Texas Water Development Board

WATER for TEXAS
Today’s Topics

• SWIFT

• Clean and Drinking Water State Revolving Fund (SRF) Programs

• Other State Funded Programs
Regional Project Implementation Teams

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TWDB Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas.
Funds to Handle Projects of All Sizes

• Funding to meet all needs
• Funds Available for selected programs:
  – $800 Million average annual goal for SWIFT
  – $525 Million for CWSRF
  – $250 Million for DWSRF
  – DFund – Based on need
What is SWIFT?

The Legislature created SWIFT to provide affordable, ongoing state financial assistance for projects in the State Water Plan.
SWIFT is:

- Affordable, ongoing state financial assistance
- Flexible financing to fit a variety of project needs
- Not just a response to drought, but preparation for the future
- The implementation phase of Texas’ state water plan
- SWIFT turns planning into projects
The Origins of SWIFT

- Texas voters approved using $2 billion from the state’s “Rainy Day Fund” to create the SWIFT program.

November 2013
Water Planning in Texas

Regional Planning Groups analyze water supply needs on a 50-year planning horizon

- Municipalities, agriculture, industry, and power generation are all considered
- Each regional plan lists **recommended water management strategies** and their anticipated costs
Financing Options

Low-Interest Loans

• 35% interest rate subsidy for 20-year loan
• 25% interest rate subsidy for 21-25 year loans
• 20% interest rate subsidy for 26-30 year loans

Deferred Loans

• Principal & interest deferred up to 8 years from the date of delivery, or until end of construction

Board Participation

• TWDB purchases a temporary ownership interest in a **regional** water supply project, which the entity buys back over time.

* Interest rate subsidy amounts and loan terms will be re-calculated and adopted by the Board for each cycle of SWIFT funding.
Financing Options

Multi-Year Commitments

- Entities receive a commitment for the full amount of their assistance, but it is split into multiple loan closings over several years
- Allows for expanded program capacity
- Allows borrowers to incur debt as project funds are needed
- Can be used with any of the 3 available financing types

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$</td>
</tr>
<tr>
<td>2016</td>
<td>X</td>
</tr>
<tr>
<td>2017</td>
<td>$</td>
</tr>
<tr>
<td>2018</td>
<td>$</td>
</tr>
<tr>
<td>2019</td>
<td>X</td>
</tr>
</tbody>
</table>
## Eligible Projects

<table>
<thead>
<tr>
<th>Conservation</th>
<th>Meter replacement programs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pipe replacement to address water loss</td>
</tr>
<tr>
<td></td>
<td>System pressure control</td>
</tr>
<tr>
<td></td>
<td>On-farm high-efficiency irrigation equipment</td>
</tr>
<tr>
<td></td>
<td>Clothes &amp; dishwasher incentive programs</td>
</tr>
<tr>
<td></td>
<td>High efficiency plumbing fixtures</td>
</tr>
<tr>
<td></td>
<td>Irrigation canal lining</td>
</tr>
<tr>
<td></td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>...and many more</td>
</tr>
</tbody>
</table>
Application Process

Abridged Applications
- Collect info used for prioritization
- TWDB applies funding models to ranked list and invites entities to submit full applications if they are within capacity for that round of funding

Full Applications
- Standard TWDB financial assistance application
- Standard review: Environmental, Engineering, Financial, Legal
Application Process

Abridged Application - collects data used for prioritization

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Section 1. APPLICANT INFORMATION

<table>
<thead>
<tr>
<th>Name of Applicant</th>
<th>Applicant County</th>
<th>Regional Water Planning Area</th>
</tr>
</thead>
</table>

Entity contact information:

- Contact Person
- Mailing Address
- Phone Number
- Fax Number
- Email Address

Section 2. PROJECT INFORMATION

Description of Proposed Project

Section 3. REQUESTED ASSISTANCE AND OTHER PROJECT FINANCING

- Estimated Project Costs
- Local Contribution
- Other Financial Sources

- Total Estimated Project Costs

- Anticipated Commitment(s)

Section 4. SERVICE AREA INFORMATION

- Population Served by Project When Fully Operational
- Regional Project
- Needs Met by Project

