

AGENDA ITEM MEMO

BOARD MEETING DATE: April 11, 2022

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Ashley Harden, General Counsel
Rebecca Trevino, Chief Financial Officer
Jessica Peña, DEA, Water Supply & Infrastructure

FROM: Alyssa Azari, Manager, Program Administration

SUBJECT: State Water Implementation Fund for Texas
2022 Funding Cycle Prioritization and Structure

ACTION REQUESTED

Consider approving the 2022 State Water Implementation Fund for Texas (SWIFT) program prioritization list, amount of funds available by category, and terms of subsidy.

BACKGROUND

The SWIFT program was created in 2013 by the Texas Legislature to provide financial assistance to communities to develop adequate water supplies during times of drought. The program supports funding of water supply projects in the state water plan and includes two funds, SWIFT and the State Water Implementation Revenue Fund for Texas (SWIRFT). Bonds for the program are issued through SWIRFT.

To date, the Texas Water Development Board (TWDB) has committed approximately \$9.2 billion in SWIFT program funding in support of 58 recommended water management strategy projects estimated to produce approximately 1.5 million acre-feet of water supply. Program participants are estimated to have saved approximately \$1.2 billion compared to market interest rate financing.

2022 SWIFT FUNDING CYCLE

At the Board meeting held December 16, 2021, the 2022 SWIFT funding cycle opened with the solicitation of abridged applications that were due on February 1, 2022.

Pursuant to 31 Texas Administrative Code (TAC) §363.1303, the Executive Administrator (EA) provides a prioritization of abridged applications to the Board for approval. The

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

Board Members

Brooke T. Paup, Chairwoman | Kathleen Jackson, Board Member

Jeff Walker, Executive Administrator

Board is required to identify the amount of funds available by funding category, 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.

Seventeen abridged applications were received prior to the deadline requesting a total of \$2,268,385,000. Based on review of all abridged applications received and follow up with applicants, all of the water management strategy projects are considered eligible and have been prioritized for the 2022 SWIFT cycle, as shown in Attachment 1, for a total eligible amount of \$2,268,385,000.

Should the Board approve the EA's recommendations contained herein, in accordance with TWDB rules the EA will establish a May 11, 2022 deadline for receipt of complete applications for financial assistance.

PRIORITIZATION AND AMOUNT OF FUNDS REQUESTED

Pursuant to rule, 31 TAC §363.1304, the 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 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 17 prioritized projects, three 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. Several entities requested adjustments to their schedules resulting in a net decrease in 2022 obligation closings of \$23,950,000.

Based on the prioritized list of potential new applicants and existing commitment adjustments, the total amount of financing requested to close in Fall 2022 is estimated at \$2,139,115,000 as follows:

Fall 2022 Closings Requested

Existing Multi-Year Commitments	\$581,010,000	Previous amount scheduled to close in 2022
	(\$23,950,000)	Net requested changes to existing commitment closing schedules
2022 Abridged Apps	\$1,582,055,000	Amount requested to close in 2022 of total new prioritized amount of \$2,268,385,000
Total	\$2,139,115,000	

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 program structure and terms remain the same as the prior 2021 funding cycle.

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

- No interest rate subsidy. Applicant benefits through a combination of non-level debt service, payment deferrals, and repayment of deferred interest on a simple interest basis.

Multi-year Commitments

- Limit multi-year commitments to no more than five years.
- 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 cost of funds less the applicable subsidy.

FUNDING CAPACITY

To analyze SWIFT funding capacity for this prioritization cycle, the EA considered the long-term funding capacity of the program, existing funding commitments, and new funding requests. SWIFT’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 new 2022 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 2022 under existing multi-year commitments.

IMPLEMENTATION

Below is a proposed schedule for the 2022 SWIFT funding cycle:

April 11, 2022	<ul style="list-style-type: none">• Board considers approving prioritization of Abridged Applications• Board identifies amount of funds available by category, establishes the structure of financing and subsidy terms• Invitations extended to submit Complete Applications for financial assistance
May 11, 2022	<ul style="list-style-type: none">• Complete Applications due to the TWDB
Summer 2022	<ul style="list-style-type: none">• Board considers approval of complete applications• Board authorizes TWDB bond sale, selects co-managing underwriters, and approves a not-to-exceed amount• Execution of Financing Agreements with borrowers
Fall 2022	<ul style="list-style-type: none">• TWDB bond sale• Board sets interest rates• Funds Transfer Agreement ratification
Winter 2022	<ul style="list-style-type: none">• TWDB bond closing• Borrowers’ closings

RECOMMENDATION

Based on the above analysis, the EA recommends Board approval of:

- 1) Prioritization of 2022 SWIFT program abridged applications as set forth in Attachment 1.
- 2) Authorization of approximately \$2,268,385,000 in funding for the 2022 SWIFT prioritization cycle and funding by category as set forth in Attachment 1.
- 3) Authorization of program structure and terms of funding as described previously.
- 4) Accommodating requested shifts in closing amounts under existing multi-year commitments for a net decrease of \$23,950,000 in calendar year 2022, each of which is to be approved by Board 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 prior to the time of Board consideration as a result of staff review. Should there be any changes, the EA will detail the differences and make recommendations to the Board based on these changes.

