Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 4, 2023 **Team Manager:** Jesse Milonovich

ACTION REQUESTED
Consider approving by resolution a request from the Sandy Land Underground Water Conservation District (Yoakum County) for $575,000 in financing 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 510,540 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. Eight 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 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 730th 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.

LEGAL/SPECIAL CONDITIONS
- Availability of funds
- Executed loan agreement
- Notification related to Texas Penal Code § 1.10(f)
- In administering the loan funds, comply with all applicable state statutes and with rules and requirements of the TWDB

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE MAY 31, 2024

Attachments

1. Financial Review
2. Resolution (23-)
3. Water Conservation Review
4. Location Map

Financial Review
Sandy Land Underground Water Conservation District

Risk Score: 2B

Audit Reviewed: FY 2021

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 0.18%	State: 1.49%
Median Household Income as % of State	92%	100%
Days of Cash on Hand (3-year Average)	618 days	30-149 days
Cash Balance Ratio	9%	0-9.99%
Debt Service Coverage Ratio	1.04x	1.0x
Unemployment Rate (January 2023)	Yoakum Co: 4.0%	State: 4.2%
Working Capital Ratio	15.33	> 1.0

Key Risk Score Strengths

- The District is pledging first lien revenues as security for the loan and currently has $1,204,673 of unrestricted funds available for debt service.
- A high working capital ratio provides the District with sufficient resources to cover short-term liabilities and shows a strong liquidity position.
- The District's unemployment rate is below the benchmark when compared to the state.

Key Risk Score Concerns

- The District will need to solicit participants for the Agriculture Water Conservation Loan Program, once the loan has been approved.

PLEDGE

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

Cost Savings

Based on an 8-year maturity schedule and a loan amount of $575,000, the District could save approximately $49,815 over the life of the loan.

Texas Water Development Board

Project Data Summary

Responsible Authority	Sandy Land UWCD
Program	AGRIC
Commitment Number	L1001624
Project Number	21812
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$575,000 Sandy Land Underground Water 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**
Jesse Milonovich	Caaren Skrobarczyk	N/A	N/A	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Sandy Land Undergroud Water Conservation District

$575,000 Sandy Land Underground Water Conservation District Loan Agreement

Dated Date:	**8/1/2023**	**Source:**	**Ag Loan Program**
Delivery Date:	**8/1/2023**	**Rate:**	**5.04%**
First Interest:	**4/15/2024**	**IUP Year:**	**N/A**
First Principal:	**4/15/2024**	**Case:**	**Revenue**
Last Principal:	**4/15/2031**	**Admin.Fee:**	**$0**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**N/A**
Required Coverage:	**1.0**		

FISCAL YEAR	PROJECTED NET REVENUES	CURRENT DEBT SERVICE	$575,000 ISSUE PRINCIPAL PAYMENT	$575,000 ISSUE INTEREST RATE	$575,000 ISSUE INTEREST PAYMENT	$575,000 ISSUE TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2024	$290,347	$186,906	$71,875	5.04%	$20,447	$92,322	$279,228	1.04
2025	290,347	184,949	71,875	5.04%	25,358	97,233	282,182	1.03
2026	290,347	146,348	71,875	5.04%	21,735	93,610	239,958	1.21
2027	290,347	-	71,875	5.04%	18,113	89,988	89,988	3.23
2028	290,347	-	71,875	5.04%	14,490	86,365	86,365	3.36
2029	290,347	-	71,875	5.04%	10,868	82,743	82,743	3.51
2030	290,347	-	71,875	5.04%	7,245	79,120	79,120	3.67
2031	290,347	-	71,875	5.04%	3,623	75,498	75,498	3.85
		$518,203	$575,000		$121,877	$696,877	$1,215,080	

AVERAGE (MATURITY) LIFE	**4.21 YEARS**
NET INTEREST RATE	**5.04%**
COST SAVINGS	**$49,815**
AVERAGE ANNUAL REQUIREMENT	**$87,110**

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 $575,000
TO SANDY LAND UNDERGROUND WATER CONSERVATION DISTRICT
THROUGH THE AGRICULTURAL WATER CONSERVATION LOAN PROGRAM
FOR THE PURPOSE OF MAKING CONSERVATION LOANS
TO INDIVIDUAL BORROWERS

(23-__)

WHEREAS, Sandy Land Underground Water Conservation District (District), located in Yoakum County, Texas, has filed an application for financial assistance with the Texas Water Development Board (TWDB) seeking a $575,000 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 System 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 $575,000 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, 2024.

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

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

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

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); and

4. 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 4th day of May 2023.

TEXAS WATER DEVELOPMENT BOARD

_____
Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

_____
Jeff Walker, Executive Administrator

Attachment 3

☐ Water
☐ Wastewater
☑ Other Ag Loan

WATER CONSERVATION REVIEW

Review Date: 03/27/2023
Project ID: 21812

Entity: Sandy Land UWCD

Other entity:

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

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

WATER LOSS AUDIT YEAR: NA

Service connections: NA
Retail population: NA
Length of main lines (miles): NA
Connections per mile: NA
Water Loss GCD: NA
Water Loss GPCD: NA
ILI[1]: NA

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

WATER LOSS THRESHOLDS Water Loss Project: ☐

Wholesale Adjusted: ☐

Threshold Type:	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
Population ≤ 10K, connections/mile ≥ 32 :	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 30 years. According to the district's application, the proposed project will utilize the funds to provide loans to area farmers to purchase drip irrigation systems and sprinkler conversion packages for eight existing systems. The district anticipates an average water conservation benefit of 10 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 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.

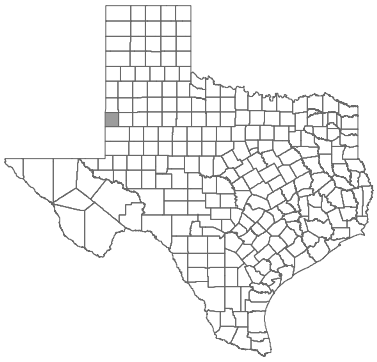
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



Sandy Land Underground WCD
Yoakum County