- Regional Water Planning Group Priority Ranking

- Household Cost Factor (Total Reimbursement is calculated by dividing the service area's average resident effort by its current median household income. For SWIFT projects, these values represent the additional value of prioritization efforts.)
## Prioritization Criteria

<table>
<thead>
<tr>
<th>Highest Consideration</th>
<th>Max Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population served</td>
<td>30</td>
</tr>
<tr>
<td>Diverse urban and rural Benefit</td>
<td>30</td>
</tr>
<tr>
<td>Regionalization (number of entities served in addition to the applicant)</td>
<td>30</td>
</tr>
<tr>
<td>Percentage of water supply needs met by the project</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Criteria</th>
<th>Max Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local contribution</td>
<td>5</td>
</tr>
<tr>
<td>Financial Capacity</td>
<td>2</td>
</tr>
<tr>
<td>Emergency Need</td>
<td>5</td>
</tr>
<tr>
<td>Readiness to Proceed</td>
<td>8</td>
</tr>
<tr>
<td>Demonstrated or projected conservation</td>
<td>15</td>
</tr>
<tr>
<td>Regional planning group priority rank</td>
<td>15</td>
</tr>
</tbody>
</table>

“Highest Consideration” Max Subtotal: 50

“Additional Criteria” Max Subtotal: 50

Maximum Total Points: 100
The Application Process

Step 3: Application, Loan Commitment, & Loan Closing

- Applications receive standard TWDB review
- Projects are taken to the Board for commitment
- Timeline from Abridged Application to loan closing is under 1 year

Feb. 3 2015
Dec. 15 2015
Recap of First Funding Cycle

“If we build it, will they come?”

• No one was sure what to expect…ten applicants? A dozen?

• **48** Abridged Applications were received, requesting over **$5.5 billion**!

• The Texas Water Development Board made commitments to 21 entities to complete 32 water management strategies from the State Water Plan, for a total of **$3.89 billion**! (Just over $1 billion in 2015 funding)
Recap of First Funding Cycle

Round 1 SWIFT Commitments (2015 funding):

Over $106.6 million in savings!
vs. market-rate loans
(about 8.5%)
## Round 2 Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 1, 2015</td>
<td>• Abridged application solicitation opens</td>
</tr>
<tr>
<td>February 5, 2016</td>
<td>• Abridged applications due</td>
</tr>
<tr>
<td>Spring 2016</td>
<td>• Board considers prioritization</td>
</tr>
<tr>
<td></td>
<td>• Board identifies capacity, interest rate subsidy amounts, &amp; loan terms</td>
</tr>
<tr>
<td></td>
<td>• Invitations to submit full applications</td>
</tr>
<tr>
<td>Summer 2016</td>
<td>• Entities submit complete applications</td>
</tr>
<tr>
<td></td>
<td>• Board considers and approves applications</td>
</tr>
<tr>
<td></td>
<td>• Board authorizes TWDB bond sale</td>
</tr>
<tr>
<td>Fall 2016</td>
<td>• TWDB Bond Sale</td>
</tr>
<tr>
<td>Winter 2016</td>
<td>• TWDB Bond Closing</td>
</tr>
<tr>
<td></td>
<td>• Borrowers close loans</td>
</tr>
</tbody>
</table>
Purpose of the Fund

- Provide assistance for the construction of treatment works
- Implementing a non-point source pollution management program
- Developing and implementing a conservation and management plan for Texas bays and estuaries systems
- Management of stormwater
- Recycling and reuse of treated water
- Other purposes as authorized.

History

- Created by Congress in 1987, amended by the Water Resources Reform and Development Act of 2014 (WRRDA)
Financial Use of Fund

- Provides financing for wastewater-related projects at interest rates lower than those offered by commercial markets. Also provides additional subsidies for applicants meeting certain program criteria, such as disadvantaged communities and green projects.

Financial Impact

- Since 1987, Texas has closed 819 fundings totaling over $6.9 billion.
Clean Water State Revolving Fund (CWSRF)

Who can apply?
- Political subdivisions
- Federally recognized tribes
- Political subdivisions or private entities seeking assistance for nonpoint source, estuary management projects, or certain other eligible projects.

