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AGENDA ITEM MEMO

BOARD MEETING DATE: April 11, 2024

TO: Board Members

THROUGH: Bryan McMath, Interim Executive Administrator
Ashley Harden, General Counsel
Rebecca Trevino, Chief Financial Officer
Jessica Peña, DEA, Water Supply & Infrastructure

FROM: Marvin Cole-Chaney, Director, Program Administration and Reporting
Jesse Milonovich, Assistant Director, Program Administration and Reporting
Patrick Kading, Manager, Program Administration

SUBJECT: State Water Implementation Fund for Texas
2024 Funding Cycle Prioritization and Structure

ACTION REQUESTED

Consider approving the 2024 State Water Implementation Fund for Texas (SWIFT) program prioritization list, amount of funds available by category, and terms of subsidy.

BACKGROUND

In 2013, the 83rd Texas Legislature created the SWIFT and the State Water Implementation Revenue Fund for Texas (SWIRFT). In addition, a \$2 billion supplemental appropriation from the state's Economic Stabilization Fund to the SWIFT was authorized. Proposition 6, approved by voters in 2013, amended the Texas Constitution to create a constitutionally dedicated fund. The SWIFT program was designed to support funding of water supply projects based on 50-year needs to assist communities in developing adequate water supplies during times of drought.

To date, the Texas Water Development Board (TWDB) has committed almost \$11.5 billion in SWIFT program funding in support of 57 state water plan projects representing 70 water management strategies estimated to produce more than 1.7 million acre-feet of water supply. The estimated savings on closed funding are over \$1.5 billion compared to market interest rate financing.

Our Mission : **Board Members**

Leading the state's efforts :
in ensuring a secure :
water future for Texas :
Brooke T. Paup, Chairwoman | George B. Peyton V, Board Member | L'Oreal Stepney, P.E., Board Member
Bryan McMath, Interim Executive Administrator

2024 SWIFT FUNDING CYCLE

At its December 7, 2023, Board meeting, the TWDB opened the 2024 SWIFT funding cycle with the solicitation of abridged applications that were due on February 1, 2024.

Pursuant to 31 Texas Administrative Code (TAC) §363.1303, the Executive Administrator (EA) provides a prioritization of abridged applications for approval. The TWDB is required to identify the amount of funds available by funding category, establish the structure of financing, the terms of any subsidy, and consider abridged applications according to the prioritization criteria outlined in 31 TAC §363.1304.

Twenty abridged applications were received prior to the deadline requesting a total of \$3,411,212,798. During review of all abridged applications received and follow up with applicants, one application was withdrawn: San Antonio Water System Expanded Local Carrizo Project. The remaining 19 water management strategy projects were considered eligible and have been prioritized for the 2024 SWIFT cycle, as shown in Attachment 1, for a total eligible amount of \$3,343,838,798.

Should the EA’s recommendations contained herein be approved, in accordance with applicable rules, the EA will establish a May 13, 2024, deadline for receipt of complete applications for financial assistance.

PRIORITIZATION AND AMOUNT OF FUNDS REQUESTED

Pursuant to rule, 31 TAC §363.1304, the prioritization criteria were applied to the abridged applications as follows:

Highest Consideration (Max Points: 50)	Additional Consideration (Max Points: 35)
<ul style="list-style-type: none">• Serves a large population (30)• Assists a diverse urban/rural population (30)• Provides regionalization (30)• Meets high percentage of water users’ needs (30)	<ul style="list-style-type: none">• Local financial contribution (5)• Financial capacity to repay (2)• Emergency need for the project (5)• Readiness to proceed with the project (8)• Effect on water conservation (15)

Multi-year commitments continue to be an effective option for SWIFT borrowers because they accommodate the financing needs associated with long-term projects and assist the TWDB with strategic planning for financial purposes. Of the 19 prioritized projects, 10 applicants requested multi-year commitments and provided a schedule showing projected need in future years.

Each year, entities with existing multi-year commitments are asked to confirm their schedules or, if warranted, request changes to better align existing commitments with project schedules. Two entities requested adjustments to their schedules resulting in a net decrease in 2024 obligation closings of \$16,330,000.

