



PROJECT FUNDING REQUEST

BOARD DATE: August 15, 2024

Team Manager: Theresa Finch

ACTION REQUESTED

Consider approving by resolution a request from the Panhandle Groundwater Conservation District (Carson, Gray, Donley, Roberts, Armstrong, Potter, Hutchinson, and Wheeler counties) for \$1,000,000 in financial assistance from the Agricultural Water Conservation Loan Program to provide loans to area farmers to purchase irrigation systems and related equipment.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Panhandle Groundwater Conservation District (District) was created by the Texas Legislature in 1955, and it began operating in 1956. Its mission is to develop, promote and implement water conservation, augmentation, and management strategies to protect water resources for the benefit of the citizens, economy, and environment of the District. The District's current jurisdictional area covers approximately 6,378 square miles (or 4,082,127 acres) within all or parts of 8 counties in the Panhandle region, including Carson, Gray, Donley, Roberts, Armstrong, Potter, Hutchinson, and Wheeler counties.

PROJECT NEED AND DESCRIPTION

The District seeks funding to increase the efficiency of water conservation efforts. It will utilize the funds to provide loans to area farmers to purchase irrigation systems and related equipment.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 30, 2024

KEY ISSUES

The Texas Water Development Board's (TWDB) loan to the District to fund the program is based on the one-year Treasury note at the time of the loan closing. The District adds one percent to these rates when loaned to its borrowers. For each TWDB commitment of funds to the District to fund the program, borrowers can receive one loan with a maximum amount of \$200,000 and a maximum loan-to-value ratio of 80 percent on new equipment and 75 percent on used equipment. The maximum loan term is eight years, and each loan is secured by a first lien on the equipment purchased through the program. Borrowers are required to have natural disaster insurance with the District listed as a lien holder-loss payee for the equipment.

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE AUGUST 31, 2025

The District's reporting requirements include, on the 365th day after loan 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.

At the discretion of the Executive Administrator, after the 365th day after loan 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.

The District currently has no unused funds from the two outstanding loans with TWDB from the program. The Agricultural Water Conservation Loan Program is funded through state appropriations.

Attachments:

1. Financial Review
2. Resolution (24-)
3. Location Map

Financial Review

Panhandle Groundwater Conservation District

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	Counties: -0.53%	State: 1.49%
Median Household Income as % of State	87%	100%
Days of Cash on Hand	604 days	30-149 days
Debt Service Coverage Ratio	0.91x	1.0x
Debt-to-Operating Revenues	0.86x	4.00-5.99x
Unemployment Rate (May, 2024)	Counties: 3.42%	State: 3.8%
Cash Balance Ratio	-31%	0-9.99%
Working Capital Ratio	24.54	> 1.0

Key Risk Score Strengths

- The District is pledging first lien revenues as security for the proposed financing and currently has \$3,500,000 in unrestricted funds available for debt service.
- Debt to operating revenues is below the benchmark, indicating that the District has additional capacity for future revenue debt.
- A high Working Capital Ratio provides the District with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The District's days of cash on hand are above the benchmark, indicating sufficient reserves for operating expenses.

Key Risk Score Concerns

- Pledged revenues based on 2023 financial audit show a 0.91 times coverage in the first year of principal repayment on the proposed loan, with that coverage increasing to 0.96 in year two and 0.98 in year three before meeting coverage for the rest of the life of the loan. However, the District has ample cash reserves to supplement the pledged revenues. The shortfall in coverage is due to a combination of the District expenditures and incoming repayments to service debt obligations.
- The District's cash balance ratio is below the benchmark. However, the District's cash and cash equivalents are primarily composed of short-term investments. Additionally, The District's cash has grown from \$460,872 to \$629,669 over a five-year period.

PLEDGE

Legal Pledge Name	First Lien 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

Cost Savings

Based on an 8-year maturity schedule and a loan amount of \$1,000,000, the District could save approximately \$86,271 over the life of the financing.

Project Data Summary

Responsible Authority	Panhandle GCD
Program	AGRIC
Commitment Number	L1001762
Project Number	21817
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$1,000,000 Panhandle Groundwater Conservation District Loan Agreement
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	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
Theresa Finch	Kyle DuQuesnay	N/A	N/A	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Panhandle Groundwater Conservation District

\$1,000,000 Panhandle Groundwater Conservation District Loan Agreement

Dated Date:	11/30/2024	Source:	AG Program
Delivery Date:	11/30/2024	Rate:	5.10%
First Interest:	8/15/2025	IUP Year:	2024
First Principal:	8/15/2025	Case:	Revenue
Last Principal:	8/15/2032	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	\$1,000,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2025	\$284,211	\$123,086	\$125,000	5.10%	\$36,125	\$161,125	\$284,211	1.00
2026	\$284,211	100,560	125,000	5.10%	44,625	169,625	270,185	1.05
2027	\$284,211	100,480	125,000	5.10%	38,250	163,250	263,730	1.08
2028	\$284,211	100,400	125,000	5.10%	31,875	156,875	257,275	1.10
2029	\$284,211	100,320	125,000	5.10%	25,500	150,500	250,820	1.13
2030	\$284,211	100,240	125,000	5.10%	19,125	144,125	244,365	1.16
2031	\$284,211	100,160	125,000	5.10%	12,750	137,750	237,910	1.19
2032	\$284,211	100,080	125,000	5.10%	6,375	131,375	231,455	1.23
		\$825,326	\$1,000,000		\$214,625	\$1,214,625	\$2,039,951	

AVERAGE (MATURITY) LIFE	4.21 YEARS
NET INTEREST RATE	5.100%
COST SAVINGS	\$86,271
AVERAGE ANNUAL REQUIREMENT	\$151,828

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 \$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

(24-__)

Recitals:

The Panhandle Groundwater Conservation District (District), covering Armstrong, Carson, Donley, Gray, Potter, Roberts, and Wheeler Counties, Texas, 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.

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.

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.

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 August 31, 2025.

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

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

2. Before closing, the District must execute a loan agreement acceptable to the Executive Administrator.
3. 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).
4. In administering the loan funds, the District must comply with all applicable state statutes and with the rules and requirements of the TWDB.

APPROVED and ordered of record this 15th day of August 2024.

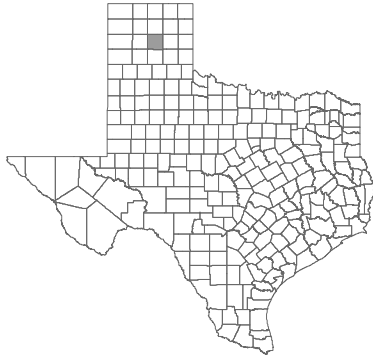
TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Interim Executive Administrator



Panhandle Groundwater Conservation District Carson County

