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AGENDA ITEM MEMO

BOARD MEETING DATE: April 10, 2025

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Georgia Sanchez, Interim 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
Trae Tillis, Manager, State Programs, Program Administration
Kimberly Rhodes, State Programs Coordinator, Program Administration

SUBJECT: State Water Implementation Fund for Texas 2025 Funding Cycle Prioritization and Structure

ACTION REQUESTED

Consider approving the 2025 State Water Implementation Fund for Texas (SWIFT) program prioritization list, the amount of funds available by category, and the terms of the 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 \$27 billion in water supply projects based on 50-year needs to assist communities with developing water supplies. Projects eligible for SWIFT funding must be recommended Water Management Strategy Projects with an associated nonzero capital cost in the most recently adopted State Water Plan at the time abridged applications are due to the TWDB for consideration.

To date, the TWDB has committed approximately \$14.5 billion in financial assistance toward 66 SWIFT projects, representing 78 Water Management Strategy Projects and resulting in the addition of 2.1 million acre-feet of water supply available under drought of record conditions. Entities utilizing SWIFT financing have saved 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

L'Oreal Stepney, P.E., Chairwoman | Tonya R. Miller, Board Member
Bryan McMath, Executive Administrator

At its December 17, 2024 meeting, the Board authorized opening the 2025 SWIFT program funding cycle. The SWIFT program and the state water plan are designed to identify and fund projects that generate additional water supply during drought conditions. Projects focused solely on rehabilitating, replacing, or maintaining existing infrastructure to sustain current water supplies are not eligible for SWIFT funding. However, if a project involves replacing or extending existing facilities and will provide additional supply volumes beyond the current capacity, the portion of the infrastructure cost that contributes to the increased supply volumes may be eligible for SWIFT funding.

2025 SWIFT FUNDING CYCLE

The TWDB opened the 2025 SWIFT funding cycle at the December 17, 2024 Board meeting with a solicitation for abridged applications that were due on February 3, 2025.

Pursuant to 31 Texas Administrative Code (TAC) §363.1303, the Executive Administrator (EA) provides a prioritization of abridged applications for approval by the Board. The TWDB is required to identify the amount of funds available, 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-eight abridged applications were received prior to the deadline requesting a total of \$5,118,802,903. During the review of all abridged applications received and follow-up with the applicants, two applications were withdrawn: City of Del Rio's water loss audit and main-line repair, and City of Keller's enhanced water loss control program. Three projects were determined to be ineligible due to the projects not being in the 2022 State Water Plan: Central Texas Water Supply Corporation's water system expansion, Lone Star Regional Water Authority's project included in the draft 2026 IPP, and City of Justin's water system improvements. The remaining 23 abridged applications were deemed eligible and have been prioritized for the 2025 SWIFT cycle, as shown in Attachment 1, for a total eligible amount of \$3,101,749,695.

If the EA's recommendations contained herein are approved, in accordance with applicable rules, the EA will establish a deadline of May 12, 2025, for submitting complete financial assistance applications.

PRIORITIZATION AND AMOUNT OF FUNDS REQUESTED

Pursuant to 31 TAC §363.1304, established 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 a 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 23 prioritized projects, 8 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. Three entities requested adjustments to their schedules resulting in a net decrease in 2025 obligation closings of \$108,710,000.

Based on the prioritized list of potential new applicants and existing commitment adjustments, the total amount of financing requested to close in Fall 2025 is estimated at \$3,048,988,369 as follows:

Fall 2025 Closings Requested

Existing Multi-Year Commitments	\$1,203,750,000	Previous amount scheduled to close in 2025
	(\$108,710,000)	Net requested changes to existing commitment closing schedules
2025 Abridged Apps	\$1,953,948,369	Amount requested to close in 2025 of total new prioritized amount of \$3,101,749,695
Total	\$3,048,988,369	

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 2025 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

- Commitments can be scheduled out for up to five years (including the current year).
- 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 funding capacity of the SWIFT program for this prioritization cycle, the EA considered the program's long-term funding capacity, existing funding commitments, and new funding requests. The program'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 2025 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 2025 under existing multi-year commitments.

