

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator

FROM: Jessica Zuba, Deputy Executive Administrator
Rebecca Trevino, Chief Financial Officer
Tom Entsminger, Program Administration Coordinator

DATE: November 29, 2018

SUBJECT: State Water Implementation Fund for Texas (SWIFT) Program – Preliminary Structure for the 2019 Funding Cycle

ACTION REQUESTED

No action is required of the Board. This is a briefing and discussion on the preliminary proposed structure and timeline for the 2019 funding cycle of the SWIFT program.

BACKGROUND

In 2013, the 83rd 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 \$2 billion supplemental appropriation from the state’s Economic Stabilization Fund to the SWIFT. Proposition 6, approved by voters on November 5, 2013, amended the Texas Constitution to create a constitutionally dedicated fund. This investment and financing program, referred to as the SWIFT program, was designed to support funding of \$27 billion in water supply projects based on 50-year needs to assist communities in developing adequate water supplies during times of drought.

To date, the Board has committed over \$8 billion in SWIFT program funding in support of 54 recommended water management strategy projects estimated to produce approximately 1.5 million acre-feet of water supply, with savings of approximately \$845 million compared to market interest rate financing.

<p style="text-align: center; color: #0070C0;">Our Mission</p> <p>To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas</p>	<p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p>	<p style="text-align: center; color: #0070C0;">Board Members</p> <p>Peter M. Lake, Chairman Kathleen Jackson, Board Member Brooke T. Paup, Board Member</p> <p>Jeff Walker, Executive Administrator</p>
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KEY ISSUES

After the abridged applications are prioritized in Spring, 2019, the Executive Administrator (EA) will make recommendations regarding specific interest rate subsidies to be offered. Pursuant to 31 Texas Administrative Code 363.1303, Board consideration and approval of the program funding structure and interest rate subsidies will occur at the time the EA presents the prioritized abridged applications and requested funding amounts.

PRELIMINARY RECOMMENDATIONS

At this time, the EA anticipates making no changes to the basic structure of the three SWIFT financing options (below) but does anticipate recommending limiting upcoming multi-year commitments to no more than five years.

Financing Options

- Low-Interest Obligations with interest rate subsidies to be determined at prioritization
- Deferred Obligations
- Board Participation

Multi-Year Commitments to be limited to five years.

TIMELINE

The proposed timeline for the 2019 SWIFT program prioritization cycle is listed below.

December 13, 2018

- Abridged Application period begins

February 1, 2019

- Abridged Applications due

Spring 2019

- Board action:
 - Consider prioritization
 - Establish financing structure and interest rate subsidies
 - Identify amount of funds to be available by structure
 - Invite entities to submit Complete Applications

Summer 2019

- Entities submit Complete Applications within 30 days of prioritization
- TWDB evaluates applications; Board makes funding commitments and authorizes TWDB bond sale

Fall 2019

- TWDB Bond Sale

Winter 2019

- TWDB Bond Closing and Political Subdivision Obligation Closings

SUMMARY

The EA recommends the information provided in this memo be posted to the TWDB website for our customers' information, and that abridged applications be accepted through the end of business on February 1, 2019. Outreach efforts will commence based on this preliminary information and will be updated by the EA as the SWIFT application process proceeds.