PROJECT FUNDING REQUEST

BOARD DATE: November 2, 2016 TEAM MANAGER: Lee Huntoon

APPLICANT	Panhandle Groundwater Conservation District
TYPE OF ASSISTANCE	$1,000,000 Loan Agreement
LEGAL PLEDGE	First Lien On Net Revenues

STAFF RECOMMENDATION
☒Approve ☐No Action

ACTION REQUESTED
Approve, by resolution, a request from the Panhandle Groundwater Conservation District (Armstrong, Carson, Donley, Gray, Hutchinson, Potter, Roberts and Wheeler Counties) for a $1,000,000 loan from the Agriculture Water Conservation Loan Program to provide financing for an agriculture water conservation equipment loan program.

PROJECT
Agriculture Water Conservation Loan Program XXI
Project Number 21764

BACKGROUND
The Panhandle Groundwater Conservation District's (District) jurisdictional area encompasses 6,378 square miles, or 4,081,920 acres and includes Carson, Donley, Gray, Roberts and Wheeler counties and portions of Armstrong, Hutchinson and Potter counties. The District's agricultural production includes wheat, corn, milo, peanuts, soy beans, sunflowers, hay crops, cotton and beef cattle production.

The District will utilize the funds to provide loans to area farmers to purchase sprinkler systems and related equipment. The District projects 15% to 20% increased efficiency per low-energy sprinkler system installed. Approximately nine sprinkler systems are estimated to be purchased by area farmers.

FINANCIAL
Key Issues
The Texas Water Development Board (TWDB) has made 20 Agricultural Conservation Loans to the District since March 1992 for a total of $12,955,726. TWDB currently holds four loans with the District with an outstanding balance of $3,910,605. The District has made 198 loans to area producers since the program's inception with no defaults.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE ON MAY 31, 2017

Pledge and Repayment

The District pledges net revenues of the District as security for the loan. The term of the loan to the District is for eight years. The District has $787,949 in loan repayment proceeds in addition to $326,279 in net operating revenues available for a total of $1,114,228 to meet existing and proposed debt service. TWDB staff's review of the District's loan program indicates the District has strong underwriting and collection procedures in place. The District has a good history with the TWDB's agriculture loan program. All loans made by the District to area farmers will have a term up to eight years secured by a first lien on the equipment purchased through the program. The District will limit the maximum amount it will loan to one borrower to $150,000 and require a minimum down payment of 20% on the equipment. On the 365th day after closing, the District will be required to submit:

- A detail of notes receivable for each loan made to producers and;
- A written statement showing the amount of unused loan funds.

Additionally, after the 365th day after closing the District must return unused funds, pursuant to its Loan Agreement, which are not the subject of contracts and repayment schedules, with accrued interest, if the amount is at least $10,000.

The TWDB is authorized under 31 Texas Administration Code (TAC) § 367.3 and Texas Water Code § 17.899 to make loans to eligible political subdivisions for a conservation program. TWDB staff recommends that the Board finds the District meets the requirements of both 31 TAC § 367.5 and § 367.10 (b) of the Agriculture Water Conservation Program, and that:

1. the public interest is served by providing the loan;
2. the political subdivision has the ability to repay the loan; and
3. the loan will further water conservation in the State.

Interest rates applicable to the District's loan are based on a one-year Treasury note. As per the District's guidelines, the interest rates to a borrower/applicant are the interest rates charged by TWDB plus one percent.

Cost Savings

Based on an 8-year maturity schedule and a loan amount of $1,000,000, the District will save approximately $210,586 over the life of the loan based on an estimated interest rate of 5% as provided by an agricultural lending institute to estimate current market rates.

Internal Risk Score

Staff assigns a 2B to the District and the proposed project to be funded by the Texas Water Development Board. This means that the District's repayment capacity is adequate.

The District has strong financial sustainability indicators. They have a particularly strong total assessed valuation per capita at $84,549. The debt service coverage ratio is strong due to the availability of pass-through loan repayments received by the District from area producers.

The District is strong in liquidity and debt indicators. The days of cash on hand is very strong at 686.58 days. This means the district has almost two years of cash to cover day to day expenses.

Total debt to operating revenues is also strong at 2.69 percent and the majority of debt is self-supporting from the receipts of loan payments from area producers.

With adequate financial sustainability, adequate socioeconomic indicators, and strong liquidity and debt management; the District is assigned a risk score of 2B.

LEGAL
Key Issues
None.

CONDITIONS
Standard conditions, as stated in the loan agreement between the TWDB and the District.

