Proposed Series 2024. This Commitment will expire on October 31, 2024.

All terms and conditions of TWDB Resolution No. 17-036 shall remain in full force and effect except as follows:

1. TWDB Resolution No. 17-036 Condition No. 8 is replaced with: The Obligations must require the District to use any proceeds from the Obligations that are determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
2. TWDB Resolution No. 17-036 Condition No. 29 is replaced with: The obligations must provide that the District must provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District must obtain a Unique Entity Identification Number and must register with System for Award Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.
3. TWDB Resolution No. 17-036 Condition No. 32 is replaced with: The District must pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

The following conditions are added to TWDB Resolution No. 17-036:

4. The Obligations must provide that the District must comply with all applicable federal laws, state laws, and TWDB rules related to the use of the financial assistance.
5. The Obligations must provide that the District comply with all conditions as specified in the final environmental findings of the Executive Administrator including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
6. The Obligations must require the District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
7. The Obligations must provide that the District must submit annually and audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
8. Before closing, the District must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.

9. The Obligations must provide that the District must abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

APPROVED and ordered of record this the 5th day of October 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$15,000,000 TO THE CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$15,000,000 CRYSTAL CLEAR SPECIAL UTILITY DISTRICT COMBINATION WATER AND
SEWER SYSTEM REVENUE BONDS,
PROPOSED SERIES 2017**

(17-036)

WHEREAS, the Crystal Clear Special Utility District (District), located in Caldwell, Comal, Guadalupe, and Hays Counties, has filed an application for financial assistance in the amount of \$15,000,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design, and construction of certain water system improvements identified as Project No. 62742; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$15,000,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Bonds, Proposed Series 2017 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the District has offered a pledge of net revenues of the District's water and sewer system as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13; and

WHEREAS, on March 7, 2017, the District is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the District's system water loss because it has used sonic leak detection equipment and implemented an extensive a meter replacement program, replacing approximately 750 out of a total of 5,200 meters in the District's service area since 2013.

WHEREAS, the TWDB hereby finds:

1. that the revenues pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;

3. that the District has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);
5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the District and filed with the TWDB in accordance with Texas Water Code § 16.053(j); and
6. that based on the conditions, as described above, that the District is satisfactorily addressing the District's system water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the District's system water loss in accordance with Texas Water Code § 16.0121(g).

NOW, THEREFORE, based on these findings, the TWDB resolves as follows:

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g); and
2. A commitment is made by the TWDB to the Crystal Clear Special Utility District for financial assistance in the amount of \$15,000,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$15,000,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Bonds, Proposed Series. This commitment will expire on May 31, 2018.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 371;

4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the District, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the District's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the District to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the District to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) deposit into a reserve fund;
9. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;

10. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
11. loan proceeds shall not be used by the District when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
12. prior to closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
13. prior to closing, and if not previously provided with the application, the District shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
14. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
15. the Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
16. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

Conditions Related to Tax-Exempt Status

17. the District's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the District when rendering this opinion;
18. the District's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
19. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
20. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
21. the Obligations must include a provision requiring the District take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the District will:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures

and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;

- b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The District shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the Loan, and in order to induce the making of the Loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
- 22. the Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
 - 23. the Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 - 24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
 - 25. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;

26. the Obligations must provide that neither the District nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the District by the TWDB;

State Revolving Fund Conditions

27. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
28. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
29. the Obligations must include a provision stating that the District shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
30. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the District will adhere to the approved project schedule;
31. The Obligations must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

32. prior to or at closing, the District shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;
33. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the District has demonstrated the necessary financial,

managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;

34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

Pledge Conditions for the Loan

35. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
36. if the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
37. the Obligations must contain a provision providing that additional parity revenue obligations may only be incurred if:
 - a. the Chief Administrative Officer of the District has issued a certificate stating that no default exists in connection with any of the covenants or requirements of the resolutions authorizing the issuance of all then outstanding parity obligations;
 - b. that the interest and sinking fund and the reserve fund for each outstanding parity obligation contains the amount then required to be on deposit therein; and
 - c. acceptable evidence has been provided to all parity bond holders that during the next succeeding fiscal year following the month in which the resolution authorizing the issuance of the then proposed additional parity obligations is passed, the net system revenues are at least 1.20 times the average annual debt service requirements (principal and interest) of all parity obligations, which are scheduled to be outstanding after the delivery of the then proposed additional parity obligations. Subsection (c), may be waived or modified only upon the written consent of parity obligation holders representing seventy-five percent (75%) of the then outstanding parity obligations.

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

38. the District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility;
39. the Obligations must include a provision requiring that, prior to any action by the District to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB;
40. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the District has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
41. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the District has the right to use the water that the project financed by the TWDB will provide; and
42. prior to the release of funds, the District shall provide a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule.

APPROVED and ordered of record this 4th day of May, 2017.

TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 5-4-17

ATTEST:



Jeff Walker
Executive Administrator

Review Date:

Project ID:

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:**Approvable****Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline			
5-year Goal			
10-year Goal			

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI¹:

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

WATER LOSS THRESHOLDS

Water Loss Project:

Wholesale Adjusted:

Threshold Type:

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day

Does the applicant meet Water Loss Threshold Requirements?

