

Lower Rio Grande Valley Water District Managers' Association

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Via Electronic Submission and Via Regular U.S. Mail

July 15, 2025

Jesse J. Hereford
Head of Strategic Partnerships & Stakeholder Engagement
North American Development Bank
203 South St. Mary's, Suite 300
San Antonio, TX 78205

Dear Mr. Hereford:

On behalf of the Lower Rio Grande Valley Water District Managers' Association (Association) we would like to extend our appreciation to NADBank's Board of Directors public comment period on the Water Resiliency Fund (WRF) Proposal. As you may be aware, the WSF has been put to beneficial use by members of our Association in the past, and we look forward to the opportunity to partner with NADBank (Bank) to tackle the ongoing water supply shortage faced by our region.

Our Association represents approximately 76% of the total irrigation water rights in the Amistad/Falcon Reservoir System (System). Often times our members are the sole source of raw water for this region's municipal users, including cities and municipal water supply corporations. We hope this letter helps your organization better understand how an investment in our industry will increase our drought resiliency and increase efficiencies, not only for our international reservoirs, but for all of our users, including irrigation and municipal.

Below we have provided our comments to the WRF Proposal for your Board's consideration.

Intricacies within the Amistad/Falcon Reservoir System:

- An acre-foot conserved by a member of our Association produces an acre-foot saved in the System. The water conservation accomplished by our members, reduces demand from the System. This conservation helps members increase their drought resiliency by allowing the limited resource to stretch further. In addition, this also produces an indirect benefit to each members' municipal user by delaying the concern for what is known as "push water".
- The ability for our members to solicit debt puts the district in a position that could be detrimental and arguably labeled fiscally irresponsible. Each District is working with a specific volume of water in their water right. The low water supply in the System has persisted over the past several years, resulting in many members having low available water in their water right. This causes the District's main source of revenue to diminish, significantly increasing risk when considering debt.
- The low water supply in the System creates potential opportunities related to project readiness. Prolonged low water balances can result in the District's infrastructure being available. For example, canals that are normally running water year-round, could become seasonal or dry due to

low water balances. This creates an opportunity to do the improvements now, rather than later, assuming funding is available.

- It should be apparent that water conservation within an Irrigation District yields higher volumetric savings when compared to other funding opportunities provided to other types of water users. One example includes an investor seeking \$133M to build an ocean water desalination plant which could generate 3 million gallons per day of undelivered water, which allegedly translates to \$31 per thousand gallons. On the contrary, Districts can deliver water as low as 0.18¢ per thousand gallons. To summarize this reference, please see enclosed Discussion Paper entitled, “Making Smart Financial Decisions Towards Resolving the RGV Water Crisis”. Furthermore, for our discussion we have enclosed a tabulation of the Region M’s 2021 State Water Plan cost savings by District. These are listed projects with their estimated costs and water savings.

Critical Infrastructure:

- Irrigation District’s in this region typically rely on three critical components to ensure reliable delivery of water to their users: Pumping Stations (River and Relift), a main reservoir, and a main canal. We recommend the WRF be considered for amendment to expand the project types to include critical components as eligible for this funding. This helps to build District’s water resiliency and ensure District’s continue to adhere to their mission of water delivery. As mentioned above, should components of this critical infrastructure fail, the results would be devastating to all users, including irrigation and municipal.

In an effort to successfully apply for funding opportunities outlined in the proposal, we have the following generic comments and/or definitional questions:

- Specific to the “Water Conservation in Agriculture in the United States” section of page 10, it would be best to include grants in the last sentence of the third paragraph. We recommend it reads as follows, “Through the WRF, the Bank will be in a position to fill these gaps via grants, impact or low-interest loans.
- Within Table 4 under “Financial stewardship of sponsor”, it is unclear of the Bank’s definition of “Percentage of unaccounted-for water”
- Within Table 5 letter “c” of the “Agricultural Projects”, it is worth noting our members currently operate under Statute that satisfies this section with or without funding opportunities from the Bank.

We hope to continue this conversation, and would be happy to answer any questions you or your Board Members may have. Please stay in touch with our Association by contacting me at (956) 540-0023 or at antonio.uresti@hcid6.com.