Based on the prioritized list of potential new applicants and existing commitment adjustments, the total amount of financing requested to close in Fall 2024 is estimated at \$2,009,201,450 as follows:

Fall 2024 Closings Requested

Existing Multi-Year Commitments	\$489,730,000	Previous amount scheduled to close in 2024
	(\$16,330,000)	Net requested changes to existing commitment closing schedules
2024 Abridged Apps	\$1,535,801,450	Amount requested to close in 2024 of total new prioritized amount of \$3,343,838,798
Total	\$2,009,201,450	

FINANCING STRUCTURE AND TERMS OF SUBSIDY

After review of the new funding requests, existing commitments, and evaluation of the long-term SWIFT program capacity, the EA recommends the following program structure and terms for the 2024 funding cycle remain the same as the prior cycle, as illustrated below:

Low-Interest Obligations

Term	Low-Interest Obligations Standard Subsidy		Low Interest Obligations Rural/Agriculture	
	Tax-Exempt	Taxable	Tax-Exempt	Taxable
20 Years	25%	20%	50%	40%
21-25 Years	18%	14%	34%	27%
26-30 Years	14%	10%	27%	22%

Rural and Agricultural

Entities qualifying for the Rural/Agricultural interest rate subsidy are those which:

- Meet the definition of agricultural water conservation or irrigation project, or
- Serve a population of 10,000 or less and fall entirely outside of urbanized areas as defined by the most recent available U.S. Census.

Deferred Obligations

- Deferral on interest and principal payments of up to eight years, or until the end of construction, whichever is sooner.
- Obligation terms up to 30 years.
- No interest rate subsidy.

Board Participation

- Applicant benefits through a combination of non-level debt service, payment deferrals, and repayment of deferred interest on a simple interest basis.
- No interest rate subsidy.

Multi-year Commitments

- Limit multi-year commitments to no more than five years.
- First year of the multi-year request must include funds to be closed.
- Once committed, subsidies are recommended to be locked in through the end of the following State Fiscal Year only.

Interest rates are set at the time of closing and are based upon the TWDB's cost of funds less the applicable subsidy.

FUNDING CAPACITY

To analyze the SWIFT funding capacity for this prioritization cycle, the EA considered the long-term funding capacity of the program, existing funding commitments, and new funding requests. The SWIFT's funding capacity is actively managed to achieve funding targets while ensuring continued capacity for new commitments. It is intended that the funding analysis will continue to be regularly updated to reflect current market earnings and interest rate conditions, account for all committed projects, and consider a range of possible future scenarios.

Based on this analysis, the EA has determined that sufficient funding capacity exists to:

- 1) accommodate all new 2024 SWIFT requests, based on their submitted multi-year commitment schedules,
- 2) fund existing multi-year closings, and
- 3) accommodate changes to the amount closing in calendar year 2024 under existing multi-year commitments.

IMPLEMENTATION

Below is the proposed schedule for the 2024 SWIFT funding cycle:

April 11, 2024	<ul style="list-style-type: none">• Abridged Applications prioritization• Amount of funds available by category, structure of financing and subsidy terms established• Invitations extended to submit Complete Applications for financial assistance
May 13, 2024	<ul style="list-style-type: none">• Complete Applications due to the TWDB
Summer 2024	<ul style="list-style-type: none">• Authorization of TWDB bond sale, selection of co-managing underwriters, and approval of a not to exceed amount• Execution of Financing Agreements with borrowers
Fall 2024	<ul style="list-style-type: none">• TWDB bond sale• Interest rates set• Funds Transfer Agreement ratification• TWDB bond closing• Borrowers' closings

RECOMMENDATION

Based on the above analysis, the EA recommends approval of:

- 1) Prioritization of 2024 SWIFT program abridged applications as set forth in Attachment 1.
- 2) Authorization of approximately \$3,343,838,798 in funding for the 2024 SWIFT prioritization cycle and funding by category as set forth in Attachment 1.
- 3) Authorization of program structure and terms of funding as described previously.
- 4) Accommodating requested shifts in closing amounts under existing multi-year commitments for a net decrease of \$16,330,000 in calendar year 2024, each of which is to be approved by resolution at a later date.

After receipt of the complete applications, the EA will review and recommend projects for funding commitments. The total funding amounts and timing requested may change from the above numbers prior to the time applications will be submitted for consideration as a result of the review process. Should there be any changes, the EA will detail the differences and make recommendations based on these changes.

Attachment

1. 2024 SWIFT Program Abridged Applications – Prioritization



State Water Implementation Fund for Texas
2024 Abridged Applications - Prioritization