IMPLEMENTATION

Below is the proposed remaining schedule for the 2025 SWIFT funding cycle:

April 10, 2025	<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 12, 2025	<ul style="list-style-type: none">• Complete applications due to the TWDB
Summer 2025	<ul style="list-style-type: none">• Authorization, selection of co-managing underwriters, and approval of a not-to-exceed amount for TWDB bond sale• Funding commitments presented to the Board for consideration• Execution of Financing Agreements with borrowers

Fall 2025	<ul style="list-style-type: none">• TWDB bond sale• Interest rates set• Funds Transfer Agreement ratification• TWDB bond closing• Borrowers' closings
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RECOMMENDATION

Based on the above analysis, the EA recommends:

- 1) Approval of the prioritization of 2025 SWIFT program abridged applications as set forth in Attachment 1.
- 2) Authorization of approximately \$3,101,749,695 in funding for the 2025 SWIFT prioritization cycle and funding by category as set forth in Attachment 1.
- 3) Authorization of program structure and terms of funding as described above.
- 4) Accommodating requested shifts in closing amounts under existing multi-year commitments for a net decrease of \$108,710,000 in calendar year 2025, 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 as a result of the review process. Should there be any changes, the EA will note the differences and make recommendations based on these changes.

Attachment:

1. 2025 SWIFT Abridged Applications – Prioritization



State Water Implementation Fund for Texas
2025 Abridged Applications - Prioritization

