



PROJECT FUNDING REQUEST

BOARD DATE: April 11, 2024

Team Manager: Dain Larsen

ACTION REQUESTED

Consider approving by resolution a request from the Crystal Clear Special Utility District (Guadalupe County) to authorize a) \$18,470,000 in financing from the Texas Water Development Fund for water system improvements; b) a waiver from the requirement to include funds to mitigate water loss as a part of this project; and c) a request for a waiver from the requirement that the project be consistent with the state and regional water plans.

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 New Braunfels, two of the fastest growing small cities in the nation. The District has 5,686 water and 176 wastewater connections and a service population of 17,383.

PROJECT NEED AND DESCRIPTION

To comply with Texas Commission of Environmental Quality minimum requirements the District needs to increase storage and water supply to maintain system pressure in the northern portion of its service area.

The District proposes to construct three new elevated storage tanks to add 2.5 million gallons of storage capacity to the system, and approximately 14,000 linear feet of new water main lines. The District will also complete construction of three wells that were drilled and cased in 2013 to identify future water sources.

PROJECT SCHEDULE

Task	Schedule Date
Closing	August 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	May 1, 2024
Design Phase Completion	May 15, 2024
Start of Construction	July 14, 2024
Construction Completion	December 12, 2026

COMMITMENT PERIOD: FIVE (5) MONTHS TO EXPIRE SEPTEMBER 30, 2024

KEY ISSUES

The District is requesting a waiver from the requirement to include funds to mitigate water loss as a part of this project. The District is above its threshold for real water loss. To address its water loss the District recently installed meters and valves, and the proposed project includes the replacement of lines, reducing the potential for leaks in those areas. The District also participated in a Texas Water Development Board 2021 Water Loss Validation Study and has shown a reduction in its water loss. These actions will help mitigate the District's real water loss, which justifies the water loss waiver.

The District is requesting a waiver from the requirement that the project be consistent with the state and regional water plans. The Trinity Aquifer water source for the three new wells included as part of this project is not consistent with sources of supply identified for the District in the 2021 Region L Regional Water Plan and the 2022 State Water Plan. The Region L Regional Water Planning Group approved the consistency waiver request at their February 14, 2024, regular meeting and submitted a letter of support to the Executive Administrator on March 6, 2024.

LEGAL/SPECIAL CONDITIONS

- Water Rights Certification
- Notification prior to altering legal status
- Conveyance and conversion

Attachments:

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

Financial Review

Crystal Clear Special Utility District

Risk Score: 2B

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 2.76%	State: 1.49%
Top 10 Customers % of Total Revenue	11%	10-15%
Median Household Income as % of State	104%	100%
Days of Cash on Hand (3-year Average)	144 days	30-149 days
Net Fixed Assets/ Annual Depreciation	30 years	12-24 years
Debt Service Coverage Ratio	0.61x	1.0x
Debt-to-Operating Revenues	4.42x	4.00-5.99x
Unemployment Rate (December 2023)	Guadalupe County: 2.9%	State: 3.50%
Working Capital Ratio	1.27	>1.0

Key Risk Score Strengths

- The average days of cash on hand and the working capital ratios are at or above the benchmarks, indicating that the District has sufficient cash reserves to pay operating expenses, short-term liabilities, or debt service.
- Proactively, the District utilized a rate study and capital improvement plan for implementing proposed projects, rate increases, and managing debt issuance.

Key Risk Score Concerns

- Using the system revenues from the 2023 audit, the District is below the 1.0x debt service coverage requirements for the existing and proposed debt. Assuming a no growth scenario, the District is projected to need a maximum rate increase of \$7.31 by the year 2026. As a conservative measure, the analysis excluded revenues from impact and installation fees, which could offset the need for the projected rate increase.
- The District has a household cost factor above the benchmark, but the projected growth in connections could negate future rate increases. The District had a 12 percent increase in water connections over the past 3 years.

PLEDGE

Legal Pledge Name	First Lien Water and Sewer Revenues
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 (2026)	Current Household Cost Factor	Projected Household Cost Factor
WATER	8,000	\$140.59	\$147.90	3.74	3.87
WASTEWATER	4,800	\$60.51	\$60.51		

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the District could save approximately \$600,182 over the life of the financing.



