Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 21, 2020 **Team Manager:** Jeff Taylor

ACTION REQUESTED
Approve by resolution a request from the Sandy Land Underground Water Conservation District (Yoakum County) for a $725,000 loan from the Agricultural Water Conservation Loan Program to provide financing for a pass-through loan program that funds agricultural water conservation equipment.

STAFF RECOMMENDATION
☒ Approve ☐ No Action

BACKGROUND
The Sandy Land Underground Water Conservation District (District) is located entirely in Yoakum County (County). The District covers an area of approximately 531,200 acres in the County of which approximately 315,800 acres are farmland.

PROJECT NEED AND DESCRIPTION
The District will utilize the funds to provide loans to area farmers to purchase drip irrigation systems and sprinkler conversion packages for existing systems. Ten to thirteen irrigation systems are estimated to be purchased by area farmers. Cotton, wheat and grain sorghum are the principal crops grown on these irrigated acres. Peanuts, sunflower, vegetables and hay have also been produced successfully using irrigation in the District.

KEY ISSUES
The Texas Water Development Board (TWDB) currently holds one Agricultural Water Conservation Loan with the District with an outstanding balance of $684,871. The District has never had a producer default on a loan and has borrowed approximately $17,727,690 since 1992.

The District pledges net revenues as security for the loan. Net revenues include all operating revenues and income of any nature less the expenses associated with the operation and maintenance of the District. The term of the loan to the District is for eight years and mirrors the useful life of the underlying asset.

At the discretion of the Executive Administrator, after the 365th day after closing the District may be required to return unused funds, pursuant to its Loan Agreement, which are not the subject of contracts and repayment schedules, with accrued interest.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE MAY 31, 2021.

LEGAL

Special Conditions

- Availability of funds;
- Executed loan agreement; and
- In administering the loan funds, comply with all applicable state statutes and with rules and requirements of the TWDB.

FINANCIAL

Risk Score: 2B

Key Risk Score Strengths

- Exceeds debt service coverage requirements
- Low levels of debt
- High levels of cash reserves
- Previous borrower with no history of late payment or default

Key Risk Score Concerns

- Unemployment rate higher than the state

PLEDGE

Type of Pledge	☐ Tax ☒ Revenue ☐ Tax & Revenue ☐ Contract ☐ Other
Revenue Pledge Level	☒ First ☐ Second ☐ Third ☐ N/A

Cost Savings

Based on an eight-year maturity schedule and a loan amount of $725,000, the District could save approximately $88,117 over the life of the loan when comparing the estimated interest rate provided by TWDB against the current market interest rate provided by AgDirect, an agriculture equipment financing institute.

Attachments:

1. Project Data Summary
2. Debt Service Schedule
3. Resolution (20-)
4. Water Conservation Review
5. Location Map

Texas Water Development Board

Project Data Summary

Attachment 1

Responsible Authority	Sandy Land UWCD
Program	AGRIC
Commitment Number	L1001133
Project Number	21785
List Year	2019
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$725,000 Loan Agreement, Series 2020
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	N/A
Financial Managerial & Technical Complete	N/A
Phases Funded	N/A
Pre-Design	No
Project Consistent with State Water Plan	N/A
Water Conservation Plan	N/A
Overall Risk Score	2B

PROJECT TEAM				
Team Manager	**Financial Analyst**	**Engineering Reviewer**	**Environmental Reviewer**	**Attorney**
Jeff Taylor	Lina Linehan	N/A	Chris Caran	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY

$725,000 Sandy Land Underground Water Conservation District

Dated Date:	**8/1/2020**	**Source:**	**Ag Loan Program**
Delivery Date:	**8/1/2020**	**Rate:**	**1.35%**
First Interest:	**4/15/2021**	**IUP Year:**	**N/A**
First Principal	**4/15/2021**	**Case:**	**Revenue**
Last Principal:	**4/15/2028**	**Admin.Fee:**	**$0**
Fiscal Year End:	**12/31**	**Admin. Fee Payment Date:**	**N/A**
Required Coverage:	**1.0**		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$725,000 ISSUE PRINCIPAL PAYMENT	$725,000 ISSUE INTEREST RATE	$725,000 ISSUE INTEREST PAYMENT	$725,000 ISSUE TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2021	$473,077	$101,446	$90,625	1.35%	$11,188	$101,813	$203,258	2.33
2022	473,077	99,642	90,625	1.35%	7,952	98,577	198,220	2.39
2023	473,077	97,839	90,625	1.35%	6,729	97,354	195,193	2.42
2024	473,077	96,035	90,625	1.35%	5,505	96,130	192,166	2.46
2025	473,077	94,232	90,625	1.35%	4,282	94,907	189,139	2.50
2026	473,077	92,428	90,625	1.35%	3,059	93,684	186,112	2.54
2027	473,077	-	90,625	1.35%	1,835	92,460	92,460	5.12
2028	473,077	-	90,625	1.35%	612	91,237	91,237	5.19
		$581,622	$725,000		$41,162	$766,162	$1,347,784	

AVERAGE (MATURITY) LIFE	**4.21 YEARS**
NET INTEREST RATE	**1.350%**
COST SAVINGS	**$88,117**
AVERAGE ANNUAL REQUIREMENT	**$168,473**

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.

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING A LOAN IN THE AMOUNT OF $725,000
TO SANDY LAND UNDERGROUND WATER CONSERVATION DISTRICT
THROUGH THE AGRICULTURAL WATER CONSERVATION LOAN PROGRAM
FOR THE PURPOSE OF MAKING CONSERVATION LOANS
TO INDIVIDUAL BORROWERS

(20-__)

WHEREAS, Sandy Land Underground Water Conservation District, located in Yoakum County, Texas, (District), has filed an application for financial assistance with the Texas Water Development Board (TWDB) seeking a $725,000 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 has offered a pledge of Systems Revenue as sufficient security for the repayment of the Obligations; 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 Sandy Land Underground Water Conservation District in the amount of $725,000 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, 2021.

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 21st day of May, 2020.

TEXAS WATER DEVELOPMENT BOARD

_____
Peter M. Lake
Chairman

DATE SIGNED: _____

ATTEST:

_____
Jeff Walker
Executive Administrator

☐ Water
☐ Wastewater
☑ Other Ag Loan

Attachment 4

WATER CONSERVATION REVIEW

Entity: Sandy Land UWCD

Review date: April 2020

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: NA
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:

The district has participated in the TWDB Agricultural Water Conservation Loan Program for 28 years. According to the district's application, the proposed project will provide low-interest loan financing for the purchase and installation of low-energy center pivot sprinkler systems. The district anticipates a water conservation benefit of 10 to 25 percent water use efficiency improvement for each system installed.

The district is an eligible applicant and the proposed project is an eligible use of the Agricultural Water Conservation Fund. Pending availability of funding and Board approval, the activities proposed by this project will support implementation of recommended irrigation conservation water management strategies in the Llano Estacado (Region O) Regional Water Plan and the State Water Plan.

STAFF NOTES AND RECOMMENDATIONS:

The District is not a public retail water supplier; therefore, is not required to submit a water loss audit.

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.

Sandy Land Underground WCD
Yoakum County