Texas Water Development Board

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TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Ashley Harden, General Counsel

FROM: Jessica P. Zuba, DEA, Water Supply & Infrastructure

DATE: June 4, 2020

SUBJECT: State Water Implementation Fund for Texas
2020 Funding Cycle Prioritization and Structure

ACTION REQUESTED

Consider approving the 2020 State Water Implementation Fund for Texas (SWIFT) program terms of subsidy.

2020 SWIFT FUNDING CYCLE

The funding cycle was opened on December 2, 2019 with the solicitation of abridged applications that were due on February 3, 2020. Pursuant to 31 Texas Administrative Code (TAC) §363.1303, on April 2, 2020, the Executive Administrator (EA) provided a prioritization of abridged applications to the Board for approval. The Board 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.

At its April meeting, the Board approved the prioritization of abridged applications, authorized the amount of funds available by category and accommodations of shifts in closing amounts for certain multi-year commitments. Invitations were then sent to all prioritized applicants. With respect to the global pandemic and its impact on investment and bond markets, the Board did not take formal action to set subsidy terms for the program to allow flexibility to react, if necessary, to market conditions.

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 program structure and terms remain the same as the last funding cycle.

Our Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Board Members

Peter M. Lake, Chairman | Kathleen Jackson, Board Member | Brooke T. Paup, Board Member

Jeff Walker, Executive Administrator

Low-Interest Obligations (No change from previous cycle)

	Low-Interest Obligations Standard Subsidy		**Low-Interest Rural/Agriculture**	
Term	**Tax-Exempt**	**Taxable**	**Tax-Exempt**	**Taxable**
20 Years	35%	28%	50%	40%
21-25 Years	25%	20%	34%	27%
26-30 Years	20%	16%	27%	22%

Rural and Agricultural (No change from previous cycle)
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 those areas are defined by the most recent available U.S. Census.

Deferred Obligations (No change from previous cycle)

- Deferral on interest and principal payments of up to eight years
- Obligation terms up to 30 years
- No interest rate subsidy

Board Participation (No change from previous cycle)

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

Multi-year Commitments (No change from previous cycle)

- 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 cost of funds less the applicable subsidy.

RECOMMENDATION
The Executive Administrator recommends Board approval of the terms of subsidy as described above.