Sincerely,


Dr. Antonio Uresti
President

Enclosures

Making Smart Financial Decisions Towards Resolving the RGV Water Crisis

by

Craig Harmon¹

Water security within the Texas Lower Rio Grande region has become a hot topic. On June 19th, 2024, the Amistad and Falcon reservoirs experienced the lowest ever recorded combined storage. Since 2012 the reservoirs have maintained low levels impacting all Rio Grande water users.² The Rio Grande Valley (RGV) is certainly no exception; the RGV agricultural industry has been hit hard. In fact, the last remaining sugar mill in Texas closed due to the lack of water to grow sugar cane. The fear is other RGV agricultural industries like citrus, vegetables and cotton are next. A study by the Texas A&M Center for North American Studies “*estimates a potential 2024 total loss in economic output of over \$993.2 million due to the absence of irrigation water for crop production in the LRGV region.*”³ Public water suppliers (PWS) are not immune from the effects; cities are scrambling to secure water rights to “push water” to ensure they don’t cavitate. Consequentially, the RGV counties are under disaster declarations.

ROI, being Return on Investment, or more commonly referenced as “bang for the buck”, forms the foundation for investment strategies. You may ask what this has to do with a water crisis-EVERYTHING! As political leaders’ wrangle with this crisis and allocate scarce funds, it is imperative they don’t lose sight of the “bang for the buck.”

When the river dries, we are forced to look for other maybe less desirable or accessible sources. Recently, I’ve heard a crescendo of discussion on the need for investment in desalination, brackish-water improvement, ground-water exploration, etc., which is a good thing. I’ve attended multiple conferences, public hearings, and townhall meetings aiming to raise awareness and develop solutions which seemingly focused almost exclusively on “alternative sources.” Also, a good thing as most people aren’t aware of just how bad it is. But does a strategy focused almost exclusively on alternative sources truly make sense? Are we realizing the most water savings by doing so?

When it comes to investing money, financial advisors suggest a well-informed, diversified, forward-looking, risk-balanced portfolio. When it comes to the RGV’s water distribution network, few people are well-informed on how it works. Sure, most people know we get our water predominately from the Rio Grande, but then what? Where are water losses occurring? I firmly believe it is human nature to want to jump right to the solution, without taking the time to understand the problem, resulting in many cases never addressing the root cause. Consequentially, time and money are wasted on strategies that have little chance of fixing the issue.

The RGV relies almost exclusively on an antiquated network of large, high-volume canals and pipelines to move water to end-of-the-line users, managed by irrigation districts. These canals are largely constructed of dirt which are susceptible to evaporation and seepage. Over the years, some canals were converted to pipelines or lined significantly reducing water losses, however much of the network remains unchanged.

Recently, many federal and state high match grant opportunities (more than 50%) for water efficiency, reclamation, and alternative source projects aimed at PWSs have become available. PWSs rely almost

¹ Craig Harmon is the General Manager of Cameron County Irrigation District #2 and Cameron County Drainage District #3

² <https://ibwcsftpstg.blob.core.windows.net/wad/WeeklyReports/storage.htm>

³ <https://agecoext.tamu.edu/wp-content/uploads/2024/02/2023.08.Estimated-Economic-Impacts-of-Irrigation-Water-Shortages-on-LRGV-Agriculture.pdf>

exclusively on irrigation districts for raw water. They deliver a small fraction of water in comparison to irrigation districts. Both share the same initial distribution network. Increasing the efficiency of these district networks due to the high volumes of water moving through the system as well as the increased number of beneficiaries, like the agricultural community where the bulk of raw water is consumed, significantly improves the overall ROI. Oddly, despite the benefits, irrigation district funding opportunities remain stagnate.