Attachments:
1. Project Data Summary
2. Debt Service Schedule
3. Resolution (16-)
4. Water Conservation Plan
5. Location Map

Project Data Summary

Authority	Panhandle Groundwater Conservation District
Program	Agricultural Water Conservation Program
Commitment Code	L1000548
Project Number	21764
Intended Use Plan Year	N/A
Fund Number	358
Type of Pledge	Net Revenues of the District
Revenue Pledge Level	First
Legal Description	Loan Agreement
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	No
Outlay Type	N/A
Population	N/A
Rural	N/A; Agriculture usage only
Water Connections	N/A
Wastewater Connections	N/A
Qualifies as Disadvantaged	N/A
Disadvantaged Level	9 – N/A
Clean Water State Revolving Fund Type	N/A
Financial, Managerial, and Technical Review Complete?	N/A
Funding Phase Code	N/A
Pre-Design	N/A
Project Consistent with Water Plan	N/A
Water Conservation Plan	N/A
Water Rights Certification Required	N/A
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	Release all funds at closing

Project Team

Team Manager	Lee Huntoon
Financial Analyst	James Horan
Attorney	Alexis Lorick

Attachment 2

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Panahandle Groundwater Conservation District
$1,000,000 Loan Agreement

Dated Date:	**1/15/2017**	**Source:**	**AWCP**
Delivery Date:	**1/15/2017**	**Rate:**	**0.61%**
First Interest:	**7/15/2017**	**Insurance:**	**N/A**
First Principal	**1/15/2018**	**Case:**	**Level Debt Service**
Last Principal:	**1/15/2025**	**Admin.Fee:**	**N/A**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**N/A**
Required Coverage:	**1.0**		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES (1)	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	$1,000,000 ISSUE INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2017	1,114,228	823,000	-	-	3,050	3,050	826,050	1.35
2018	1,114,228	683,000	120,000	0.61%	5,734	125,734	808,734	1.38
2019	1,114,228	684,000	125,000	0.61%	4,987	129,987	813,987	1.37
2020	1,114,228	557,000	125,000	0.61%	4,224	129,224	686,224	1.62
2021	1,114,228	443,000	125,000	0.61%	3,462	128,462	571,462	1.95
2022	1,114,228	266,667	125,000	0.61%	2,699	127,699	394,366	2.83
2023	1,114,228	266,667	125,000	0.61%	1,937	126,937	393,604	2.83
2024	1,114,228	187,271	125,000	0.61%	1,174	126,174	313,446	3.55
2025	1,114,228	-	130,000	0.61%	397	130,397	130,397	8.54
		$ 3,910,605	$ 1,000,000		$ 27,664	$ 1,027,664	$ 4,938,269	

AVERAGE (MATURITY) LIFE	**4.54 YEARS**
NET INTEREST RATE	**0.610%**
COST SAVINGS	**$210,586**
AVERAGE ANNUAL REQUIREMENT	**$548,697**

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.

(1) Projected net system revenues consist of $326,279 of net revenues and revenue from producer loan payments at $741,842.75 in principal and $46,105.97 in interest payments in fiscal year 2016 .

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING A LOAN IN THE AMOUNT OF $1,000,000 TO PANHANDLE GROUNDWATER CONSERVATION DISTRICT THROUGH THE AGRICULTURAL WATER CONSERVATION LOAN PROGRAM FOR THE PURPOSE OF MAKING CONSERVATION LOANS TO INDIVIDUAL BORROWERS

(16-)

WHEREAS, Panhandle Groundwater Conservation District, located in all of part of Armstrong, Carson, Donley, Gray, Hutchinson, Potter, Roberts, and Wheeler Counties, Texas, (District), has filed an application for financial assistance with the Texas Water Development Board (TWDB) seeking a $1,000,000 loan through the Agricultural Water Conservation Loan Program for the purpose of serving as a "political subdivision" as that term is defined in § 17.871 of the Texas Water Code; and

WHEREAS, the District represents that it will use the loan proceeds to make conservation loans to eligible individual borrowers for water conservation equipment, including materials, labor, and preparation and installation costs; and

WHEREAS, in accordance with Texas Water Code § 17.9021, the TWDB has considered:

1. the District's ability to repay the loan; and

2. whether this loan will further water conservation in the State of Texas; and

WHEREAS, in accordance with Texas Water Code § 17.9021, the TWDB hereby finds that:

1. the public interest is served by providing a loan to the District;

2. the District has the ability to repay the loan; and

3. the loan will further water conservation in the State of Texas.

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

The TWDB hereby approves a loan to Panhandle Groundwater Conservation District in the amount of $1,000,000 through the Agricultural Water Conservation Loan Program for the purpose of making conservation loans to individual borrowers for the purchase of water conservation equipment including materials, labor, and preparation and installation costs. The Executive Administrator is authorized to enter into a loan agreement with the District. This commitment will expire on May 31, 2017.

Approval of the loan is subject to the following special conditions:

1. delivery of loan funds is contingent upon the availability of funds;

2. prior to closing, the District shall execute a loan agreement acceptable to the Executive Administrator; and

3. in administering the loan funds, the District shall comply with all applicable state statutes and with the rules and requirements of the TWDB.

APPROVED and ordered of record this 2nd day of November, 2016.