Project Data Summary

Responsible Authority	Crystal Clear SUD
Program	WDF
Commitment Number	L1001742
Project Number	21825
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$18,470,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Notes, Proposed Series 2024
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	No
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
David Firgens	Caaren Skrobarczyk	Jane Martinez	Chris Caran	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Crystal Clear Special Utility District

\$18,470,000 Crystal Clear Special Utility District Combination Water & Sewer System Revenue Notes, Proposed Series 2024

Dated Date: 8/1/2024	Source: WDF
Delivery Date: 8/1/2024	Rate: 4.51%
First Interest: 12/1/2024	IUP Year: 2024
First Principal: 12/1/2025	Case: Revenues
Last Principal: 12/1/2054	Admin.Fee: \$0
Fiscal Year End: 09/30	Admin. Fee Payment Date: N/A
Required Coverage: 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$18,470,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2025	\$2,719,577	\$2,062,845	\$0	-	\$656,732	\$656,732	\$2,719,577	1.00
2026	3,257,734	2,056,585	420,000	3.30%	781,149	1,201,149	3,257,734	1.00
2027	3,257,734	2,055,066	285,000	3.21%	769,644	1,054,644	3,109,710	1.05
2028	3,257,734	2,056,995	300,000	3.13%	760,375	1,060,375	3,117,370	1.05
2029	3,257,734	2,045,453	315,000	3.10%	750,798	1,065,798	3,111,251	1.05
2030	3,257,734	2,049,349	330,000	3.10%	740,800	1,070,800	3,120,149	1.04
2031	3,257,734	2,016,398	345,000	3.11%	730,320	1,075,320	3,091,718	1.05
2032	3,257,734	1,925,488	365,000	3.10%	719,298	1,084,298	3,009,786	1.08
2033	3,257,734	1,920,140	385,000	3.11%	707,654	1,092,654	3,012,794	1.08
2034	3,257,734	1,918,375	400,000	3.17%	695,327	1,095,327	3,013,702	1.08
2035	3,257,734	1,910,095	425,000	3.37%	681,826	1,106,826	3,016,921	1.08
2036	3,257,734	1,832,862	445,000	3.60%	666,655	1,111,655	2,944,517	1.11
2037	3,257,734	1,600,858	470,000	3.79%	649,738	1,119,738	2,720,596	1.20
2038	3,257,734	1,601,263	490,000	3.98%	631,081	1,121,081	2,722,344	1.20
2039	3,257,734	1,601,026	515,000	4.11%	610,746	1,125,746	2,726,772	1.19
2040	3,257,734	1,603,253	545,000	4.20%	588,718	1,133,718	2,736,971	1.19
2041	3,257,734	1,603,447	570,000	4.28%	565,075	1,135,075	2,738,522	1.19
2042	3,257,734	1,598,091	600,000	4.35%	539,827	1,139,827	2,737,918	1.19
2043	3,257,734	1,599,921	630,000	4.40%	512,917	1,142,917	2,742,838	1.19
2044	3,257,734	834,997	665,000	4.44%	484,294	1,149,294	1,984,291	1.64
2045	3,257,734	704,625	695,000	4.63%	453,442	1,148,442	1,853,067	1.76
2046	3,257,734	705,291	735,000	4.63%	420,337	1,155,337	1,860,628	1.75
2047	3,257,734	703,639	770,000	4.63%	385,497	1,155,497	1,859,136	1.75
2048	3,257,734	701,740	810,000	4.63%	348,920	1,158,920	1,860,660	1.75
2049	3,257,734	132,864	850,000	4.64%	310,448	1,160,448	1,293,312	2.52
2050	3,257,734	132,853	895,000	4.73%	269,561	1,164,561	1,297,414	2.51
2051	3,257,734	133,746	940,000	4.73%	226,164	1,166,164	1,299,910	2.51
2052	3,257,734	133,580	990,000	4.73%	180,519	1,170,519	1,304,099	2.50
2053	3,257,734	133,256	1,040,000	4.73%	132,510	1,172,510	1,305,766	2.49
2054	3,257,734	133,873	1,095,000	4.73%	82,017	1,177,017	1,310,890	2.49
2055	3,257,734	133,395	1,150,000	4.88%	28,060	1,178,060	1,311,455	2.48
		\$39,641,369	\$18,470,000		\$16,080,445	\$34,550,445	\$74,191,814	

AVERAGE (MATURITY) LIFE	19.29 YEARS
NET INTEREST RATE	4.513%
COST SAVINGS	\$600,182
AVERAGE ANNUAL REQUIREMENT	\$1,114,530

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
Crystal Clear SUD
21825 - 2024 Capital Improvements

