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AGENDA ITEM MEMO

BOARD MEETING DATE: October 17, 2024

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Rebecca Trevino, Chief Financial Officer

FROM: David Duran, Director, Debt & Portfolio Management
Alejandro Imatzu, Team Lead, Debt & Portfolio Management

SUBJECT: Lending Rates for Fall 2024 State Water Implementation Revenue Fund for Texas (SWIRFT)

ACTION REQUESTED

Consider approving by resolution the establishment of the lending rate scales for the SWIRFT financing structures to be effective October 17, 2024.

BACKGROUND

The Texas Water Development Board (TWDB) is authorized to issue revenue bonds associated with SWIRFT under Article 3, Section 49-d-13 of the Texas Constitution and Chapter 15, Subchapter H of the Texas Water Code. SWIRFT bonds are issued to provide financial assistance to political subdivisions for projects included in the state water plan through the TWDB's State Water Implementation Fund for Texas (SWIFT) program.

The SWIFT program offers financial assistance through the purchase of political subdivision obligations through three types of financing structures: 1) low-interest, 2) deferred interest, and 3) incremental repurchase for an acquired facility, also known as Board Participation. The TWDB adopted the subsidies applicable to this prioritization cycle on April 11, 2024.

KEY ISSUES

The SWIRFT bonds have provided financing for projects committed in every SWIFT prioritization cycle since 2015. Separate proposed lending rate scales have been developed for each standard subsidy as applicable, and for the unique principal structure needs for certain entities. Proposed lending rate scales are based on the yields of the SWIRFT bonds, plus the issuance cost, less any applicable subsidy.

The TWDB priced the Series 2024A and Taxable Series 2024B SWIRFT Revenue Bonds on September 26, 2024 and closed on October 10, 2024. Once the lending rate scales are approved, the underlying political subdivisions will commence the process for closing on their obligations by the deadline of December 5, 2024.

RECOMMENDATION

The Executive Administrator recommends approving by resolution the establishment of the lending rate scales for the SWIRFT financing structures to be effective October 17, 2024.

Attachment(s):

1. Resolution – SWIRFT 2024 Lending Rates

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING THE ESTABLISHMENT OF LENDING RATE SCALES FOR THE PROJECT FINANCING ACCOUNTS OF THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

(24-)

Recitals:

The Texas Water Development Board (TWDB) is the designated agency of the State charged with the responsibility of administering the State Water Implementation Revenue Fund for Texas (SWIRFT) under the provisions of Article 3, Section 49-d-13 of the Texas Constitution and Chapter 15, Subchapter H of the Texas Water Code (Subchapter H).

On September 26th, the TWDB priced and sold State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2024A (Master Trust) and Taxable Series 2024B (Master Trust) (collectively referred to herein as the SWIRFT Revenue Bonds).

31 Texas Administrative Code § 363.33 provides that the Board will set the lending rate scale (which may include an interest rate subsidy for financing from the SWIRFT) with separate lending rate scales for tax-exempt and taxable projects.

31 Texas Administrative Code § 363.1306 also provides that the Executive Administrator will set interest rates for financial assistance from the SWIRFT, identifying the appropriate scale for each political subdivision obligation.

In conjunction with the September 26th sale of the SWIRFT Revenue Bonds, lending rate scales have been prepared which will apply to financial assistance from the SWIRFT as set forth in Exhibit A to this Resolution, and, to which documents express reference is made.

The TWDB finds that the establishment of lending rate scales for the SWIRFT Revenue Bonds is necessary.

NOW, THEREFORE, based on these recitals, the Texas Water Development Board resolves as follows:

> The TWDB approves the lending rate scales as set forth in Exhibit A to this Resolution, effective October 17th, 2024, for the lending rates which apply to financial assistance provided from the Project Financing Accounts of the Series 2024A and Taxable Series 2024B Bond Indentures of the State Water Implementation Revenue Fund for Texas.

APPROVED and ordered of record this the 17th day of October 2024.

