Delta Lake Irrigation District Water Bank Program

Purpose

The Delta Lake Irrigation District (DLID) Water Bank Program is designed to provide an efficient and transparent method for managing allocated water during periods when the District's Water Allocation Program is in effect. The program allows eligible water users who do not intend to use their allocated water to voluntarily transfer that water to the District for redistribution to other eligible water users within the District.

Why the Water Bank Was Created

Historically, water users were required to locate another grower willing to purchase their allocated water. This process was often time-consuming and inefficient. The Water Bank simplifies the transfer process by allowing the District to serve as the intermediary between willing sellers and willing purchasers.

How the Program Works

1. The District activates the Water Bank when the District's Water Allocation Program is in effect.
2. Eligible water users may voluntarily offer all or a portion of their allocated water to the District Water Bank.
3. The District will purchase the allocated water at a rate established by the Board of Directors or General Manager.
4. Water acquired through the Water Bank becomes District-controlled water and may be resold to eligible water users within the District.
5. Water distributed through the Water Bank shall only be used within the boundaries of Delta Lake Irrigation District and in accordance with all District rules, regulations, and policies.

Benefits

- Creates a simple and reliable market for unused allocated water.
- Provides water users an opportunity to recover value from water they do not intend to use.
- Reduces administrative burdens associated with private water transfers.
- Helps maximize beneficial use of limited water supplies.
- Supports agricultural production within the District during drought and water shortages.
- Provides greater flexibility for growers facing changing crop and irrigation needs.

Administration

The General Manager shall administer the Water Bank Program and may establish procedures necessary for its operation, subject to Board policies and applicable law.

The Board of Directors may modify, suspend, or terminate the Water Bank Program at any time when deemed in the best interest of the District and its water users.

If the District suspends or terminates its Water Allocation Program, the Water Bank shall become inactive and remain inactive until the Water Allocation Program recommences.

DELTA LAKE IRRIGATION DISTRICT
WATER HEDGE/OPTION PROGRAM

The Water Hedge/Option Program allows growers to secure a limited future water supply in advance to assist with crop planning and drought risk management.

HOW IT WORKS

PURCHASE LIMIT
- Up to 25% of eligible flat-rate acreage.
- Additional amounts may be approved by the District.

TERM
- Hedge/option water must be used within 6 months.
- Unused hedge/option water expires unless an extension is approved by the General Manager.

PRICING
The hedge/option price includes:
- District acquisition cost
- Hedge premium

Current target premium:
- $25 per acre-foot

DELIVERY CREDIT
When hedge/option water is actually delivered and used:
- Grower receives a delivery credit.

Current target credit:
- $20 per acre-foot

IMPORTANT
- Hedge/option water purchases are non-refundable.
- Hedge/option water is non-transferable.
- Program participation depends on available District water supplies.
- DLID may modify, suspend, or terminate the program when necessary.

Participation in the program does not guarantee water availability or delivery.
All deliveries remain subject to Rio Grande Watermaster rules, canal capacity, District operations, and available water supplies.

DELTA LAKE IRRIGATION DISTRICT
WATER BANK AND WATER HEDGE/OPTION PROGRAM POLICY

SECTION 1. PURPOSE

The purpose of this policy is to establish a voluntary Water Bank and Water Hedge/Option Program for the efficient management, conservation, redistribution, and stabilization of irrigation water supplies within the boundaries of Delta Lake Irrigation District ("District" or "DLID").

This program is intended to:

1. Provide growers and landowners an organized method to voluntarily transfer unused allocated water to the District;
2. Allow growers with limited or depleted water supplies the opportunity to obtain supplemental irrigation water;
3. Promote conservation and efficient use of available water supplies during drought and allocation periods;
4. Reduce uncertainty associated with locating private buyers and sellers of allocated water;
5. Assist agricultural producers in maintaining crop production during periods of limited water availability; and
6. Allow limited advance water purchases through a Water Hedge/Option Program designed to improve planning and risk management.

This policy is adopted pursuant to Chapters 49 and 58 of the Texas Water Code and all other applicable laws and regulations governing the District and the Rio Grande Watermaster Program administered by the Texas Commission on Environmental Quality.

SECTION 2. DEFINITIONS

A. Allocated Water
Water assigned by the District to eligible irrigable acreage during an official District allocation period.

B. Water Bank
A District-administered program through which the District voluntarily purchases unused allocated water from eligible landowners or growers and resells such water to other eligible users within the District.

C. Water Hedge/Option Account
A temporary advance water purchase account established by the District to allow growers to secure future irrigation water supplies subject to program limitations.

D. Eligible Acreage
Acreage recognized by the District as qualified to receive irrigation water service under District policies and Watermaster regulations.

E. Delivery Fee
The District's current approved irrigation delivery charge applicable to all delivered water.

F. Administrative Transaction Fee
A fee established by the District to recover administrative costs associated with Water Bank transfers.

SECTION 3. ACTIVATION OF PROGRAM

The Water Bank Program may be activated whenever the District is operating under an official allocation program or whenever the Board of Directors or General Manager determines that implementation is in the best interest of the District and its water users.