Budget Items	TWDB Funds	Total
Construction		
Construction	\$15,178,098.00	\$15,178,098.00
Subtotal for Construction	\$15,178,098.00	\$15,178,098.00
Basic Engineering Services		
Construction Engineering	\$125,000.00	\$125,000.00
Design	\$654,000.00	\$654,000.00
Planning	\$79,213.00	\$79,213.00
Subtotal for Basic Engineering Services	\$858,213.00	\$858,213.00
Special Services		
Environmental	\$79,212.00	\$79,212.00
Inspection	\$200,000.00	\$200,000.00
Permits	\$40,875.00	\$40,875.00
Surveying	\$122,625.00	\$122,625.00
Testing	\$60,000.00	\$60,000.00
Subtotal for Special Services	\$502,712.00	\$502,712.00
Fiscal Services		
Bond Counsel	\$50,000.00	\$50,000.00
Financial Advisor	\$162,000.00	\$162,000.00
Fiscal/Legal	\$36,655.00	\$36,655.00
Issuance Costs	\$36,000.00	\$36,000.00
Subtotal for Fiscal Services	\$284,655.00	\$284,655.00
Contingency		
Contingency	\$1,646,322.00	\$1,646,322.00
Subtotal for Contingency	\$1,646,322.00	\$1,646,322.00
Total	\$18,470,000.00	\$18,470,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$18,470,000 TO THE CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE PROPOSED PURCHASE OF
\$18,470,000 CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES,
PROPOSED SERIES 2024

(24 -)

Recitals:

The Crystal Clear Special Utility District (District), has filed an application for financial assistance in the amount of \$18,470,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code § 17.959, to finance water system improvements, identified as Project No. 21825.

The District seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$18,470,000 through the TWDB's purchase of \$18,470,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Notes, Proposed Series 2024 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

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.

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 § 363.16.

The District is requesting a waiver of the requirement that the project be addressed in a manner that is consistent with the state and regional water plans due to the adequacy of available source water supply and the project has received the support of Regional Water Planning Region L.

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 Texas Water Code § 17.124, the TWDB has considered all matters required by law and in particular the following:

1. the needs of the area to be served by the water supply project, the benefit of the water supply project to the area, the relationship of the water supply project to the overall, statewide water needs, and the relationship of the water supply project to the approved regional and state water plans; and
2. the availability of revenue to the District, from all sources, for the ultimate repayment of the cost of the water supply project, including interest.

Findings:

1. The public interest requires state assistance in the water supply project, in accordance with Texas Water Code § 17.125(a)(1).
2. In its opinion the tax or revenue pledged by the District will be sufficient to meet all the Obligations assumed by the District during the succeeding period of not more than 50 years, in accordance with Texas Water Code § 17.125(a)(2).
3. 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. The application and financial assistance requested meet the requirements of Chapter 17, Subchapters D, E, and L, Water Code, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A.
5. The conditions, as described above, warrant a waiver of the requirements that the TWDB determine that the needs to be addressed by the project will be addressed in a manner that is consistent with the State Water Plan, and with the approved Regional Water Plan that includes the area that will benefit from the proposed project.
6. 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:

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.053(j), pursuant to Texas Water Code § 16.053(k).

2. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g).
3. A commitment is made by the TWDB to the Crystal Clear Special Utility District for financial assistance in the amount of \$18,470,000 from the Financial Assistance Account of the Texas Water Development Fund II, to be evidenced by the TWDB's purchase of \$18,470,000 Crystal Clear Special Utility District Combination Water and Sewer System Revenue Notes, Proposed Series 2024. This commitment will expire on September 30, 2024.

This 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 as determined by the TWDB.
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 District complied with all of the requirements of the laws under which the Obligations were issued; that the Obligations were issued in conformance with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the District.
3. This commitment is contingent upon the District's 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), including but not limited to 31 TAC Chapter 363.
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 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.
5. The Obligations must provide that 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, 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 the bonds under SEC Rule 15c2-12.

6. The Obligations must require the District to levy a tax 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 required by the Obligations.
7. The Obligations must require the District to use any surplus financial assistance proceeds from the Obligations remaining after completion of a final accounting in a manner approved by the Executive Administrator.
8. The Obligations must provide 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 will be of no force and effect.
9. Financial assistance proceeds are public funds. Therefore, the Obligations must require that these proceeds 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.
10. Proceeds of this commitment must not be used by the District when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must provide that the District is solely responsible for liability resulting from acts or omissions of the District, 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 District, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
11. Before closing, the District must 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.
12. Before closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the District must submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance satisfactory to the Executive

Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator.

