

**TO:** Board Members

**THROUGH:** Kevin Patteson, Executive Administrator  
Les Trobman, General Counsel  
Jeff Walker, Deputy Executive Administrator

**FROM:** Amanda Lavin, Assistant Deputy Executive Administrator  
Tom Entsminger, Program Administration Coordinator

**DATE:** November 9, 2015

**SUBJECT:** State Water Implementation Fund for Texas (SWIFT) – Preliminary Structure for the 2016 Funding Cycle

### **ACTION REQUESTED**

No action is required of the Board. This is a briefing and discussion on the preliminary structure and proposed timeline for the 2016 funding cycle of the State Water Implementation Fund for Texas (SWIFT), referred herein as the SWIFT funding program.

### **BACKGROUND**

In 2013, the 83<sup>rd</sup> Texas Legislature passed House Bill 4 and Senate Joint Resolution 1, providing for the creation of the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT). In addition, House Bill 1025 authorized a one-time, \$2 billion supplemental appropriation from the state's Economic Stabilization Fund to the SWIFT. This investment is designed to support approximately \$27 billion in funding for water supply projects over the next 50 years to ensure that Texas communities have adequate supplies of water during drought.

The initial solicitation round of SWIFT funding was completed earlier this year, and resulted in the submittal of 48 abridged applications representing over \$5.5 billion in potential water projects. The subsequent prioritization and application process resulted in 2015 SWIFT Board commitments of approximately \$3.9 billion.

### **SWIFT FINANCING STRUCTURE FOR 2016**

Based on analysis of program capacity using a strategic planning model, the Executive Administrator has prepared recommendations for the 2016 funding cycle. It is intended that the strategic planning model will continue to be analyzed and updated on an ongoing basis to reflect current market conditions, committed projects, and demand as the program matures.

#### **Our Mission : Board Members**

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas :  
: Bech Bruun, Chairman | Kathleen Jackson, Member  
:  
: Kevin Patteson, Executive Administrator

The structure outlined below is recommended for utilization in the 2016 SWIFT funding cycle, which opens on December 1, 2015. These funding targets take into consideration multi-year commitments from the 2015 funding cycle and adjust subsidy levels based on modeling analysis. The loan categories remain the same as in the 2015 cycle.

### **Funding Targets**

- 2016 Program Funding Amount - \$650 million
  - Existing Multi-year Commitments - \$350 million
  - Total Estimated Bond Issuance - \$1 billion
- Determine Category Amounts at Prioritization

### **Loan Structures – Interest Rates and Terms for New Commitments**

#### **Below Market Interest Rate Loans (Low-interest Loans)**

- Loan Terms up to 30 years
- 35% Interest Rate Subsidy for 20 year loans
- 25% Interest Rate Subsidy for loans of 21 to 25 years
- 20% Interest Rate Subsidy for loans of 26 to 30 years

#### **Deferred Loan Repayments for Development Costs (Deferred Loans)**

- Loan Deferral of up to 8 years
- Loan Terms up to 30 years
- No Additional Interest Rate Subsidy

#### **Board Participation**

- No Additional Interest Rate Subsidy

#### **Multi-Year Loans**

- Continue offering the multi-year financing option

### **Base Interest Rates to be established based upon the TWDB cost of funds.**

In order to retain flexibility in the administration and active management of the SWIFT program and according to rules, final recommendations will be made during the prioritization process. This approach allows for evaluation of program interest from the project solicitation period and continued program capacity analysis utilizing the proposed projects and requested financing structures received for prioritization. Final determinations of capacity and rate structure will remain at the Board's discretion. By rule, the Board must establish these items at prioritization.

### **ABRIDGED APPLICATION UPDATES**

In the 2016 funding cycle, SWIFT applicants will have the opportunity to utilize TWDB's new Online Loan Application system for both the abridged and full applications. For those who choose not to use the online system, an electronic Word document will also be available.

Throughout the 2015 funding cycle, staff sought opportunities to refine agency forms and review procedures. Input was solicited of staff who performed specialized analyses as part of the prioritization and application review processes to determine how often additional follow-up with

the applicant was required. As a result, new questions were added to the Abridged Application.

- What is the volume of water (in acre-feet per year) that the proposed project will produce or conserve?
- Provide a list of all public water systems served by the project.

The clarification these questions provide should reduce the amount of additional information requested from applicants during prioritization. Staff coordination will continue throughout the 2016 funding cycle to assess the effectiveness of these refinements and identify further opportunities for program development.

### **TIMELINE**

The proposed timeline for the 2016 SWIFT funding cycle:

**December 1, 2015**    Abridged Application period begins

**February 5, 2016**    Abridged Applications due

**Spring 2016**

Board action:

- Consider prioritization
- Identify amount of funds available by category
- Establish financing structure & subsidy terms

Invitations extended to submit applications for financial assistance

**Summer 2016**

Entities submit complete applications within 30 days of prioritization

Board considers and approves applications; authorizes TWDB bond sale

**Fall 2016**

TWDB bond sale

**Winter 2016**

TWDB bond closing and borrower loan closings

### **SUMMARY**

Based on discussion with the Board, the above information will be posted to the TWDB website for our customers' use. Outreach efforts will commence based on this preliminary information and updated as the application process is underway.