I'll use two examples to highlight this point. An investor came seeking \$133M to build a desalination plant which at capacity would convert 3 million gallons per day (MGD) of salt water into raw water at \$31 per thousand gallons, **undelivered**. Sounds impressive, not really, if you understand the system, that's only enough water to supply a small city. In this case, only one city benefits from the high-cost program and grant. Conversely, irrigation districts can **deliver** 100s of millions of gallons of water at 30 cents per thousand gallons! Even with heavy federal subsidies, the investor admitted he could only get the **undelivered** price down to \$21 dollars per thousand gallons. Farmers, ranchers and most citizens cannot afford to pay for the small amount of water that can be generated, yet massive amounts of public funds are being made available to incentivize it. One district's \$24M canal lining project is projected to reduce water losses by over 17.9 MGD. That's enough annual water savings to supply all three PWSs it provides to for three years! This project helps multiple cities, agricultural users and keeps the water saved behind the dams which benefits the entire RGV at a fraction of the cost!

The 2021 Texas Water Development Board Region M Water Plan identified over **\$569 million irrigation district projects**⁴. Despite the overwhelming need, grant programs are limited and typically require districts to match dollar for dollar. Irrigation districts are in desperate need of higher percentage grants (i.e., 90%/10%). For districts, it is difficult, if not impossible, to generate the matching funds. They rely almost exclusively on the sale of water to generate funds and due to the prolonged shortages, they have little to sale. Based on the example above, wouldn't the ROI justify it?

We can't pivot away from time-tested, low-cost, high-return investments to high-cost, potentially high-risk strategies with unknown ROIs in alternative sources. I'm not against research and development but we can't put all our eggs in one basket, the risk is too great. Taking time to understand the problem, and not get enamored with all the "BUZZ WORDS", will allow for the informed, balanced, diversified, risk tolerant strategy needed to address this crisis for today and tomorrow.

⁴ <https://www.twdb.texas.gov/waterplanning/rwp/plans/2021/index.asp#region-m>

2021 Region M Water Plan Cost Savings Analysis By District

District Name:	Total Project Cost (\$):	Acre-Feet Savings per Year:	MGD Savings per Year:	Water Plan Table Reference
Bayview Irrigation District	\$ 10,125,384	1,750	2	5.3-3
Brownsville Irrigation District	\$ 7,637,457	1,500	1	5.3-6
Cameron County Irrigation District No. 2	\$ 79,856,194	8,486	8	5.3-9
Cameron County Irrigation District No. 6	\$ 28,752,120	4,902	4	5.3-12
Cameron County Irrigation District No. 10	\$ 2,361,772	395	0	5.3-15
Harlingen Irrigation District	\$ 3,814,870	4,760	4	5.3-18
La Feria Irrigation District	\$ 59,989,636	11,041	10	5.3-21
Valley Acres Irrigation District	\$ 2,846,479	510	0	5.3-24
Donna Irrigation District	\$ 7,459,530	989	1	5.3-99
Engelman Irrigation District	\$ 5,262,249	831	1	5.3-102
Hidalgo & Cameron Counties Irrigation District No. 9	\$ 63,146,985	4,000	4	5.3-105
Hidalgo County Irrigation District No. 1	\$ 26,418,956	6,167	6	5.3-108
Hidalgo County Irrigation District No. 2	\$ 12,825,016	456	0	5.3-111
Hidalgo County Irrigation District No. 5	\$ 6,092,515	1,215	1	5.3-114
Hidalgo County Irrigation District No. 6	\$ 16,160,527	2,787	2	5.3-117
Hidalgo County Irrigation District No. 13	\$ 772,193	102	0	5.3-121
Hidalgo County Irrigation District No. 16	\$ 9,801,872	1,985	2	5.3-124
Hidalgo County Water Control & Improvement District No. 19	\$ 3,789,099	554	0	5.3-127
Hidalgo County Water Improvement District No. 3	\$ 70,572,603	2,291	2	5.3-130
Hidalgo County Water Control & Improvement District No. 18	\$ 665,437	119	0	5.3-133
Santa Cruz Water Control & Improvement District No. 15	\$ 5,356,629	3,599	3	5.3-136
United Irrigation District	\$ 23,387,772	7,093	6	5.3-139
Maverick County Water Improvement District	\$ 50,136,923	8,659	8	5.3-224
Delta Lake Irrigation District	\$ 55,808,978	5,583	5	5.3-292
Totals:	\$ 553,041,196	79,774	71	