The District's current allocation trigger is when the District water account balance reaches approximately sixty thousand (60,000) acre-feet or another amount established by Board action.

If the District suspends or terminates its Water Allocation Program, the Water Bank shall become inactive and remain inactive until the Water Allocation Program recommences.

SECTION 4. VOLUNTARY SALE OF ALLOCATED WATER TO DISTRICT

A. Voluntary Participation

Participation in the Water Bank Program shall be strictly voluntary.

No eligible landowner or grower with allocated water shall be required to sell allocated water to the District.

B. District Purchase of Water

The District may purchase unused allocated water from eligible landowners or growers at a rate established by the Board of Directors or General Manager.

The purchase price may be adjusted periodically based upon market conditions, water availability, operational costs, and District financial considerations.

The initial target purchase price shall generally range between Sixty Dollars ($60.00) and Eighty Dollars ($80.00) per acre-foot.

The District shall not be obligated to purchase water if sufficient funds are unavailable or if the purchase is determined not to be in the best interest of the District.

C. Ownership and Transfer

Upon execution of all required District forms and approval by the District, the transferred allocation shall become property of the District Water Bank and may be resold pursuant to this policy.

D. Payment

The District may issue payment or account credit to the participating landowner or grower upon completion of the transfer into the Water Bank.

SECTION 5. RESALE OF WATER BANK WATER

A. Eligibility

Water Bank water may only be sold to eligible water users within the boundaries of the District.

B. Fees and Charges

Purchasers shall pay:

1. The established Water Bank water price;
2. The District's regular irrigation delivery fee; and
3. An administrative transaction fee of $5.00 per acre-foot.
4. The prices and fees established under this policy may be adjusted by the Board of Directors or General Manager if it is determined that the established amounts are insufficient to recover the District's administrative, operational, or program-related costs.

C. Purchase Limitations

1. Growers with an existing positive water balance may purchase Water Bank water up to fifty percent (50%) of the amount currently available in their account unless otherwise approved by management.
2. Growers whose accounts are depleted or contain only minimal remaining water may purchase sufficient water to complete the requested irrigation ticket, subject to availability and District approval.

D. Immediate Use Requirement

All Water Bank water purchased under this program:

1. Must be used immediately for irrigation purposes;
2. Shall be non-refundable;
3. Shall not remain in the purchaser's account beyond the approved irrigation transaction; and
4. Shall not be eligible for further resale or transfer unless specifically approved by the

District.

E. Availability

The District does not guarantee availability of Water Bank water and reserves the right to limit sales based upon operational conditions, water supply, canal capacity, Watermaster restrictions, financial considerations, or other District needs.

SECTION 6. WATER HEDGE/OPTION PROGRAM

A. Purpose

The Water Hedge/Option Program is intended to provide growers with the opportunity to secure a limited future water supply to assist in crop planning and risk management.

B. Participation Limits

Participants may purchase hedge/option water in an amount not to exceed twenty-five percent (25%) of the participant's eligible flat-rate acreage unless otherwise approved by the Board of Directors or General Manager.

Participation shall be subject to available District water supplies and available program capacity.

C. Term

All hedge/option water must be used within six (6) months of purchase.

Unused hedge/option water remaining after six (6) months shall expire and become property of the District without refund; provided, however, that the General Manager may grant an extension for good cause shown if such extension is determined to be in the best interest of the District.

D. Pricing

The hedge/option water price shall include:

1. The District's acquisition cost; plus
2. A hedge/option premium established by the Board of Directors or General Manager.

The initial hedge/option premium shall be Twenty-Five Dollars ($25.00) per acre-foot.

E. Delivery Credit

Upon actual delivery and use of hedge/option water, the purchaser shall receive a delivery credit established by the Board of Directors or General Manager.

The initial delivery credit shall be Twenty Dollars ($20.00) per acre-foot.

F. Non-Refundable

All hedge/option water purchases are non-refundable and non-transferable unless otherwise approved by the District.

G. District Authority

The District reserves the right to suspend, modify, limit, or terminate the Water Hedge/Option Program at any time due to drought conditions, Watermaster restrictions, legal requirements, operational concerns, water supply conditions, available program capacity, or financial considerations.

SECTION 7. ADMINISTRATION

The General Manager or authorized District staff shall administer this policy and may establish procedures, forms, deadlines, pricing schedules, and operational requirements necessary to implement the program.

SECTION 8. NO GUARANTEE OF WATER SUPPLY

Participation in the Water Bank or Water Hedge/Option Program does not guarantee water availability or delivery.

All water deliveries remain subject to water availability, Rio Grande Watermaster allocations, TCEQ regulations, canal capacity, District operational conditions, and acts of God.

SECTION 9. BOARD AUTHORITY

The Board of Directors reserves the right to amend, suspend, or terminate this policy at any time.

The Board may delegate administrative authority to the General Manager to establish and modify pricing, fees, participation limits, expiration periods, and other operational provisions necessary to administer the program.

Approved this ____ day of _____, 2026.