TEXAS WATER DEVELOPMENT BOARD

____
Brooke T. Paup, Chairwoman

DATE SIGNED: ____________________________

ATTEST:

____
Bryan McMath, Executive Administrator

Texas Water Development Board

SWIFT/SWIRFT Tax-Exempt Interest Rates Applicable to Series 2024A Bonds

		Lending Rates as of October 17, 2024[1]							
Year	TWDB Yield to Maturity	Board Participation *0.00% Subsidy* (YTM + COI)	Deferred *0.00% Subsidy* (YTM + COI)	Low-Interest 20-yr Loan *25.00% Subsidy* (YTM + COI)	Low-Interest 25-yr Loan *18.00% Subsidy* (YTM + COI)	Low-Interest 30-yr Loan *14.00% Subsidy* (YTM + COI)	Rural/Agricultural Low-Interest 20-yr Loan *50.00% Subsidy* (YTM + COI)	Rural/Agricultural Low-Interest 25-yr Loan *34.00% Subsidy* (YTM + COI)	Rural/Agricultural Low-Interest 30-yr Loan *27.00% Subsidy* (YTM + COI)
2025	2.69%	2.72%	2.72%	2.05%	2.24%	2.34%	1.38%	1.81%	1.99%
2026	2.39%	2.42%	2.42%	1.82%	1.99%	2.09%	1.23%	1.61%	1.77%
2027	2.36%	2.39%	2.39%	1.80%	1.97%	2.06%	1.21%	1.59%	1.75%
2028	2.40%	2.43%	2.43%	1.83%	2.00%	2.09%	1.23%	1.61%	1.78%
2029	2.43%	2.46%	2.46%	1.85%	2.02%	2.12%	1.25%	1.63%	1.80%
2030	2.51%	2.54%	2.54%	1.91%	2.09%	2.19%	1.29%	1.69%	1.86%
2031	2.62%	2.65%	2.65%	2.00%	2.18%	2.28%	1.34%	1.76%	1.94%
2032	2.71%	2.74%	2.74%	2.06%	2.25%	2.36%	1.39%	1.82%	2.01%
2033	2.80%	2.83%	2.83%	2.13%	2.33%	2.44%	1.43%	1.88%	2.07%
2034	2.86%	2.89%	2.89%	2.18%	2.38%	2.49%	1.46%	1.92%	2.12%
2035	3.05%	3.08%	3.08%	2.32%	2.53%	2.65%	1.56%	2.04%	2.26%
2036	3.22%	3.25%	3.25%	2.45%	2.67%	2.80%	1.64%	2.16%	2.38%
2037	3.37%	3.40%	3.40%	2.56%	2.79%	2.93%	1.72%	2.25%	2.49%
2038	3.50%	3.53%	3.53%	2.66%	2.90%	3.04%	1.78%	2.34%	2.59%
2039	3.62%	3.65%	3.65%	2.75%	3.00%	3.14%	1.84%	2.42%	2.67%
2040	3.74%	3.77%	3.77%	2.84%	3.10%	3.25%	1.90%	2.50%	2.76%
2041	3.81%	3.84%	3.84%	2.89%	3.15%	3.31%	1.94%	2.54%	2.81%
2042	3.86%	3.89%	3.89%	2.93%	3.20%	3.35%	1.96%	2.58%	2.85%
2043	3.90%	3.93%	3.93%	2.96%	3.23%	3.38%	1.98%	2.60%	2.88%
2044	4.08%	4.11%	4.11%	3.09%	3.38%	3.54%	2.07%	2.72%	3.01%
2045	4.14%	4.17%	4.17%	3.14%	3.42%	3.59%	2.10%	2.76%	3.05%
2046	4.13%	4.16%	4.16%		3.42%	3.58%		2.76%	3.04%
2047	4.13%	4.16%	4.16%		3.42%	3.58%		2.76%	3.04%
2048	4.33%	4.36%	4.36%		3.58%	3.75%		2.89%	3.19%
2049	4.33%	4.36%	4.36%		3.58%	3.75%		2.89%	3.19%
2050	4.25%	4.28%	4.28%		3.52%	3.69%		2.84%	3.13%
2051	4.25%	4.28%	4.28%			3.69%			3.13%
2052	4.41%	4.44%	4.44%			3.82%			3.25%
2053	4.41%	4.44%	4.44%			3.82%			3.25%
2054	4.33%	4.36%	4.36%			3.75%			3.19%
2055	4.38%	4.41%	4.41%			3.80%			3.23%
2056	4.38%	4.41%							
2057	4.38%	4.41%							
2058	4.38%	4.41%							
2059	4.38%	4.41%							

Delivery Date: 10/10/2024

[1]Rates are based on TWDB actual cost of funds for the SWIRFT Series 2024A bonds, which include premiums, and cost of issuance of 0.03%. The rates above reflect conversion of TWDB premium bonds to borrower par bonds.