Eligible Projects include:
- Wastewater infrastructure,
- Reuse/conservation/stormwater facilities, and
- Conservation, Nonpoint source pollution control
# Eligibility Considerations

## Program Requirements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disadvantaged Business Enterprise (DBE) Good Faith Effort Procurement</td>
<td>(equivalency funding)</td>
</tr>
<tr>
<td>Architectural &amp; Engineering Procurement</td>
<td>(equivalency funding)</td>
</tr>
<tr>
<td>Consistency with NEPA</td>
<td>(all fundings)</td>
</tr>
<tr>
<td>Davis-Bacon wage rules</td>
<td>(all fundings)</td>
</tr>
<tr>
<td>American Iron &amp; Steel</td>
<td>(all treatment works projects)</td>
</tr>
<tr>
<td>Fiscal Sustainability Plans</td>
<td>(Loans)</td>
</tr>
<tr>
<td>Increased Public Awareness thru Signage</td>
<td>(equivalency funding)</td>
</tr>
</tbody>
</table>
# CWSRF Funding Options

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>Loan Forgiveness</th>
<th>Interest Rate</th>
<th>Loan Origination Fee</th>
<th>Max. Repyt. Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds/Loans Equivalency (federal requirements)</td>
<td>N/A</td>
<td>155 basis points below market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds/Loans Non-Equivalency (state requirements)</td>
<td>N/A</td>
<td>120 basis points below market</td>
<td>1.85%*</td>
<td>Up to 30 years</td>
</tr>
<tr>
<td>Disadvantaged Community Subsidy</td>
<td>30%, 50%, 70%</td>
<td>155 basis points below market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Project Subsidy</td>
<td>15%</td>
<td>155 or 120 basis pts. below market</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Loan origination fee is not assessed on loan forgiveness amount.*
**Multi-Year Commitments**

- To assist entities that need to fund large projects over a period of time.
- Commitments up to five years.
- Interest rate reduction (e.g. 120 or 155 basis points for CWSRF and 125 basis points for DWSRF) locked for the five year period.
## CWSRF Cost Savings vs. Market

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>Cost of Funds</th>
<th>CWSRF Amount of $10,000,000 over 30 yrs.</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market – Borrower-AA</td>
<td>3.017%</td>
<td>$15,278,413</td>
<td>$11,524,344</td>
</tr>
<tr>
<td>CWSRF</td>
<td>1.950%</td>
<td>$13,259,531</td>
<td>$10,000,000</td>
</tr>
<tr>
<td><strong>Savings Using CWSRF</strong></td>
<td></td>
<td><strong>$2,018,882</strong></td>
<td><strong>$1,524,344</strong></td>
</tr>
</tbody>
</table>

Note: Lending rates current as of November 16, 2015. For illustrative purposes only. CWSRF rates are locked in at closing.
Rating Criteria

Publically-Owned Treatment Works (CWA §212 projects)

- Addressing Enforcement Issues
- Impacts to Water Quality
- Serving Unserved Areas
- Regionalization
- Reduction/Prevention of System Overflows
- Affordability
- Effective Management
RATING CRITERIA

Non-Point Source
(CWA §319 projects)

Estuary Management Projects
(CWA §320 projects)

- Addressing Public Health Issues
- Groundwater Protection
- Improvements to Impaired Water Bodies
Other Criteria
(All Applicants & Projects)

- Manage, Reduce, Treat, or Recapture Stormwater
- Implement the reuse or recycling of wastewater and/or stormwater
- Effective Management
- Projects Undertaken by Financially Disadvantaged Communities
Drinking Water State Revolving Fund

**Purpose of the Fund**

- Provides financing to public drinking water systems for projects that facilitate compliance with primary drinking water regulations or otherwise significantly further the health protection objectives of the Safe Drinking Water Act.