TEXAS WATER DEVELOPMENT BOARD

_____
Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

_____
Jeff Walker
Executive Administrator

Attachment 4

WATER CONSERVATION REVIEW

Entity: Panhandle Groundwater Conservation District Review date: July 2016

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

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

WATER LOSS AUDIT YEAR: NA

Total water loss (GPCD): NA Total water loss (percent): NA Wholesale Water ☐
Total no. of connections: 0 Length of mains (miles): NA Connections per mile: NA

If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (*ILI*): NA

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :	NA	NA	NA	NA	NA	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	NA	NA	NA	NA	NA	NA

Does the applicant meet Water Loss Threshold requirements? Yes ☐ No ☐ NA ☑

ADDITIONAL INFORMATION:

According to the District's application, TWDB has provided the District with 20 agricultural water conservation loans since 1992. The loans allow the District to provide agricultural producers with low-interest loans to implement agricultural water conservation best management practices (i.e. Low Energy Precision Application). The District estimates the activities funded through the loans will improve the application efficiency on agricultural producers' existing irrigation systems by 15 to 20 percent. The activities funded through this project will support implementation of recommended irrigation conservation water management strategies in the 2017 State Water Plan.

STAFF NOTES AND RECOMMENDATIONS:

None.

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 loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

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.

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 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 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.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

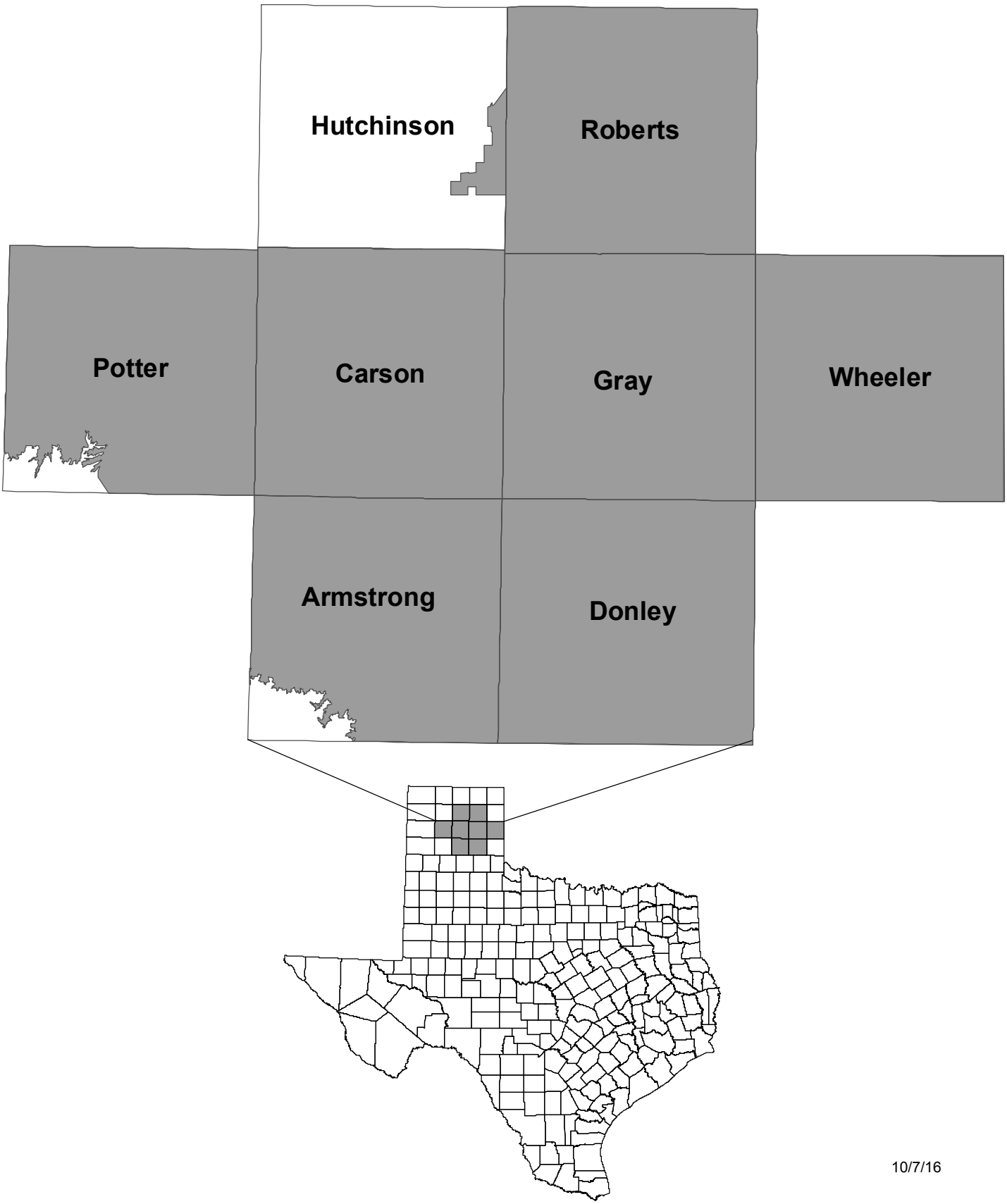
Total water loss is the sum of the apparent and real water losses.

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 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.

ATTACHMENT 5

Panhandle Groundwater Conservation District, Armstrong, Carson, Donley, Gray, Hutchinson, Potter, Roberts and Wheeler Counties



10/7/16