



PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2024

Team Manager: David Firgens

ACTION REQUESTED

Consider approving by resolution a request from the Canyon Regional Water Authority (Atascosa, Bexar, Caldwell, Comal, Guadalupe, Hays, and Wilson counties) for \$24,920,000 in multi-year financing from the State Water Implementation Revenue Fund for Texas for planning, design and construction of water system improvements.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Canyon Regional Water Authority (Authority) service area extends from Atascosa County to Hays County. The Authority currently has 11 members and 2 non-member, wholesale customers, the cities of San Antonio and San Marcos. The proposed project benefits four wholesale customers with a combined service population of 21,567, and the City of San Marcos.

PROJECT NEED AND DESCRIPTION

In 2017, the Authority received Texas Water Development Fund financing for the Hays Caldwell Water Treatment Plant (HCWTP) to reduce trihalomethanes (THM) in its treated water and to improve the intake structure. The project benefited four wholesale customers, including two water supply corporations (WSC) and two special utility districts (SUD). These customers include: Martindale WSC, Maxwell WSC, County Line SUD, and Crystal Clear SUD.

The original project to construct an ozone system, electrical building, clearwell, and to rehabilitate an existing clearwell has been delayed due to permitting and cost increases. In addition, continued population growth in the service areas of the project participants has increased the need for treatment capacity. In 2021, the Authority revised the scope of the project to expand the treatment capacity of the HCWTP from 3.44 to 6 million gallons per day (MGD). The Authority also executed an agreement with the four original project participants and the City of San Marcos (City) to share the costs of the original project and expand capacity. In the agreement, the City agreed to contribute approximately \$8 million to the project and secured the right to utilize approximately 30 percent of the additional capacity to be added with the revised project. Private market bonds were issued to begin the expansion.

Multi-Year Commitment	Expiration Date
\$1,500,000 Proposed Series 2024	December 31, 2024
\$11,710,000 Proposed Series 2025	December 31, 2025
\$11,710,000 Proposed Series 2026	December 31, 2026

The Authority is planning for an ultimate capacity of 12 MGD at the HCWTP. The project design assumes the ultimate capacity, but the revised project does not expand HCWTP's capacity beyond 6 MGD.

The Authority received regulatory approvals for the intake structure improvements in late 2023 and currently has an environmental finding for all components of the original project. The cost of the original project has more than doubled since 2017.

The Authority requests additional project funding for the revised scope to expand the treatment capacity of HCWTP to 6 MGD, replace the existing membrane system that is beyond its useful life, and to complete construction of an ozone system, electrical building, and improvements to the raw water intake structure. Existing funds are sufficient for the clearwells.

Task	Schedule Date
Closing	December 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	September 30, 2024
Design Phase	May 31, 2025
Start of Construction	June 30, 2025
Construction Completion	May 31, 2027

KEY ISSUES

The City will determine prior to execution of a financing agreement whether to pay its share of project costs with cash or a new contract with the existing debt participants. In either scenario the City is assuming approximately 30 percent of the costs. However, if the City is a cash participant, then the allocation of debt service will be modified slightly, and the Authority's requested debt financing will decrease by approximately 30 percent. Allocation of debt service payments in both scenarios are shown below. The City is a highly rated credit and benefits the project in either scenario.

Participant	San Marcos-Debt	San Marcos-Cash
County Line SUD	29.275	42.860
Crystal Clear SUD	11.191	17.420
Martindale WSC	9.982	5.170
Maxwell WSC	20.143	34.550
City of San Marcos	29.409	0

LEGAL/SPECIAL CONDITIONS

- Water rights determination

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (24-)
4. Water Conservation Review
5. Location Map

Financial Review

Canyon Regional Water Authority

Attachment 1

Risk Score:

County Line SUD – 2B
 Crystal Clear SUD – 2B
 Martindale WSC – 2B
 Maxwell SUD – 2B
 San Marcos – 2A