**History**

- Authorized by the Safe Drinking Water Act and established in 1997; administered by the Texas Water Development Board in collaboration with TCEQ.
Commitments

• 364 projects totaling approximately $1.6 billion

Closings

• 357 projects totaling approximately $1.4 billion
Drinking Water State Revolving Fund

Existing public water systems
- Community water systems
- Private water systems
- Nonprofit, non-community water systems

Projects may include
- Water system improvements
- Purchase or consolidation of a system
- Restructuring
- Land acquisition
- Source water protection
Eligibility Considerations

Program Requirements

- Disadvantaged Business Enterprise (DBE) Good Faith Effort Procurement
- Consistency with NEPA/Federal Crosscutters
- Davis-Bacon Wages
- American Iron & Steel (for public water systems)
# Funding Options

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>Principal Forgiveness</th>
<th>Interest Rate</th>
<th>Origination Fee</th>
<th>Max. Repyt. Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds/Loans</td>
<td>N/A</td>
<td>125 basis points below market</td>
<td>2.25%</td>
<td>Up to 30 years (for bonds)</td>
</tr>
<tr>
<td>Disadvantaged Community</td>
<td>30%, 50%, 70%</td>
<td>125 basis points below market</td>
<td>2.25%*</td>
<td>Up to 30 years</td>
</tr>
<tr>
<td>Subsidized Green</td>
<td>15%</td>
<td>125 basis points below market</td>
<td>2.25%*</td>
<td>Up to 30 years (for bonds)</td>
</tr>
<tr>
<td>Very Small System</td>
<td>100%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Urgent Need</td>
<td>100%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Cost Savings
DWSRF vs. Market

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>Cost of Funds</th>
<th>DWSRF Amount of $10,000,000 over 30 yrs.</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Pymts. – 30 Years</td>
<td>P.V. of Pymts. - 30 Years</td>
</tr>
<tr>
<td>Market – Borrower-AA</td>
<td>3.017%</td>
<td>$15,278,413</td>
<td>$11,559,211</td>
</tr>
<tr>
<td>DWSRF</td>
<td>1.928%</td>
<td>$13,225,450</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Savings Using DWSRF</td>
<td></td>
<td>$2,052,963</td>
<td>$1,559,211</td>
</tr>
</tbody>
</table>

Note: Lending rates current as of November 16, 2015. For illustrative purposes only. DWSRF rates are locked in at closing.
Rating Criteria

Public Water System Projects
- Health and Compliance
- Secondary Compliance

Source Water Protection Projects
- Groundwater System Vulnerability
- Surface Water System Vulnerability

All Projects
- Effective Management
- Disadvantaged Community

Texas Water Development Board
State Programs

Agricultural Water Conservation Loans & Grants
Economically Distressed Areas Program (EDAP)
Rural Water Assistance Fund (RWAF)
State Participation Program (SP)
Texas Water Development Fund (DFund)
State Water Implementation Fund for Texas (SWIFT)

Key words: variety & flexibility
Project Types

Water
- Wells
- Distribution systems
- Distribution & transmission lines
- System acquisition
- Pumping facilities
- Storage reservoirs & tanks
- Water treatment plants
- Purchase of water rights
- Meter replacement
- Desalination
- Well field acquisition

Wastewater
- Sewer treatment plants
- Collection systems
- Lift stations
- System acquisition
- System rehabilitation
- Non-point source pollution abatement
- Trunk lines
- Re-use projects

Flood Control
- Storm water retention basins
- Stream channel enlargement
- Bridge modification/reconstruction
- Floodplain acquisition
- Relocation of residents from floodplain
- Beach re-nourishment
- Flood warning systems
- Coastal erosion control
- Flood management plan development
Special Requirements

- U.S. Iron & Steel
- Water conservation & drought contingency plans required for assistance greater than $500,000
- Historically Underutilized Business (HUB) reporting for SWIFT
- Water supply projects must be consistent with the State Water Plan
- Review of legislative requirements regarding water loss limit thresholds
Other TWDB Programs

Visit www.twdb.texas.gov to find information about other TWDB programs:

- Flood Protection Planning Assistance
- FEMA Flood Mitigation Assistance
- FEMA Severe Repetitive Loss Funding
- Groundwater Conservation District Loan Program
- Ag Conservation Loans
Let’s Stay in Touch

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Texas Water Development Board

www.twdb.texas.gov
Contact

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Luis.Farias@twdb.texas.gov