Score	Entity Name	Project Name	Total Eligible Amount	Type of Funding Requested			2025	2026	2027	2028	2029	Agriculture	Conservation	Reuse	Rural	Rural-Subsidy
				Low-Interest Obligation	Deferred Obligation	Board Participation										
78	Riverbend Water Resources District	Riverbend Strategy (Texarkana)	\$ 248,826,000	\$ 248,826,000	\$ -	\$ -	\$ 19,025,074	\$ 18,280,000	\$ 103,438,618	\$ 108,082,308	\$ -					
72	Upper Trinity Regional Water District	Taylor Regional Water Treatment Plan Expansion	\$ 60,580,000	\$ -	\$ -	\$ 60,580,000	\$ 55,000,000	\$ 5,580,000	\$ -	\$ -	\$ -					
71	North Texas Municipal Water District	North System Raw Water Pipelines	\$ 698,150,000	\$ 698,150,000	\$ -	\$ -	\$ 698,150,000	\$ -	\$ -	\$ -	\$ -					
70	Guadalupe Blanco River Authority	ARWA/GBRA Project (Phase 1)* *Expansion of Mid-Basin WSP (aka. Carrizo Groundwater Supply Project)	\$ 40,000,000	\$ 40,000,000	\$ -	\$ -	\$ 40,000,000	\$ -	\$ -	\$ -	\$ -					
70	North Texas Municipal Water District	BDL/LWTP Phase III - HSPS-South & 25kv South Loop	\$ 261,345,000	\$ 261,345,000	\$ -	\$ -	\$ 261,345,000	\$ -	\$ -	\$ -	\$ -					
69	Central Harris County Regional Water Authority	Central Harris County Regional Water Authority Transmission and Internal Distribution	\$ 8,000,000	\$ 8,000,000	\$ -	\$ -	\$ 8,000,000	\$ -	\$ -	\$ -	\$ -					
69	Fort Worth	Eagle Mountain Water Treatment Plant Expansion - 35 MGD Expansion	\$ 160,000,000	\$ 160,000,000	\$ -	\$ -	\$ 160,000,000	\$ -	\$ -	\$ -	\$ -					
67	Alliance Regional Water Authority	ARWA/GBRA Project (Phase 1)	\$ 33,500,000	\$ 33,500,000	\$ -	\$ -	\$ 33,500,000	\$ -	\$ -	\$ -	\$ -					
66	Brushy Creek Regional Utility Authority	Brushy Creek Regional Utility Authority Treatment and Distribution Project	\$ 138,050,000	\$ 138,050,000	\$ -	\$ -	\$ 69,025,000	\$ 69,025,000	\$ -	\$ -	\$ -					
65	Houston	Amendment to 2021 Region H RWP City of Houston East Water Purification Plant Enhancement	\$ 966,092,000	\$ 966,092,000	\$ -	\$ -	\$ 350,000,000	\$ 300,000,000	\$ 316,092,000	\$ -	\$ -					
60	McAllen	City of McAllen Brackish Groundwater Treatment Plant	\$ 195,235,000	\$ 195,235,000	\$ -	\$ -	\$ 20,955,000	\$ 49,355,000	\$ 51,350,000	\$ 44,850,000	\$ 28,725,000					
59	McAllen	City of McAllen Acquisition of Water Rights (Conversion of Water Rights)	\$ 3,215,000	\$ 3,215,000	\$ -	\$ -	\$ 3,215,000	\$ -	\$ -	\$ -	\$ -					
59	San Antonio Water System	SAWS ASR Treatment Plant Expansion	\$ 28,570,000	\$ 28,570,000	\$ -	\$ -	\$ 28,570,000	\$ -	\$ -	\$ -	\$ -					
55	Greater Texoma Utility Authority	GTUA/STSP/NTMWMD Treatment and Distribution (CIP)-South Transmission System Pipeline	\$ 43,200,000	\$ 43,200,000	\$ -	\$ -	\$ 43,200,000	\$ -	\$ -	\$ -	\$ -				X	X
54	Baytown Area Water Authority	BAWA East SWTP Expansion (Technical Memorandum Appendix-5B)	\$ 69,000,000	\$ 69,000,000	\$ -	\$ -	\$ 69,000,000	\$ -	\$ -	\$ -	\$ -					
52	Del Rio	City of Del Rio - Water Treatment Plant Expansion	\$ 3,458,400	\$ 3,458,400	\$ -	\$ -	\$ 265,000	\$ 2,500,000	\$ 693,400	\$ -	\$ -					
50	Austin	Direct Reuse Strategy	\$ 10,000,000	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -	\$ -		X	X		
50	Austin	Municipal Conservation	\$ 45,000,000	\$ 45,000,000	\$ -	\$ -	\$ 3,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 27,000,000		X			
50	Del Rio	City of Del Rio - Drill and equip a new well and connect to distribution system	\$ 12,695,000	\$ 12,695,000	\$ -	\$ -	\$ 4,865,000	\$ 7,830,000	\$ -	\$ -	\$ -					
49	Laguna Madre Water District	Seawater Desalination Plant	\$ 64,655,000	\$ 64,655,000	\$ -	\$ -	\$ 64,655,000	\$ -	\$ -	\$ -	\$ -				X	X
38	Georgetown	Regional Groundwater Supply System	\$ 7,528,295	\$ -	\$ 7,528,295	\$ -	\$ 7,528,295	\$ -	\$ -	\$ -	\$ -					
32	Donna ID - Hidalgo County #1	Donna Irrigation District Conservation	\$ 3,600,000	\$ 3,600,000	\$ -	\$ -	\$ 3,600,000	\$ -	\$ -	\$ -	\$ -	X	X			
25	Arlington	Conservation, Water Loss Control - Arlington	\$ 1,050,000	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000	\$ -	\$ -	\$ -	\$ -		X			
			\$ 3,101,749,695	\$ 3,033,641,400	\$ 7,528,295	\$ 60,580,000	\$ 1,953,948,369	\$ 457,570,000	\$ 476,574,018	\$ 157,932,308	\$ 55,725,000					

Previous Amount Scheduled to Close/Existing Multi-Year Commitments	\$ 1,203,750,000.00	\$ 1,038,040,000.00	\$ 434,840,000.00	\$ 134,545,000.00	\$ 0.00
Net Requested Changes to Multi-Year Commitments	\$ (108,710,000)	\$ (15,000,000)	\$ 123,710,000	\$ -	\$ -
Existing Multi-Year Commitments (with requested changes)	\$ 1,095,040,000	\$ 1,023,040,000	\$ 558,550,000	\$ 134,545,000	\$ -
Grand Total of All Proposed Commitments by Year	\$ 3,048,988,369	\$ 1,480,610,000	\$ 1,035,124,018	\$ 292,477,308	\$ 55,725,000

* 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.