Audit Reviewed: FY 2023

Key Indicators

Indicator	County Line SUD	Crystal Clear SUD	Martindale WSC	Maxwell SUD	San Marcos	Benchmark
Population Growth, Average Annual 2010-2020	Caldwell and Hays County: 3.93%	Guadalupe County: 2.76%	Caldwell County: 1.89%	Caldwell County and Hays County: 3.93%	City of San Marcos: 4.17%	State: 1.49%
Top 10 Customers % of Total Revenue	15%	6%	10%	18%	11%	10-15%
Median Household Income as % of State	Caldwell and Hays County: 89%	Guadalupe County: 104%	Caldwell County: 80%	Caldwell County and Hays County: 89%	City of San Marcos: 65%	100%
Days of Cash on Hand (3-year Average)	1,103 days	144 days	154 days	1,175 days	1,463 days	30-149 days
Net Fixed Assets/ Annual Depreciation	30 years	33 years	18 years	15 years	7 years	12-24 years
Debt Service Coverage Ratio	3.15x	0.89x	1.64x	2.41x	2.27x	1.0x
Debt-to-Operating Revenues	6.84x	4.20x	2.39x	7.27x	2.67x	4.00-5.99x
Unemployment Rate (April, 2024)	Caldwell and Hays County: 3.00%	Guadalupe County: 3.10%	Caldwell County: 3.10%	Caldwell County and Hays County: 3.00%	City of San Marcos : 3.00%	State: 3.50%
Working Capital Ratio	8.78	1.27	3.39	17.44	6.93	> 1.00

Key Risk Score Strengths

- The County Line SUD, the City of San Marcos, and the Maxwell SUD have sufficient utility system revenues to maintain debt service coverage without increasing rates.
- All five underlying customers have high working capital ratios that allow them to pay off their short-term debt with short-term assets, demonstrating a strong liquidity position.
- All five underlying customers also have high population growth which has caused their revenues and connections to increase. County Line SUD, the City of San Marcos, and Maxwell SUD have experienced the highest connection growth since 2020, with County Line SUD's number of connections increasing by 1,712 and Maxwell SUD's connections increasing by 1,706.

Key Risk Score Concerns

- Based on a no-growth scenario, both Crystal Clear SUD and Maxwell SUD would need rate increases to cover the proposed debt. Crystal Clear SUD would need to implement a maximum rate increase of \$12.79 in 2043 and Maxwell SUD would need to implement a rate increase of \$1.95 in 2048, and Martindale WSC would need to implement a maximum rate increase of \$4.10 in 2033. However, the needed rate increases are expected to lessen over time due to the high growth that the areas are experiencing.
- Maxwell SUD's top 10 customers represent 18 percent of the total system revenues with the highest customer being a mobile home development at 5.37 percent. A stress test that removed these revenues indicated that the District would need a rate increase of \$12.27 in 2048 to cover the proposed debt.

PLEDGE

Legal Pledge Name	Contract Revenues
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input checked="" 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 (County Line SUD)

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	2,255	\$71.00	\$71.00	2.55	2.55

RATES AND CHARGES (Crystal Clear SUD)

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2043)	Current Household Cost Factor	Projected Household Cost Factor
WATER	10,000	\$144.58	\$157.37	3.95	4.18
WASTEWATER	10,000	\$67.84	\$67.84		

RATES AND CHARGES (Martindale WSC)

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2033)	Current Household Cost Factor	Projected Household Cost Factor
WATER	10,000	\$150.68	\$154.78	4.65	4.75

RATES AND CHARGES (City of San Marcos)

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	5,000	\$26.82	\$26.82	3.16	3.16
WASTEWATER	5,000	\$54.56	\$54.56		

RATES AND CHARGES (Maxwell SUD)

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (2048)	Current Household Cost Factor	Projected Household Cost Factor
WATER	5,500	\$75.00	\$76.95	2.64	2.68

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Authority could save approximately \$1,993,623 over the life of the financing.

Project Data Summary

Responsible Authority	Canyon Regional WA
Program	SWIFT
Commitment Number	LM2401841, LM2501841, LM2601841
Project Number	21767
List Year	2024
Type of Pledge	Contract Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$1,500,000 Canyon Regional Water Authority Tax-Exempt Contract Revenue Bonds, Series 2024, \$11,710,000 Canyon Regional Water Authority Tax-Exempt Contract Revenue Bonds, Series 2025, \$11,710,000 Canyon Regional Water Authority Tax-Exempt Contract Revenue Bonds, Series 2026
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Low-Interest
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Design, and Construction
Pre-Design	Yes
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
David Firgens	Jacob Berdoll	Shubham Aggarwal	Chris Caran	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Canyon Regional Water Authority

\$1,500,000 Canyon Regional Water Authority Contract Revenue Bonds, Series 2024

Dated Date:	12/1/2024	Source:	SWIFT-LOW-30YR
Delivery Date:	12/1/2024	Rate:	4.01%
First Interest:	8/1/2025	IUP Year:	2024
First Principal:	8/1/2025	Case:	Revenue
Last Principal:	8/15/2054	Admin. Fee:	\$0
Fiscal Year End:	09/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

\$ 23,420,000

SERIES 2025
TO 2026*

	PROJECTED	CURRENT	\$1,500,000 ISSUE							
FISCAL YEAR	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	DEBT SERVICE	TOTAL DEBT SERVICE	COVERAGE	
2025	\$19,398,369	\$18,111,871	\$30,000	3.27%	\$38,281	\$68,281	\$1,218,216	19,398,369	1.00	
2026	22,487,679	19,343,795	25,000	3.24%	56,441	81,441	3,062,443	22,487,679	1.00	
2027	23,113,515	19,350,525	25,000	3.14%	55,631	80,631	3,682,360	23,113,515	1.00	
2028	23,178,116	19,362,190	25,000	3.13%	54,846	79,846	3,736,080	23,178,116	1.00	
2029	23,178,116	15,574,796	30,000	3.13%	54,064	84,064	3,746,402	19,405,261	1.19	
2030	23,178,116	15,257,571	30,000	3.13%	53,125	83,125	3,755,325	19,096,020	1.21	
2031	23,178,116	15,268,730	30,000	3.14%	52,186	82,186	3,762,771	19,113,686	1.21	
2032	23,178,116	15,282,736	35,000	3.16%	51,244	86,244	3,773,728	19,142,707	1.21	
2033	23,178,116	12,390,860	35,000	3.18%	50,138	85,138	3,787,700	16,263,697	1.43	
2034	23,178,116	12,387,974	35,000	3.19%	49,025	84,025	3,794,624	16,266,622	1.42	
2035	23,178,116	12,391,139	40,000	3.28%	47,908	87,908	3,809,648	16,288,695	1.42	
2036	23,178,116	8,889,250	40,000	3.38%	46,596	86,596	3,815,741	12,791,587	1.81	
2037	23,178,116	8,885,569	40,000	3.49%	45,244	85,244	3,823,022	12,793,834	1.81	
2038	23,178,116	8,521,112	45,000	3.62%	43,848	88,848	3,835,880	12,445,840	1.86	
2039	23,178,116	8,347,890	45,000	3.69%	42,219	87,219	3,844,044	12,279,153	1.89	
2040	23,178,116	8,359,221	45,000	3.73%	40,559	85,559	3,853,013	12,297,792	1.88	
2041	23,178,116	8,353,834	50,000	3.81%	38,880	88,880	3,856,791	12,299,505	1.88	
2042	23,178,116	7,580,364	50,000	3.86%	36,975	86,975	3,866,115	11,533,454	2.01	
2043	23,178,116	7,566,828	55,000	3.90%	35,045	90,045	3,881,012	11,537,884	2.01	
2044	23,178,116	7,557,626	55,000	3.94%	32,900	87,900	3,886,169	11,531,695	2.01	
2045	23,178,116	7,552,465	60,000	4.12%	30,733	90,733	3,886,779	11,529,976	2.01	
2046	23,178,116	6,827,659	60,000	4.12%	28,261	88,261	3,898,901	10,814,820	2.14	
2047	23,178,116	6,817,586	65,000	4.12%	25,789	90,789	3,906,335	10,814,709	2.14	
2048	23,178,116	6,321,623	70,000	4.12%	23,111	93,111	3,914,079	10,328,812	2.24	
2049	23,178,116	6,308,896	70,000	4.12%	20,227	90,227	3,921,930	10,321,053	2.25	
2050	23,178,116	5,065,370	75,000	4.23%	17,343	92,343	3,929,686	9,087,399	2.55	
2051	23,178,116	3,326,816	80,000	4.23%	14,171	94,171	3,938,703	7,359,689	3.15	
2052	23,178,116	3,320,448	80,000	4.23%	10,787	90,787	3,936,853	7,348,087	3.15	
2053	23,178,116	2,499,233	85,000	4.23%	7,403	92,403	3,944,347	6,535,983	3.55	
2054	23,178,116	2,511,943	90,000	4.23%	3,807	93,807	3,955,557	6,561,307	3.53	
		\$299,335,917	\$1,500,000		\$1,106,782	\$2,606,782		\$416,167,534		

*Includes debt service due to Alliance Regional Water Authority for proposed SWIFT project.