Texas Water Development Board

SWIFT/SWIRFT Tax-Exempt Non-Level Debt Service Interest Rates
Applicable to Series 2024A Bonds

		Lending Rates as of October 17, 2024[1]	
Year	TWDB Yield to Maturity	Guadalupe-Blanco River Authority *13.35% Subsidy* (YTM + COI)	North Harris Co Regional Water Authority *13.50% Subsidy* (YTM + COI)
2025	2.69%	2.36%	2.36%
2026	2.39%	2.10%	2.10%
2027	2.36%	2.07%	2.07%
2028	2.40%	2.11%	2.11%
2029	2.43%	2.14%	2.13%
2030	2.51%	2.20%	2.20%
2031	2.62%	2.30%	2.30%
2032	2.71%	2.38%	2.37%
2033	2.80%	2.46%	2.45%
2034	2.86%	2.51%	2.50%
2035	3.05%	2.67%	2.67%
2036	3.22%	2.82%	2.82%
2037	3.37%	2.95%	2.95%
2038	3.50%	3.06%	3.06%
2039	3.62%	3.17%	3.16%
2040	3.74%	3.27%	3.27%
2041	3.81%	3.33%	3.33%
2042	3.86%	3.37%	3.37%
2043	3.90%	3.41%	3.40%
2044	4.08%	3.57%	3.56%
2045	4.14%	3.62%	3.61%
2046	4.13%	3.61%	3.60%
2047	4.13%	3.61%	3.60%
2048	4.33%	3.78%	3.78%
2049	4.33%	3.78%	3.78%
2050	4.25%	3.71%	3.71%
2051	4.25%	3.71%	3.71%
2052	4.41%	3.85%	3.84%
2053	4.41%	3.85%	3.84%
2054	4.33%	3.78%	3.78%
2055	4.38%	3.83%	3.82%

Delivery Date: 10/10/2024

[1]Rates are based on TWDB actual cost of funds for the SWIRFT Series 2024A bonds, which include premiums, and cost of issuance of 0.03%. The rates above reflect conversion of TWDB premium bonds to borrower par bonds.