Yes**No****NA****ADDITIONAL INFORMATION****STAFF NOTES AND RECOMMENDATIONS**

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population divided by 365.

Total water loss is the sum of the apparent and real water losses.

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



September 11, 2023

Dain Larsen – Assistant Director
Regional Water Project Development
Texas Water Development Board
1700 N. Congress Ave.
Austin, TX – 78701

Dear Mr. Larsen:

I am writing on behalf of Crystal Clear Special Utility District (CCSUD) to formally request a water loss waiver for our upcoming Drinking Water State Revolving Fund with the Texas Water Development Board (TWDB). Crystal Clear is diligently working to reduce its system's water loss. I would like to go through some of the processes that we have in place and things that we have done to try and mitigate our water loss. While our system's water loss numbers are not where we would ultimately like them to be, we are seeing improvement year over year. I believe if we continue down this path going forward, we will achieve our goal and meet the threshold.

- Our typical response time when a leak is reported is less than an hour, from that point our staff determines if the leak is either classified as an emergency or a non-emergency. If it is classified as an emergency then the leak is repaired that same day, usually within 3-4 hours. If it is classified as a non-emergency then we allow 48-hours for locators to respond to the ticket request before repairing the leak. I believe our response time when we are notified of a leak in our system is above average for a utility like ours.
- When we are sent out in the field to make repairs in areas that are problematic and leak prone, we are taking the extra time and materials that we need in order to make a repair that is going to last and ensure that we don't have to come back to that section of the line in the near future. This means that we are replacing 20' sections of pipe at a time when making repairs and in multiple instances we have replaced upwards of 500' of main line in a day. When we do this, we are removing any previous fixes on that section of main line which eliminates the number future failure points that may cause us to return to that area sooner than we would like to. This measure alone has proven to reduce our number of leaks and therefore has reduced water loss. As I'm sure you are aware, it is very hard for a utility to fund all of its capital improvement projects all at once. It's just not feasible sometimes. But what is feasible is to have our crews take the time to make quality repairs when they are out in the field and that means replacing more linear feet of pipe when they do have to be out there. The fruits of our labor seem to be

paying off, this is the first summer in the 5 years that I have been here that we just simply aren't seeing the volume of leaks that we have in the past. Where in previous years we might have had fifty (50) known, outstanding leaks in our system on any given day, we have been able to get that number of outstanding leaks down to about five-ten (5-10) known leaks and keep it there.

- In 2020, Crystal Clear Special Utility District completed a system wide AMI/AMR meter change-out program. In addition, we have even installed about five-hundred (500) of Kamstrup acoustic leak detection meters. These meters will monitor the frequencies and vibrations in the pipe and notify us of any potential leak in the area between two meters. These meters have proven to be very accurate and helpful, especially in rural areas that aren't as heavily patrolled by our staff and might go unnoticed for an extended period of time if we didn't have these types of meters.
- Crystal Clear continues to utilize SAMCO leak detection services, as well as others. Most recently SAMCO was out in our system conducting a pilot study in our system with their new drone technology. They now have the ability to use infrared drone technology to locate leaks from an aerial view.
- Over the last couple of years, Crystal Clear has optimized the way some of their pump stations operate. For an example, we have installed variable frequency drives with a speed control on them to get the pump to ramp down the closer it gets to meeting it's desired pressure. This ultimately eliminates the number of times a pump will cycle (on/off) which can cause pressure spikes/water hammers in the distribution system. We have also made some adjustments and minor changes to the way our control valves operate. System distribution pressure is typically much higher on a closed valve than on an open one. By keeping these valves in an open position longer, we will essentially reduce the pipeline pressure, and combat water age at the same time. These valves are typically set up to just float open and stay open at a lessor flow rate, reducing the number of times those valves actuate closed in a 24-hour period. An additional step I would like to see taken in our system is attaching an open/closed solenoid to either side of the control valve to where there is never really a need to fully close the valve in the first place. Then we could manipulate the valve remotely based on our demands.
- One of our most recent projects that has taken place in the last 6-months has been the installation of one (1) - 12" PRV and one (1) - 6" PRV. These two PRV's were placed in a problem area of our system where pipeline infrastructure has aged and distribution system pressures were excessive. By doing this we were able to reduce the pressure in a large rural area by about 40-PSI. I expect by mitigating the pressure in that area we will start to see the number of leaks decrease as well. Resulting in less water loss.
- The 2023 CIP used a scoring matrix to identify and prioritize each capital improvement project. Known leaks throughout the system were applied to projects (if applicable) giving that project a higher score and higher priority rating. Leak detection data and reports were used along with leak repair data from the district's internal work order system. The compiled data was used to identify areas of the system that are prone to leaks and prioritize them based on the severity of leaks. The district will replace aged, leaking pipes over the next 10 years based on the project schedule set in the CIP.

In summary, Crystal Clear Special Utility District has, in recent years, made substantial efforts to mitigate water loss in and throughout its system and will continue to do so. We believe that water, now, more so than ever, is our most precious resource. If you have any questions, please feel free to contact our office at (830) 372-1031.

Regards,

A handwritten signature in blue ink, appearing to read "Cayton Germany".

Cayton Germany – Operations Manager – Crystal Clear Special Utility District



Crystal Clear SUD Hays County