AVERAGE (MATURITY) LIFE	18.41 YEARS
NET INTEREST RATE	4.007%
TOTAL COST SAVINGS	\$1,993,623
AVERAGE ANNUAL REQUIREMENT	\$81,462

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 guaranty 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

Canyon Regional WA
21767 - Hays-Caldwell Water Treatment Plant
Improvement Project

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Local and Other Funds
Construction				
Construction	\$3,130,721.00	\$23,420,000.00	\$26,550,721.00	\$14,576,102.00
Subtotal for Construction	\$3,130,721.00	\$23,420,000.00	\$26,550,721.00	\$14,576,102.00
Basic Engineering Services				
Basic Engineering Other (Describe)	\$0.00	\$0.00	\$0.00	\$0.00
Construction Engineering	\$315,400.00	\$355,000.00	\$670,400.00	\$0.00
Design	\$602,900.00	\$740,000.00	\$1,342,900.00	\$0.00
Planning	\$208,000.00	\$375,000.00	\$583,000.00	\$0.00
Subtotal for Basic Engineering Services	\$1,126,300.00	\$1,470,000.00	\$2,596,300.00	\$0.00
Special Services				
Application	\$45,500.00	\$0.00	\$45,500.00	\$0.00
Environmental	\$37,200.00	\$0.00	\$37,200.00	\$0.00
Geotechnical	\$86,200.00	\$10,000.00	\$96,200.00	\$0.00
Inspection	\$94,000.00	\$10,000.00	\$104,000.00	\$0.00
O&M Manual	\$0.00	\$0.00	\$0.00	\$0.00
Permits	\$0.00	\$0.00	\$0.00	\$0.00
Surveying	\$21,900.00	\$0.00	\$21,900.00	\$0.00
Testing	\$30,000.00	\$10,000.00	\$40,000.00	\$0.00
Subtotal for Special Services	\$314,800.00	\$30,000.00	\$344,800.00	\$0.00
Fiscal Services				
Bond Counsel	\$107,000.00	\$0.00	\$107,000.00	\$251,700.00
Financial Advisor	\$90,604.00	\$0.00	\$90,604.00	\$218,500.00
Fiscal/Legal		\$0.00	\$0.00	\$25,000.00
Issuance Costs	\$800.00	\$0.00	\$800.00	\$50,000.00
Subtotal for Fiscal Services	\$198,404.00	\$0.00	\$198,404.00	\$646,900.00
Other				
Land/Easements Acquisition	\$0.00	\$0.00	\$0.00	\$0.00
Other- SCADA; Ozone Lease Payment	\$65,000.00	\$0.00	\$65,000.00	\$0.00
Subtotal for Other	\$65,000.00	\$0.00	\$65,000.00	\$0.00
Contingency				
Contingency	\$164,775.00	\$0.00	\$164,775.00	\$2,000,000.00
Subtotal for Contingency	\$164,775.00	\$0.00	\$164,775.00	\$2,000,000.00
Total	\$5,000,000.00	\$24,920,000.00	\$29,920,000.00	\$17,121,302.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO CANYON REGIONAL
WATER AUTHORITY
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$24,920,000
CANYON REGIONAL WATER AUTHORITY TAX-EXEMPT CONTRACT REVENUE
BONDS (HAYS/CALDWELL COUNTIES AREA PROJECT),
PROPOSED SERIES 2024 THROUGH PROPOSED SERIES 2026

(24-)

Recitals:

The Canyon Regional Water Authority (Authority), located in Atascosa, Bexar, Caldwell, Comal, Guadalupe, Hays, and Wilson Counties, has filed an application for financial assistance in the amount of \$24,920,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, design and construction of water system improvement identified as Project No. 21767 (Project).

The Authority seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$24,920,000 Canyon Regional Water Authority Tax-Exempt Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Proposed Series 2024 through Proposed Series 2026 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The Authority has offered a pledge of contract revenues as sufficient security for the repayment of the Obligations.

Subject to the Authority's use of an approved debt service structure, interest rate subsidies are available to the Authority for State Fiscal Year 2024 at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% for financial assistance for a term of 26 to 30 years. The interest rate subsidy applicable to each subsequent proposed series may be different than the interest rate subsidy available for State Fiscal Year 2023 and will be set through each financing agreement executed between the TWDB and the Authority.