Attachment

1. 2022 SWIFT Program Abridged Applications – Prioritizations



State Water Implementation Fund for Texas
2022 Abridged Applications - Prioritizations

Score*	Entity Name	Project Name	Total Eligible Amount	Type of funding requested			SWIFT closing year										Agriculture Conservation	Reuse	Rural**	
				Low-Interest Obligation	Deferred Obligation	Board Participation	Fall 2022	2023	2024	2025	2026	2027	2028	2029	2030					
75	Tarrant Regional WD	Connect IPL to Bachman	\$ 255,000,000	\$ 255,000,000	\$ -	\$ -	\$ 255,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
69	Guadalupe Blanco RA	ARWA/GBRA Project (Phase 1): Expansion of Mid-Basin WSP (aka Carrizo Groundwater Supply Project)	\$ 120,000,000	\$ 110,000,000	\$ -	\$ 10,000,000	\$ 39,670,000	\$ 80,330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
68	Houston	Houston - Northeast Water Purification Plant Expansion	\$ 345,000,000	\$ 345,000,000	\$ -	\$ -	\$ 345,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
67	North Texas MWD	BDL Program Phase II	\$ 583,540,000	\$ 583,540,000	\$ -	\$ -	\$ 583,540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
66	Palo Pinto Co MWD #1	Turkey Peak Reservoir	\$ 8,300,000	\$ 8,300,000	\$ -	\$ -	\$ 8,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
65	Dallas	Infrastructure to Treat and Deliver to Customers: Southwest Pipeline - Phase 1	\$ 73,300,000	\$ 73,300,000	\$ -	\$ -	\$ 73,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
65	Dallas	Infrastructure to Treat and Deliver to Customers: Elm Fork Filter Complex - Phase 2	\$ 127,400,000	\$ 127,400,000	\$ -	\$ -	\$ 127,400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
63	Greater Texoma UA	GTUA - Parallel Collin-Grayson Municipal Alliance (CGMA) Pipeline	\$ 7,525,000	\$ 7,525,000	\$ -	\$ -	\$ 7,525,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
61	Fulshear	Water Plant No. 2 Expansion	\$ 13,255,000	\$ 13,255,000	\$ -	\$ -	\$ 13,255,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
61	Brazos River Authority	Belton to Stillhouse Pipeline - BRA	\$ 25,250,000	\$ 7,250,000	\$ 18,000,000	\$ -	\$ 25,250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
61	Alliance Regional Water Authority	ARWA/GBRA Project (Phase 1)	\$ 10,000,000	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
58	Bridgeport	2 MGD WTP Expansion, 1 MGD WTP Expansion	\$ 6,500,000	\$ 6,500,000	\$ -	\$ -	\$ 6,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			X
57	Dallas	Infrastructure to Treat and Deliver to Customers: Design of Lake June Pump Station Replacement	\$ 7,500,000	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
49	Greenbelt MIWA	Develop Additional Water Supplies from the Ogallala Aquifer	\$ 18,110,000	\$ 18,110,000	\$ -	\$ -	\$ 18,110,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			X
48	Dallas	Infrastructure to Treat and Deliver to Customers: Water Main Replacement Program	\$ 170,000,000	\$ 170,000,000	\$ -	\$ -	\$ 34,000,000	\$ 34,000,000	\$ 34,000,000	\$ 34,000,000	\$ 34,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			X
32	Greater Texoma UA	GTUA/City of Gainesville	\$ 2,705,000	\$ 2,705,000	\$ -	\$ -	\$ 2,705,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			X
30	Port of Corpus Christi Authority	Seawater Desalination	\$ 495,000,000	\$ -	\$ 100,000,000	\$ 395,000,000	\$ 25,000,000	\$ 75,000,000	\$ 125,000,000	\$ 270,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
			\$ 2,268,385,000	\$ 1,745,385,000	\$ 118,000,000	\$ 405,000,000	\$ 1,582,055,000	\$ 189,330,000	\$ 159,000,000	\$ 304,000,000	\$ 34,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			

Existing Multi-Year Commitments	\$ 581,010,000	\$ 158,930,000	\$ 128,765,000	\$ 8,445,000	\$ 58,205,000	\$ 45,900,000	\$ 183,895,000	\$ 72,790,000	\$ 77,605,000
Net Requested Changes to Multi-Year Commitments	\$ (23,950,000)	\$ 332,995,000	\$ -	\$ -	\$ -	\$ -	\$ (158,650,000)	\$ (72,790,000)	\$ (77,605,000)
Existing Multi-Year Commitments (with requested changes)	\$ 557,060,000	\$ 491,925,000	\$ 128,765,000	\$ 8,445,000	\$ 58,205,000	\$ 45,900,000	\$ 25,245,000	\$ -	\$ -
Grand Total of All Proposed Commitments by Year	\$ 2,139,115,000	\$ 681,255,000	\$ 287,765,000	\$ 312,445,000	\$ 92,205,000	\$ 45,900,000	\$ 25,245,000	\$ -	\$ -

* Tie scores are priority ranked according to the conservation and emergency criteria, where applicable.

** Rural classifications marked here apply to funding target goals, and do not indicate eligibility for the Rural and Agricultural subsidy rate. Additional criteria to qualify for Rural and Agricultural subsidy rate are described in the Board Memo.

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.