Texas Water Development Board

SWIFT/SWIRFT Taxable Interest Rates Applicable to Series 2024B Bonds

		Lending Rates as of October 17, 2024[1]							
Year	TWDB Yield to Maturity	Board Participation 0.00% Subsidy (YTM + COI)	Deferred 0.00% Subsidy (YTM + COI)	Low-Interest 20-yr Loan 20.00% Subsidy (YTM + COI)	Low-Interest 25-yr Loan 14.00% Subsidy (YTM + COI)	Low-Interest 30-yr Loan 10.00% Subsidy (YTM + COI)	Rural/Agricultural Low-Interest 20-yr Loan 40.00% Subsidy (YTM + COI)	Rural/Agricultural Low-Interest 25-yr Loan 27.00% Subsidy (YTM + COI)	Rural/Agricultural Low-Interest 30-yr Loan 22.00% Subsidy (YTM + COI)
2025	4.02%	4.06%	4.06%	3.26%	3.50%	3.66%	2.45%	2.97%	3.18%
2026	3.87%	3.91%	3.91%	3.14%	3.37%	3.52%	2.36%	2.87%	3.06%
2027	3.81%	3.85%	3.85%	3.09%	3.32%	3.47%	2.33%	2.82%	3.01%
2028	3.87%	3.91%	3.91%	3.14%	3.37%	3.52%	2.36%	2.87%	3.06%
2029	3.92%	3.96%	3.96%	3.18%	3.41%	3.57%	2.39%	2.90%	3.10%
2030	4.03%	4.07%	4.07%	3.26%	3.51%	3.67%	2.46%	2.98%	3.18%
2031	4.10%	4.14%	4.14%	3.32%	3.57%	3.73%	2.50%	3.03%	3.24%
2032	4.21%	4.25%	4.25%	3.41%	3.66%	3.83%	2.57%	3.11%	3.32%
2033	4.26%	4.30%	4.30%	3.45%	3.70%	3.87%	2.60%	3.15%	3.36%
2034	4.31%	4.35%	4.35%	3.49%	3.75%	3.92%	2.63%	3.19%	3.40%
2035	4.41%	4.45%	4.45%	3.57%	3.83%	4.01%	2.69%	3.26%	3.48%
2036	4.48%	4.52%	4.52%	3.62%	3.89%	4.07%	2.73%	3.31%	3.53%
2037	4.56%	4.60%	4.60%	3.69%	3.96%	4.14%	2.78%	3.37%	3.60%
2038	4.61%	4.65%	4.65%	3.73%	4.00%	4.19%	2.81%	3.41%	3.64%
2039	4.66%	4.70%	4.70%	3.77%	4.05%	4.23%	2.84%	3.44%	3.67%
2040	4.92%	4.96%	4.96%	3.98%	4.27%	4.47%	2.99%	3.63%	3.88%
2041	4.92%	4.96%	4.96%	3.98%	4.27%	4.47%	2.99%	3.63%	3.88%
2042	4.92%	4.96%	4.96%	3.98%	4.27%	4.47%	2.99%	3.63%	3.88%
2043	4.92%	4.96%	4.96%	3.98%	4.27%	4.47%	2.99%	3.63%	3.88%
2044	4.92%	4.96%	4.96%	3.98%	4.27%	4.47%	2.99%	3.63%	3.88%
2045	4.99%	5.03%	5.03%	4.03%	4.33%	4.53%	3.03%	3.68%	3.93%
2046	4.99%	5.03%	5.03%		4.33%	4.53%		3.68%	3.93%
2047	4.99%	5.03%	5.03%		4.33%	4.53%		3.68%	3.93%
2048	4.99%	5.03%	5.03%		4.33%	4.53%		3.68%	3.93%
2049	4.99%	5.03%	5.03%		4.33%	4.53%		3.68%	3.93%
2050	4.99%	5.03%	5.03%		4.33%	4.53%		3.68%	3.93%
2051	4.99%	5.03%	5.03%			4.53%			3.93%
2052	4.99%	5.03%	5.03%			4.53%			3.93%
2053	4.99%	5.03%	5.03%			4.53%			3.93%
2054	4.99%	5.03%	5.03%			4.53%			3.93%

Delivery Date: 10/10/2024

[1]Rates are based on TWDB actual cost of funds for the SWIRFT Taxable Series 2024B bonds and cost of issuance of 0.04%.

Texas Water Development Board

SWIFT/SWIRFT Taxable Non-Level Debt Service Interest Rates Applicable to Series 2024B Bonds

Year	TWDB Yield to Maturity	Lending Rates as of October 17, 2024[1] Palo Pinto Co Municipal Water District No. 1 *9.75% Subsidy* (YTM + COI)
2025	4.02%	3.67%
2026	3.87%	3.53%
2027	3.81%	3.48%
2028	3.87%	3.53%
2029	3.92%	3.58%
2030	4.03%	3.68%
2031	4.10%	3.74%
2032	4.21%	3.84%
2033	4.26%	3.88%
2034	4.31%	3.93%
2035	4.41%	4.02%
2036	4.48%	4.08%
2037	4.56%	4.16%
2038	4.61%	4.20%
2039	4.66%	4.25%
2040	4.92%	4.48%
2041	4.92%	4.48%
2042	4.92%	4.48%
2043	4.92%	4.48%
2044	4.92%	4.48%
2045	4.99%	4.54%
2046	4.99%	4.54%
2047	4.99%	4.54%
2048	4.99%	4.54%
2049	4.99%	4.54%
2050	4.99%	4.54%
2051	4.99%	4.54%
2052	4.99%	4.54%
2053	4.99%	4.54%
2054	4.99%	4.54%

Delivery Date: 10/10/2024

[1]Rates are based on TWDB actual cost of funds for the SWIRFT Taxable Series 2024B bonds and cost of issuance of 0.04%.