The interest rate subsidies provided above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program.

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.

2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The Authority has submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
4. The Authority acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB commits to the following:

The TWDB will provide financial assistance to Canyon Regional Water Authority in the amount of \$24,920,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of Canyon Regional Water Authority Canyon Regional Water Authority Contract Revenue Bonds as follows:

- a. \$1,500,000 Proposed Series 2024, to expire on December 31, 2024;
- b. \$11,710,000 Proposed Series 2025, to expire on December 31, 2025; and
- c. \$11,710,000 Proposed Series 2026, to expire on December 31, 2026.

The commitment is subject to the following:

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 the Authority has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the Obligations are valid and binding obligations of the Authority.
3. This commitment is contingent upon the Authority's continued compliance with all applicable laws, rules, policies, and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement.
4. This commitment is contingent upon the Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.

5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.
6. The Authority shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that 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.
8. The Obligations must provide that the Authority will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. The Obligations must provide that the Authority must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
10. The Obligations must contain a provision requiring the Authority to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein the Authority, 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 Authority'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 the 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 SEC rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to the bonds under SEC Rule 15c2-12.
12. The Obligations must include a provision requiring the Authority to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
13. 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.

14. Financial assistance 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.
15. Financial assistance proceeds shall not be used by the Authority when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall include a provision that states the Authority is solely responsible for liability resulting from acts or omissions of the Authority, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
16. The Obligations must include a provision stating that the Authority shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.
17. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).
18. The Authority must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Government Code § 2.103 and Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.
19. The Obligations must provide that the Authority will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
20. The Obligations must include a provision that if the collateral or credit pledged by the Authority securing the Obligations is rated by a nationally-recognized statistical rating agency, the Authority, or other obligated person, will not discontinue the rating issued by a nationally-recognized statistical rating agency until the underlying Obligations are retired or no longer held by TWDB.

Tax-Exempt Conditions:

21. The Obligations must include a provision prohibiting the Authority from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal

Revenue Code as amended (Code) and the Treasury Regulations promulgated under it (Regulations).

22. The Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments, as defined in the Code and Regulations, that produce a yield materially higher than the yield on the TWDB’s bonds issued to provide the financial assistance (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 the proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund within the meaning of section 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the lesser 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.
23. The Obligations must include a provision that the Authority must take all necessary steps to comply with the requirement that amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the Authority 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 the accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with the Gross Proceeds;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the associated rulings. The Authority shall maintain a copy of the calculations for at least six years after the final Computation Date;

- c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners of TWDB's Bonds for federal income tax purposes;
 - d. exercise reasonable diligence to ensure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time, including payment to the United States of any interest and any penalty required by the Regulations.
- 24. The Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
 - 25. The Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
 - 26. The Obligations must contain a covenant that the Authority will refrain from using the proceeds of the Obligations to pay debt service on another issue of the borrower's obligations in contravention of section 149(d) of the Code (related to "advance refundings").
 - 27. The Obligations must provide that neither the Authority nor a party related to it 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 Authority by the TWDB.

Pledge Conditions:

- 28. The Obligations must contain a provision requiring that, upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review.
- 29. The Obligations must contain a provision requiring the Authority to maintain and enforce the contracts with its customers so that the revenues paid to the Authority by its customers are sufficient to meet the revenue requirements of the Authority's obligations arising from the operation of the water system.
- 30. The Obligations must contain a provision that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations.

Conditions To Close Or For Release Of Funds:

31. Before closing, if not previously provided with the application, the Authority shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel 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.
32. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
33. Before closing, the Authority shall 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.
34. Before closing, the Authority'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 Authority when rendering this opinion.
35. Before closing, the Authority's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion.
36. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.
37. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue 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 section 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.
38. Before closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. The contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Authority's debt service obligations and additional parity obligations.

Special Conditions:

39. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the Authority 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.
40. Before 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 Authority has the right to use the water that the Project financed by the TWDB will provide.

APPROVED and ordered of record this, the 23rd day of July 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Interim Executive Administrator

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Review Date:

Project ID:

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:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold

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.

GMD means gallons per mile 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 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.



Canyon Regional WA Hays County