13. Before closing, when any portion of financial assistance proceeds are to be held in escrow or in trust, the District must execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.
14. The Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
15. The District must abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter F and Texas Water Code § 17.183.
16. The District must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

Conditions Related to Tax-Exempt Status:

17. Before closing, the District's bond counsel must prepare a written opinion that states 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. Before closing, the District's bond counsel must prepare a written opinion that states 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 financial assistance 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 financial assistance 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 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 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 require the District to 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 on its books of account) separately and apart from all other funds (and receipts, expenditures, and investments) 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 financial assistance 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 with those 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 § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings under the Code. The District must 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 financial assistance, and in order to induce the making of the 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 for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and

- d. exercise reasonable diligence to assure 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 after discovery, 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 Obligations must contain a covenant that the District will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to “advance refundings”).
 25. 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.
 26. 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 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 14 days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
 27. The Obligations must provide that neither the District nor a related party 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.
 28. Prior to closing, the District must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120 percent of the average reasonably expected economic life of the Project.

Pledge Conditions:

29. The Obligations must require the accumulation of a reserve fund of no less than the average annual debt service requirements, to be accumulated in equal monthly installments over the initial 60 months following the issuance of the Obligations.
30. If the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any financial assistance provided by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB must be at least on a parity with lien or liens securing the outstanding obligations.
31. 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 deposits 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.
32. The Obligations must include a requirement that the District will at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that, after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the District and other obligations of the District which are secured in whole or in part by the pledged revenues, for which the District is budgeting the repayment of the Obligations, or the District must provide documentation which evidences the

collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

Special Conditions:

33. Before 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 a finding will be made before the release of funds for construction.
34. Before the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must issue a written finding that the District has the right to use the water that the project financed by the TWDB will provide.
35. The District must notify the Executive Administrator in writing 30 days before taking any actions to alter its legal status in any manner.
36. The Obligations must require that the District notify the Executive Administrator in writing before any action by it 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.

APPROVED and ordered of record this, the 11th day of April 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Interim Executive Administrator

Water
 Wastewater
 Other WDF

WATER CONSERVATION REVIEWEntity: Crystal Clear SUD

Other entity: _____

WATER CONSERVATION PLAN DATE: 2019 **Approvable** **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	107	66	26
5-year Goal	102	63	15
10-year Goal	97	60	15

WATER LOSS AUDIT YEAR: 2022

Service connections: 5,969 Length of main lines (miles): 343 Water Loss GCD: 86.0
 Retail population: 17,388 Connections per mile: 17 Water Loss GPCD: 29.0
 ILI¹: 2.6

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

WATER LOSS THRESHOLDSWater Loss Project: Wholesale Adjusted:

Threshold Type:

Population > 10K :

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
1.2	NA	84.3	14.5	NA	57

Does the applicant meet Water Loss Threshold Requirements?

Yes No NA **ADDITIONAL INFORMATION**

The district's water conservation plan recognizes the potential of limited and/or depletion of water supply availability, especially during drought, so deems it expedient and necessary to establish polices for ongoing conservation practices. To protect customers and achieve goals, the plan states the district is equipped with pressure meters in eleven zones attached to cloud-based software that will instantly detect and alert staff on presence of leaks, as well as staff being trained to detect and repair leaks. The district also administered a program to provide free, efficient shower heads and faucet aerators; adopted an ordinance prohibiting water waste; and conducts ongoing public education through distribution of conservation brochures, making information available through various outlets, and providing presentations to local organizations, schools, and civic groups.

STAFF NOTES AND RECOMMENDATIONS

The district is above its threshold for real water loss and has requested a waiver from including funds to mitigate its water loss as part of this project. In its request the district has indicated:

- * Sections of pipes are replaced when addressing leaks to eliminate future potential weak points.
- * Installation of 500 acoustic leak detection meters that notify the district of potential leaks, especially in rural areas of the system.
- * Recent installation of two large pressure reducing valves that should result in less leaks.
- * Installation of variable speed valves to reduce pressure spikes.

The district participated in our 2021 Water Loss Audit Validation Study and has shown a reduction in its water loss. TWDB staff believes that the above actions will help mitigate the district's real water loss.

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.

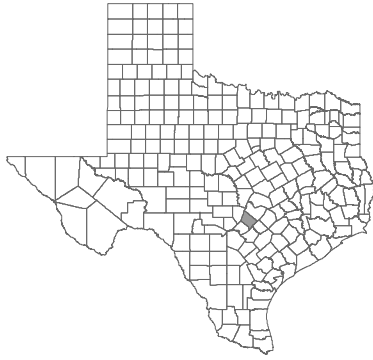
- In 2020, Crystal Clear Special Utility District completed a system wide AMI/AMR meter change-out program. In addition, we have even installed about five-hundred (500) of Kamstrup acoustic leak detection meters. These meters will monitor the frequencies and vibrations in the pipe and notify us of any 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", written in a cursive style.

Cayton Germany – Operations Manager – Crystal Clear Special Utility District



Crystal Clear SUD Hays County