Score	Entity Name	Project Name	Total Eligible Amount	Type of Funding Requested			2024	2025	2026	2027	2028	Agriculture	Conservation	Reuse	Rural	Rural+Subsidy
				Low-Interest Obligation	Deferred Obligation	Board Participation										
76	Greenville	Water Treatment Plant Expansion (15 Million Gallons per Day (MGD):2030)	\$ 85,000,000			\$ 85,000,000	\$ 85,000,000									
75	Corpus Christi	Corpus Christi Seawater Desalination (Inner Harbor)	\$ 535,110,000	\$ 535,110,000			\$ 10,000,000	\$ 210,044,000	\$ 210,044,000	\$ 105,022,000						
73	Canyon Regional Water Authority (CRWA)	CRWA Hays Caldwell Water Treatment Plant Expansion	\$ 24,923,898	\$ 24,923,898			\$ 1,500,000	\$ 11,711,949	\$ 11,711,949							
72	Upper Trinity Regional Water District	Harpool Regional Water Treatment Plant Expansion, Phase 2	\$ 162,000,000			\$ 162,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 32,000,000	\$ 10,000,000					
72	Upper Trinity Regional Water District	Lake Ralph Hall Reservoir	\$ 320,846,900			\$ 320,846,900	\$ 260,624,000	\$ 60,222,900						x		
70	Guadalupe Blanco River Authority (GBRA)	ARWA/GBRA Project Phase 1 Expansion of Mid-Basin WSP (Carrizo Groundwater Supply Project)	\$ 87,705,000	\$ 87,705,000			\$ 40,000,000	\$ 47,705,000								
68	Brazosport Water Supply Corporation	Dow Reservoir and Pump Station Expansion	\$ 750,000,000	\$ 750,000,000			\$ 335,890,000	\$ 237,580,000	\$ 94,770,000	\$ 81,760,000						
65	Coastal Water Authority (CWA)	CWA Transmission Expansion (WMS-4009)	\$ 320,000,000	\$ 320,000,000			\$ 25,000,000	\$ 50,000,000	\$ 75,000,000	\$ 75,000,000	\$ 95,000,000					
65	Palo Pinto County Municipal Water District No. 1	Turkey Peak Reservoir	\$ 200,000,000	\$ 200,000,000			\$ 60,000,000	\$ 100,000,000	\$ 40,000,000							
64	Fort Worth	Eagle Mountain Water Treatment Plant - 35 MGD Expansion	\$ 125,000,000	\$ 125,000,000			\$ 125,000,000									
64	Greater Texoma Utility Authority (GTUA)	GTUA - City of Sherman 10 MGD Water Treatment Plant Expansion (Desal)-1	\$ 300,000,000	\$ 60,000,000		\$ 240,000,000	\$ 300,000,000									
61	San Antonio Water System (SAWS)	SAWS Aquifer Storage and Recovery Treatment Plant Expansion	\$ 39,508,000	\$ 39,508,000			\$ 5,926,200			\$ 33,581,800						
59	Alliance Regional Water Authority (ARWA)	ARWA/GBRA Project (Phase 1)	\$ 138,000,000	\$ 138,000,000			\$ 138,000,000									
58	Bistone Municipal Water Supply District	Carrizo Aquifer Development	\$ 16,000,000	\$ 16,000,000			\$ 16,000,000								x	x
56	Denton	30 MGD Water Treatment Plant Expansion – Ray Roberts 1	\$ 195,845,000	\$ 195,845,000			\$ 48,961,250	\$ 39,169,000	\$ 39,169,000	\$ 39,169,000	\$ 29,376,750					
51	Laguna Madre Water District	Seawater Desalination Plant	\$ 10,000,000		\$ 10,000,000		\$ 10,000,000									
50	Austin	Conservation Strategy – Smart Meters (Advanced Meter Infrastructure)	\$ 25,000,000	\$ 25,000,000			\$ 25,000,000						x			
36	Bridgeport	2 MGD Water Treatment Plant Expansion, 1 MGD Water Treatment Plant Expansion	\$ 8,500,000	\$ 8,500,000			\$ 8,500,000								x	x
21	Plainview	CRWA to Plainview Aquifer Storage and Recovery	\$ 400,000	\$ 400,000			\$ 400,000								x	
			\$ 3,343,838,798	\$ 2,525,991,898	\$ 10,000,000	\$ 807,846,900	\$ 1,535,801,450	\$ 796,432,849	\$ 510,694,949	\$ 366,532,800	\$ 134,376,750					

<i>Previous Amount Scheduled to Close/Existing Multi-Year Commitments</i>	\$ 489,730,000	\$ 253,000,000	\$ 408,335,000	\$ 286,490,000	\$ 25,245,000
Net Requested Changes to Multi-Year Commitments	\$ (16,330,000)	\$ 177,255,000	\$ 94,940,000	\$ (230,620,000)	\$ (25,245,000)
<i>Existing Multi-Year Commitments (with requested changes)</i>	\$ 473,400,000	\$ 430,255,000	\$ 503,275,000	\$ 55,870,000	\$ -
Grand Total of All Proposed Commitments by Year	\$ 2,009,201,450	\$ 1,226,687,849	\$ 1,013,969,949	\$ 422,402,800	\$ 134,376,750

* Tie scores are priority ranked according to the conservation and emergency criteria, where applicable. The SWIFT program includes two funds, the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT). Bonds for the program are issued through SWIRFT.