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AGENDA ITEM MEMO

BOARD MEETING DATE: December 17, 2024

TO: Board Members

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

FROM: Marvin Cole-Chaney, Director, Program Administration & Reporting
Jesse Milonovich, Assistant Director, Program Administration & Reporting
Patrick Kading, Manager, Program Administration
Kimberly Rhodes, State Programs Coordinator, Program Administration

SUBJECT: State Water Implementation Fund for Texas 2025 Funding Cycle Timeline
and Policy Amendment for Applicants

ACTION REQUESTED

Consider approving the 2025 State Water Implementation Fund for Texas (SWIFT) timeline and adopting a policy amendment conditionally requiring applicants to provide investment grade ratings.

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 \$27 billion in water supply projects based on 50-year needs to assist communities with developing water supplies during times of drought. Eligible SWIFT projects are recommended Water Management Strategy Projects (WMSP) with an associated nonzero capital cost in the most recently adopted State Water Plan (SWP) at the time abridged applications are due to the TWDB for consideration.

To date, the TWDB has committed almost \$14.5 billion in assistance toward 66 SWIFT projects representing 78 WMSP recommended in the SWP resulting in the addition of 2.1 million acre-feet of water supply, with savings of over \$1.7 billion over the life of the obligations compared to unsubsidized market-rate transactions.

Our Mission

Leading the state's efforts
in ensuring a secure
water future for Texas

Board Members

Brooke T. Paup, Chairwoman | L'Oreal Stepney, P.E., Board Member | Tonya R. Miller, Board Member
Bryan McMath, Executive Administrator

In December 2023, the Board adopted a policy where entities whose application for financial assistance (combined with outstanding balances) in the SWIFT program exceeds four percent of the anticipated principal balances owed for political subdivision obligations as of December of the previous year must provide a publicly-available rating from a nationally-recognized statistical rating organization at the time the full application is submitted.

KEY ISSUES

The TWDB will open the solicitation period for the 2025 Funding Cycle on December 17, 2024. Abridged applications will be due on February 3, 2025. Information on how to submit abridged applications is available on the TWDB's website. Abridged applications will be prioritized according to criteria set forth in rules, and invitations will then be extended to entities to submit complete applications. All financial commitments are expected to close by December 2025.

The intent of the SWIFT program and the state water plan is to identify and fund projects that produce additional water supply during drought conditions. Projects that rehabilitate, replace, or provide for maintenance of infrastructure to maintain existing water supplies are not eligible for SWIFT. If a project includes replacement or expansion of existing facilities that will also provide additional supply volumes above the existing supply volume, then only the share of the cost of the infrastructure that provides additional supply volumes will be eligible to receive SWIFT funding.

The following administrative policy amendment recommendation is being presented for consideration and, if approved, will apply beginning with this cycle. Entities whose application for financial assistance (combined with outstanding balances and commitments within SWIFT and the DFund entered into via SWIFT prioritization) in the SWIFT program exceeds four percent of the anticipated principal balances owed for political subdivision obligations in the SWIFT program portfolio and in the DFund portfolio within the SWIFT program as of December of the previous year must provide a publicly-available, investment grade rating (no lower than BBB –, Baa3 or their equivalent) from a nationally-recognized statistical rating organization at the time the full application is submitted.

TIMELINE

The anticipated timeline for the 2025 SWIFT funding cycle:

December 17, 2024	Abridged Application solicitation period begins
February 3, 2025	Abridged Applications due to the TWDB
April 2025	Board action: <ul style="list-style-type: none">• Consider prioritization of Abridged Applications• Establish financing structure and interest rate subsidies• Identify the amount of funds available by category• Invitations extended to submit Complete Applications
May 2025	Complete Applications due 30 days from invitations
July 2025	Projects recommended to the Board for commitment
Fall/Winter 2025	TWDB bond sale and borrower closings

RECOMMENDATION

To actively manage the SWIFT program, the Executive Administrator recommends approval of the 2025 SWIFT funding cycle timeline and adoption of the policy amendment conditionally requiring applicants to provide investment grade ratings.

Attachment

1. Resolution (24-)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING A POLICY RELATED TO THE ADMINISTRATION OF THE STATE WATER
IMPLEMENTATION FUND FOR TEXAS

(24 -)

Recitals:

The Texas Water Development Board (TWDB), a state agency of the state of Texas, is charged with the administration and implementation of the State Water Implementation Fund for Texas (SWIFT).

TWDB adopted Resolution No. 23-089 approving policies related to the administration of and financing projects in the state water plan.

To continue to administer the SWIFT and provide the lowest borrowing cost for program participants, TWDB amends the credit rating requirement for program participants in the SWIFT effective for the 2025 and future funding cycles.

NOW, THEREFORE, based on these recitals, the TWDB resolves as follows:

1. Paragraph 1 of TWDB Resolution No. 23-089 remains in full force and effect.
2. Paragraph 2 of TWDB Resolution No. 23-089 is amended as follows:

A responsible authority whose application for a commitment of financial assistance from SWIFT (when combined with any existing outstanding SWIFT commitments and obligation balances owed, including any outstanding commitments and obligation balances held in the Water Development Fund II as acquired through prioritization within the SWIFT program) exceeds 4% of the anticipated principal balances owed for political subdivision obligations in the SWIFT program portfolio and in the Water Development Fund II portfolio within the SWIFT program as of December of the preceding year, must provide a publicly-available, investment grade rating (no lower than BBB-, Baa3 or their equivalent) from a nationally-recognized statistical rating organization for the proposed collateral or credit securing the anticipated SWIFT program obligations at the time the full application is submitted to TWDB.

APPROVED and ordered of record this _____ day of December 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator