

AGENDA ITEM MEMO

BOARD MEETING DATE: December 7, 2023

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Ashley Harden, General Counsel
Rebecca Trevino, Chief Financial Officer
Jessica Peña, Deputy Executive Administrator

FROM: Marvin Cole-Chaney, Director, Program Administration and Reporting
Patrick Kading, Manager, Program Administration
William Alfaro, State Programs Coordinator, Program Administration

SUBJECT: State Water Implementation Fund for Texas (SWIFT) 2024 Funding Cycle

ACTION REQUESTED

Consider approving the timeline for the 2024 Funding Cycle of the SWIFT program and a resolution for two new policies.

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 and approved by voters, amending 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 adequate water supplies during times of drought.

To date, the TWDB has committed \$11.5 billion in assistance toward 57 state water plan projects representing 74 Water Management Strategies recommended in the State Water Plan estimated to produce more than 1.7 million acre-feet of water supply, with savings over \$1.4 billion compared to market interest financing.

Our Mission

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

Board Members

Brooke T. Paup, Chairwoman | George B. Peyton V, Board Member | L'Oreal Stepney, P.E., Board Member
Jeff Walker, Executive Administrator

KEY ISSUES

The TWDB will open the solicitation period for the 2024 Funding Cycle on December 7, 2023. Abridged applications will be due on February 1, 2024. Information on how to submit abridged applications is available on the TWDB's website. Abridged applications will be prioritized according to criteria set forth in rules, and invitations will then be extended to entities to submit complete applications. All financial commitments are expected to close by December 2024.

The Executive Administrator is also requesting consideration of two new administrative policy recommendations that, if approved, will apply beginning with this cycle. The new policies require: 1) a standard condition be added that requires entities with at least one public rating from a nationally recognized statistical rating agency at the time of commitment not discontinue the rating issued by a nationally-recognized statistical rating agency, until their SWIFT obligations are retired or no longer held by the TWDB; and 2) entities whose application for financial assistance in the SWIFT program exceeds four (4) percent of the anticipated principal balances owed (including any existing outstanding SWIFT program obligations) as of December of the previous year must provide a publicly-available rating from a nationally recognized statistical rating organization at the time the full application is submitted.

TIMELINE

The anticipated timeline for the 2024 SWIFT funding cycle:

December 7, 2023	Abridged Application solicitation period begins
February 1, 2024	Abridged Applications due to the TWDB
April 2024	Board action: <ul style="list-style-type: none">• Consider prioritization of Abridged Applications• Establish financing structure and interest rate subsidies• Identify amount of funds available by category• Invitations extended to submit Complete Applications
May 2024	Complete Applications due 30 days from invitations
July 2024	Projects recommended to Board for commitment
Fall/Winter 2024	TWDB bond sale and borrower closings

RECOMMENDATION

To actively manage the SWIFT program, the Executive Administrator recommends approval of the timeline above and adoption of a resolution containing two policies.

Attachment

1. Resolution (23-)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
SETTING A POLICY RELATED TO THE ADMINISTRATION OF THE STATE WATER
IMPLEMENTATION FUND FOR TEXAS

(23 -)

Recitals:

The Texas Water Development Board (TWDB), a state agency of the state of Texas, is charged with the administration and implementation of the State Water Implementation Fund for Texas (SWIFT).

SWIFT has provided nine (9) funding cycles, providing low-cost financial assistance to program participants, financing projects in the state water plan.

To continue to administer the SWIFT and provide the lowest borrowing cost for program participants, TWDB institutes a credit rating requirement for program participants in the SWIFT effective for the 2024 and future funding cycles.

NOW, THEREFORE, based on these recitals, the TWDB resolves as follows:

1. SWIFT commitment resolutions, beginning in the 2024 funding cycle and applying to all program participants proposed to receive a distribution of financial assistance from the SWIFT in 2024, will include a standard condition requiring that bonds or other obligations to be held by TWDB will include a covenant that if the collateral or credit pledged by a program participant securing an underlying series of bonds (or other obligation) is rated by a nationally-recognized statistical rating agency, the program participant, or other obligated person, will not discontinue the rating issued by a nationally-recognized statistical rating agency until the underlying obligations the subject of the financial assistance from TWDB are retired or no longer held by TWDB.
2. A responsible authority whose application for a commitment of financial assistance from SWIFT (when combined with any existing outstanding SWIFT obligation balances owed) exceeds 4% of the anticipated principal balances owed for the responsible authority's obligations in the SWIFT program portfolio as of December of the preceding year, must provide a publicly-available rating from a nationally-recognized statistical rating organization for the proposed collateral or credit securing the anticipated SWIFT program obligations at the time the full application is submitted to TWDB.

APPROVED and ordered of record this 7th day of December 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator