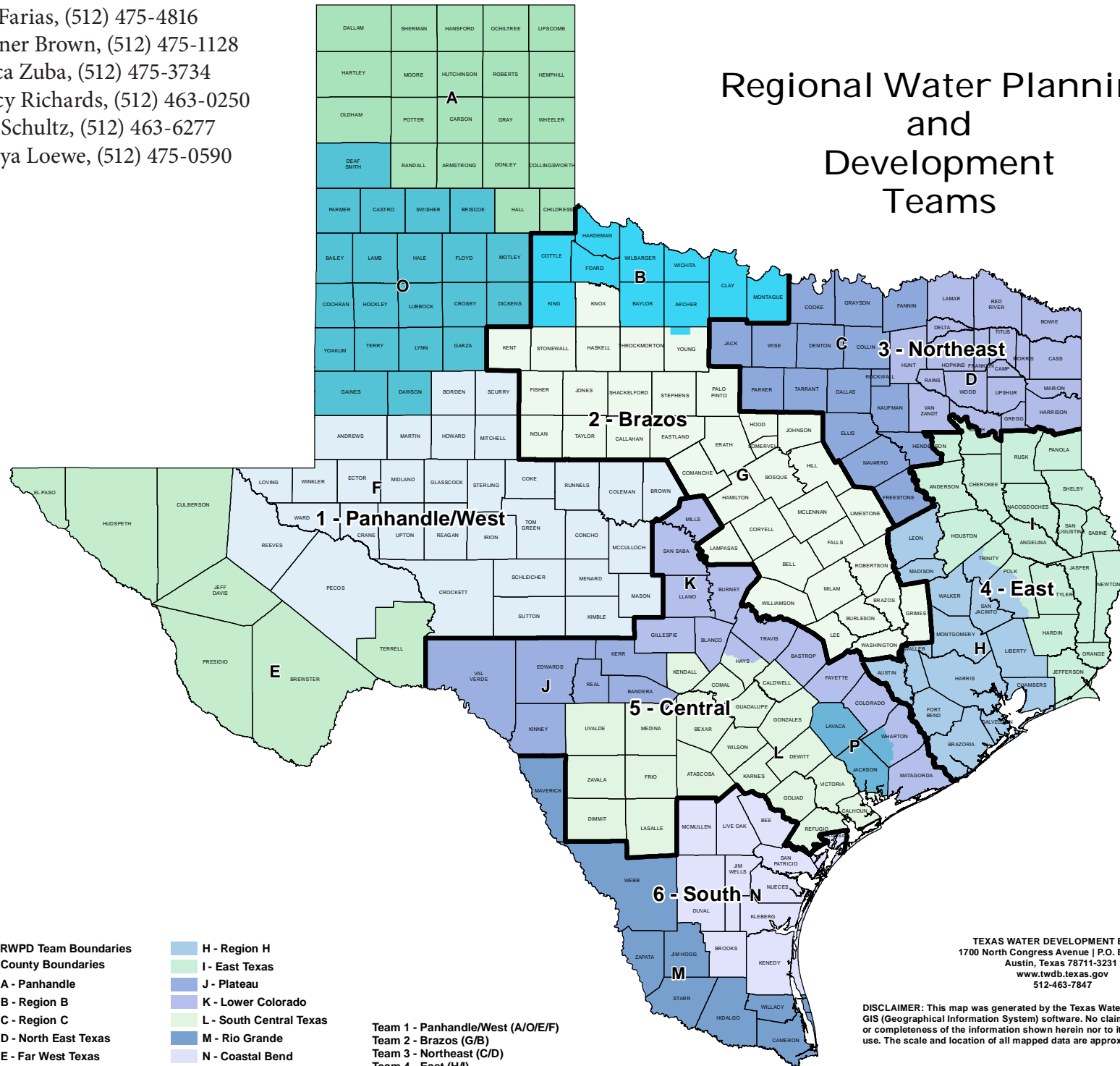


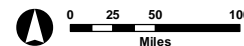
- Team #1: Luis Farias, (512) 475-4816
- Team #2: Brenner Brown, (512) 475-1128
- Team #3: Jessica Zuba, (512) 475-3734
- Team #4: Nancy Richards, (512) 463-0250
- Team #5: Clay Schultz, (512) 463-6277
- Team #6: Mireya Loewe, (512) 475-0590

Regional Water Planning and Development Teams



TEXAS WATER DEVELOPMENT BOARD
 1700 North Congress Avenue | P.O. Box 13231
 Austin, Texas 78711-3231
www.twdb.texas.gov
 512-463-7847

DISCLAIMER: This map was generated by the Texas Water Development Board using GIS (Geographical Information System) software. No claims are made to the accuracy or completeness of the information shown herein nor to its suitability for a particular use. The scale and location of all mapped data are approximate. Map date: DEC-2013



MISSION: The Texas Water Development Board's (TWDB) mission is to provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water for Texas.

TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator
Darrell Nichols, Assistant Executive Administrator
Jeff Walker, Deputy Executive Administrator, WSI

FROM: Jennifer Kennedy, Environmental Reviewer, RWPD
Jessica Kohlrenken, Assistant General Council

DATE: May 15, 2014

SUBJECT: Briefing and discussion on the new environmental review process for state funded projects

ACTION REQUESTED

No action requested. This item is for information and discussion purposes only.

BACKGROUND

The environmental review process ensures that Texas Water Development Board (TWDB) funded projects comply with environmental regulations and programmatic requirements. The issuance of an environmental determination by TWDB staff is required prior to the release of design and construction funds.

IMPROVEMENTS

To streamline the environmental review process for state funded projects, TWDB staff has created a new template-style Environmental Data Form. This form will be prepared by applicants for the majority of state funded projects to more efficiently provide information to regulatory agencies. This form ensures that appropriate regulatory agencies are consulted regarding major environmental categories vulnerable to impacts, including streams and wetlands, fish and wildlife, threatened and endangered species, and cultural resources, and it affords those agencies and the TWDB the opportunity to comment and require additional analysis, protection or mitigation if the potential impacts so warrant. Input from stakeholders and regulatory agencies was used to develop this form.

Benefits of the new Environmental Data Form:

- Ensures the level of environmental analysis is commensurate with potential impacts
- Decreases environmental review time for TWDB staff and regulatory agencies
- Decreases document preparation time and cost for clients
- Clarifies requirements

Attachments: Environmental Data Form

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December 10, 2013

As the Texas Water Development Board (TWDB) moves forward in implementing the provisions of House Bill 4, I want to let you know the milestones achieved so far and the next steps in front of TWDB and the regional water planning groups.

On Sept. 1, 2013, TWDB began serving the citizens of Texas under a new management structure with three full-time Board members. The Board appointed Kevin Patteson as executive administrator Oct. 1, 2013. We have also reorganized the TWDB in a way that creates defined areas of responsibility and focuses on programmatic efficiencies. The goal is to enable anyone who calls the TWDB with a question about funding or project development to work with the same team and staff. These staff and teams are tasked with understanding the region they represent and all TWDB programs that lend themselves to the region’s needs. In addition, we have filled a new position for an Agriculture and Rural Ombudsman to help us reach out to rural communities and better address their water supply needs. His name is Doug Shaw, and he brings real world farming experience as well as a deep understanding of the TWDB.

Since Sept. 1, the agency’s outreach efforts have made significant gains. Board members alone have participated in more than 60 speaking engagements, public meetings, and other meetings where they served as a resource. They have also had over 30 meetings with a dozen different financial firms and held four Board meetings and three work sessions in an effort to offer more opportunities for public input and dialogue.

Since the passage by voters of Proposition 6 on Nov. 5, the new Board members and agency staff have been hard at work preparing to implement the State Water Implementation Fund for Texas (SWIFT). We have formed our rules team to begin the process of developing the rules required to administer the SWIFT. Todd Chenoweth, Senior Advisor to the Executive Administrator, serves as rules team leader. Moving forward, we will actively solicit and seek public participation and input throughout this process to ensure a very transparent and open discussion. Developing the rules, a critical component for the effective and fair implementation of HB 4, requires input from a wide array of citizens, sectors and interest groups.

Attached to this letter is one milestone required under HB 4. The regional water planning groups met on multiple occasions and developed the uniform prioritization standards. On Dec. 5, 2013, the Board accepted and approved the standards. In discussing the item during the Board meeting, the Board members actively sought and encouraged public input and participation in the regional planning process and the standards themselves that will be implemented in prioritizing projects.

Our Mission : **Board Members**

To provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water for Texas

Carlos Rubinstein, Chairman | Bech Bruun, Member | Mary Ann Williamson, Member
Kevin Patteson, Executive Administrator

December 10, 2013

Page 2

We will keep you updated on significant events and look forward to working with you as we progress.

If you have any questions, please feel free to contact me at carlos.rubinstein@twdb.texas.gov or by calling 512-463-7354.

Respectfully,

Carlos Rubinstein
Chairman – TWDB

March 18, 2014

The Honorable Representative Ritter
Capitol Station
P.O. Box 2910
Austin, Texas 78768

Dear Representative Ritter,

I wanted to take this opportunity to update you since my last letter on December 10, 2013. I believe one of the cornerstones of HB 4 is open and transparent governance and business within the Texas Water Development Board. To that end, everyone at TWDB has been involved in outreach on many fronts over the last few months. The focus of much of that outreach has been providing Texans all over the state with the opportunity to voice their opinions, provide their input, and generally participate in discussing and developing rules on the State Water Implementation Fund for Texas (SWIFT).

We scheduled Board work sessions in four different locations across the state. In February, we held work sessions in Conroe on March 11 and Lubbock on March 24. We have two more scheduled, one in Harlingen on March 24 and another in El Paso May 29. The sessions have been extremely well attended and have given the public close-to-home venues at which they can express their water concerns and funding suggestions to the Board. During these meetings we also provided information of the various funding options the TWDB can offer to meet current capacity and delivery of service needs. Stakeholders providing input regarding the development of the rule to implement HB4 and the SWIFT have shared their ideas and concerns, some of which include how to define or measure several terms, such as conservation, reuse, regionalization, and diverse urban and rural population, as well as a number of other considerations related to project prioritization and distribution of funds.

Director Bruun and I continued to speak throughout the state on the SWIFT. From December through mid-March, we spoke at approximately 40 events, all dedicated to informing the public about the SWIFT and updates on The TWDB. The majority of the events I have attended across the state were water symposiums, water conservation and development discussion events, infrastructure CLE's and meetings with local government officials and water suppliers. Director Bruun has been on the road attending regional water planning group meetings from east Texas to the Panhandle to the Gulf Coast. By participating in those meetings, he has had the opportunity to learn about local water needs and solutions and begin an ongoing conversation about the SWIFT and TWDB. By the end of mid-March, he'd attended eight regional planning group meetings, with more scheduled and more on the horizon.

Our Mission : **Board Members**

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Carlos Rubinstein, Chairman | Bech Bruun, Member | Kathleen Jackson, Member
Kevin Patteson, Executive Administrator

March 18, 2014

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TWDB has also been hosting public meetings in Austin for SWIFT rulemaking. We have held three meetings with great feedback on wide- ranging discussion topics. These meetings are only the preliminary opportunities for the public to weigh in on the SWIFT. In June, we intend to publish our proposed SWIFT rules and then hold more public hearings with the opportunity for additional public comments.

Since Doug Shaw was named as our Agriculture and Rural Ombudsman on December 1, he has logged over 3,500 miles traveling the state to meet with rural citizens on the SWIFT. His outreach is helping educate those communities on how to plan and apply for SWIFT financial assistance, as well as facility planning grant funding and regional water planning involvement. As the bridge between rural and agriculture communities and the agency, Doug's role has proved vital to increasing public awareness and reinforcing the State's understanding and support of rural issues and related opportunities with the SWIFT.

In January, TWDB issued a Request for Qualifications for Selection of Underwriters and received approximately 30 responses. I am excited for TWDB to move ahead in this selection process with interviews as many of the respondents submitted innovative ideas for structuring the SWIFT/SWIRFT. Over the next couple of months, I look forward to completing the process with an underwriting pool of several firms.

I am thrilled to welcome Kathleen Jackson to serve as the third member of the Board effective, March 18, 2014. As a proven leader throughout the water industry and a registered professional engineer, Ms. Jackson will bring a unique perspective. Her past experience most recently includes serving as the public affairs manager for Exxon Mobil Corp. She has served as a board member of the Texas Water Conservation Association and is a member of The Beaumont Chamber of Commerce Education and Minority Business Development Partnership, Sabine and Neches Rivers Bay and Estuary Environmental Flows Assessment Program Stakeholders Committee and many other community organizations. Ms. Jackson received her degree in chemical engineering from North Carolina State University.

A SWIFT website was launched in January to provide a one-stop information portal, as well as a place for online public comments. We continue to modify the site to add pertinent information and make the interaction with stakeholders user friendly. We have included the ability to allow stakeholders to submit comments on SWIFT electronically. You can visit the website at <http://www.twdb.texas.gov/swift/>.

Over the coming months, there will be numerous SWIFT milestones. We will keep you informed of our progress and look forward to working very closely with you. If you have any questions, please feel free to contact me at carlos.rubinstein@twdb.texas.gov or by calling 512-463-7354.

Respectfully,

Carlos Rubinstein
Chairman – TWDB

April 25, 2014

The Honorable Allan Ritter
Chairman, SWIFT Advisory Committee
Texas House of Representatives
P.O. Box 2910 - Capitol Station
Austin, Texas 78711-2910

Dear Chairman Ritter:

Congratulations on your appointment to the State Water Implementation Fund for Texas (SWIFT) Advisory Committee. I and the entire Texas Water Development Board look forward to working with you throughout the House Bill (HB) 4/SWIFT implementation process.

Board members and staff have traversed the state making numerous presentations to a wide variety of stakeholder groups and interested parties. Over the last couple of months, the Texas Water Development Board held well-attended work sessions in Conroe, Lubbock, and Harlingen and will wrap up in El Paso on May 29th for a final preliminary draft rule work session. As we continue with the agency's outreach, I will update you throughout the process on our effort to engage the public and stakeholders on HB 4 implementation and rule development.

The Board has heard a wide range of testimony from representatives of large municipalities and rural interests, regional water planning groups, environmental interests, project engineers, nonprofit water supply corporations, irrigation districts and water utility managers. The assortment and scope of the comments has been invaluable in our rule-writing process.

Additionally, the Executive Administrator's staff has led three stakeholder meetings in Austin specifically for HB 4 comments. Staff heard input on the prioritization system and definitions of agricultural water conservation, rural, and water conservation. To date, over 33 comments have been submitted via email and the web. Once our draft rule is published in June, I anticipate we will receive additional comments.

We also launched an interactive website based on the 2012 State Water Plan. This first-of-its-kind application makes it easy for the public to get details about potential water shortages at the community, state, and regional level. We'll be rolling out additional modules to the site over the next year.

Our Mission

To provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water for Texas

Board Members

Carlos Rubinstein, Chairman | Bech Bruun, Member | Kathleen Jackson, Member
Kevin Patteson, Executive Administrator

I've included two attachments updating you on the HB 4 rule development and timeline for completion along with the SWIFT/SWIRFT Underwriter Pool Request for Information and timeline.

As the SWIFT/SWIRFT implementation process continues, Texas Water Development Board staff members and I would like to extend an open invitation to meet with you or your staff at any time.

Please contact me at Carlos.Rubinstein@twdb.texas.gov (512-463-7354) or Kevin Patteson at kevin.patteson@twdb.texas.gov (512-463-7848) if you have any questions.

Respectfully,



Carlos Rubinstein
Chairman

Attachments: House Bill 4 Implementation Status – April 25, 2014
SWIFT/SWIRFT Underwriter Pool Request

**House Bill 4 Implementation Status
April 25, 2014**

Outreach and Early Rule Input

Throughout House Bill (HB) 4 implementation and rule development the Texas Water Development Board has engaged in extensive and wide ranging efforts to engage stakeholders. Each of the Board members has made numerous presentations to a wide variety of groups.

The Board has held three work sessions around the state, in part, to hear public input prior to development of a proposed rule to implement HB 4. Work sessions were held on February 11th in Conroe; February 24th in Lubbock and March 24th in Harlingen. A wide range of testimony from representatives of large municipalities and rural interests, regional water planning groups, environmental interests, project engineers, nonprofit water supply corporations, irrigation districts, and water utility managers has been presented.

The Executive Administrator has held three staff-led stakeholder meetings in Austin on January 31st, February 19th, and March 6th. Staff heard input on the prioritization system and definitions of agricultural water conservation, rural, and water conservation.

The Board also solicited written comments and received over 33 comments via e-mail and the web.

Rule

Staff is currently developing a strawman version of the proposed rule.

The prioritization system required by the statute is a key component to the rule. A point system is under development that considers all the required elements under the statute. Staff is attempting to make the assignment of points clear and objective. Another important aspect in the rules is the determination of projects that qualify for the 10 and 20 percent of funding for rural and water conservation and reuse projects. The rule will address the use of funds, interest rates, a pre-design option for receiving money for planning and design funding separate from construction funding, as well as findings that the Board must make before it funds a project.

Schedule

Mid-May – Strawman version of the rule will be available.

May 29 – El Paso Board work session at 10:00 a.m. at the Tech H₂O Center, 10751 Montana Ave., with input opportunity for the public.

June 26 – Proposed rule considered by Board for publication.

Comment Period – A standard comment period is 30 days. Due to the important nature of this rule, the Board will consider extending the comment period. During this time the Board will hold public hearings to take oral comments on the rule.

After the comment period closes, staff will summarize all comments and develop draft recommendations for the Board to consider at adoption.

December 2014 – Board considers a final rule for adoption.

**State Water Implementation Fund for Texas (SWIFT)
and State Water Implementation Revenue Fund (SWIRFT)
Underwriter Pool RFI**

The TWDB undertook an underwriter selection request for qualifications to choose an underwriting pool to serve on all the TWDB's bond issues over the next two years. As part of that process, specific questions were included to solicit ideas and strategies to optimize the capacity of the SWIFT/SWIRFT. We are collecting the ideas from the proposal responses that we believe have the potential to provide value to the SWIFT/SWIRFT. The TWDB understands that because many of the variables that impact the projected capacity are dynamic, including the decade of need projections, program structure demand, and market interest rates, significant flexibility must be embedded into the structure. Although many of these ideas may not be used in the initial structure, our goal is to provide for the ability to integrate these ideas into the SWIFT/SWIRFT framework as the variables change and evolve over time. This framework will provide TWDB the ability to proactively manage and effect changes to the SWIFT/SWIRFT structure to continue to optimize the capacity.

This effort was also valuable to the TWDB's continued coordination with the Texas Treasury Safekeeping Trust Company (the "Trust") to provide the necessary cash flows to fully implement the investment of the \$2 billion in SWIFT funds. The Trust has approved Phase 2 of the investment strategy and will begin implementation in May after receiving further projected cash flows from the TWDB. As the TWDB collects more information in conjunction with the rule-making process, the agency expects to provide more detailed cash flow projections.

The TWDB is continuing efforts related to review and analysis of the federal tax law and rating agency considerations related to the structure of the SWIFT/SWIRFT. Both of these factors are also critical to the modeling of the SWIFT/SWIRFT to ensure the earnings of the SWIFT can be maximized and the targeted rating can be achieved.

Selection of the underwriting pool will occur by May 15, 2014 and the selection of bond counsel and financial advisors is scheduled for completion by June 5, 2014.

Future Underwriter Pool Selection & HB 4 Timeline (*tentative*)

- 05/15/2014 Underwriters pool selection completion
- 06/05/2014 Financial advisory services & bond counsel selection completion
- 06/18/2014 HB 4 - Draft rule posted for 6/26/2014 TWDB Board meeting
- 06/26/2014 HB 4 – TWDB Board meeting adopting draft rule
- 06/30/2014 HB 4 – Draft rule published in the Texas Register
(Minimum required comment period is 30 days. The Board may consider extending the comment period)
- 07/30/2014 HB 4 - 30 day draft rule comment period closes
- 09/28/2014 HB 4 – Response to comments period closes
- 12/18/2014 HB 4 – Final rule adopted

SWIFT IMPLEMENTATION TIMELINE

2014

January 31, 2014

TWDB hosts stakeholder meeting to encourage dialogue on specific issues related to SWIFT rulemaking.

Austin: 10:00 a.m., Room 170, SFA Bldg., 1700 N. Congress

February 11, 2014

TWDB hosts Board work session to solicit public input on SWIFT implementation.

Conroe: 10:30 a.m., San Jacinto River Authority, 1577 Dam Site Road

February 19, 2014

TWDB hosts stakeholder meeting to encourage dialogue on specific issues related to SWIFT rulemaking.

Austin: 10:00 a.m., Room 170, SFA Bldg., 1700 N. Congress

February 24, 2014

TWDB hosts Board work session to solicit public input on SWIFT implementation.

Lubbock: 10:30 a.m., Texas Tech University School of Law, Board of Barristers, 1802 Hartford Ave.

March 6, 2014

TWDB hosts stakeholder meeting to encourage dialogue on specific issues related to SWIFT rulemaking.

Austin: 10:00 a.m., Room 170, SFA Bldg., 1700 N. Congress

March 24, 2014

TWDB hosts Board work session to solicit public input on SWIFT implementation.

Harlingen: 10:00 a.m., Texas State Technical College, 1902 N. Loop 499

May 29, 2014

TWDB hosts Board work session to solicit public input on SWIFT implementation.

El Paso: 10:00 a.m., TechH₂O Center, 10751 Montana Ave.

June 2014

TWDB proposes rule.

June 1, 2014

Regional Water Planning Groups submit draft prioritization of projects from 2011 regional water plans.

Regional Water Planning Groups submit final prioritization of projects from the 2011 Regional Water Plans.

December 2014

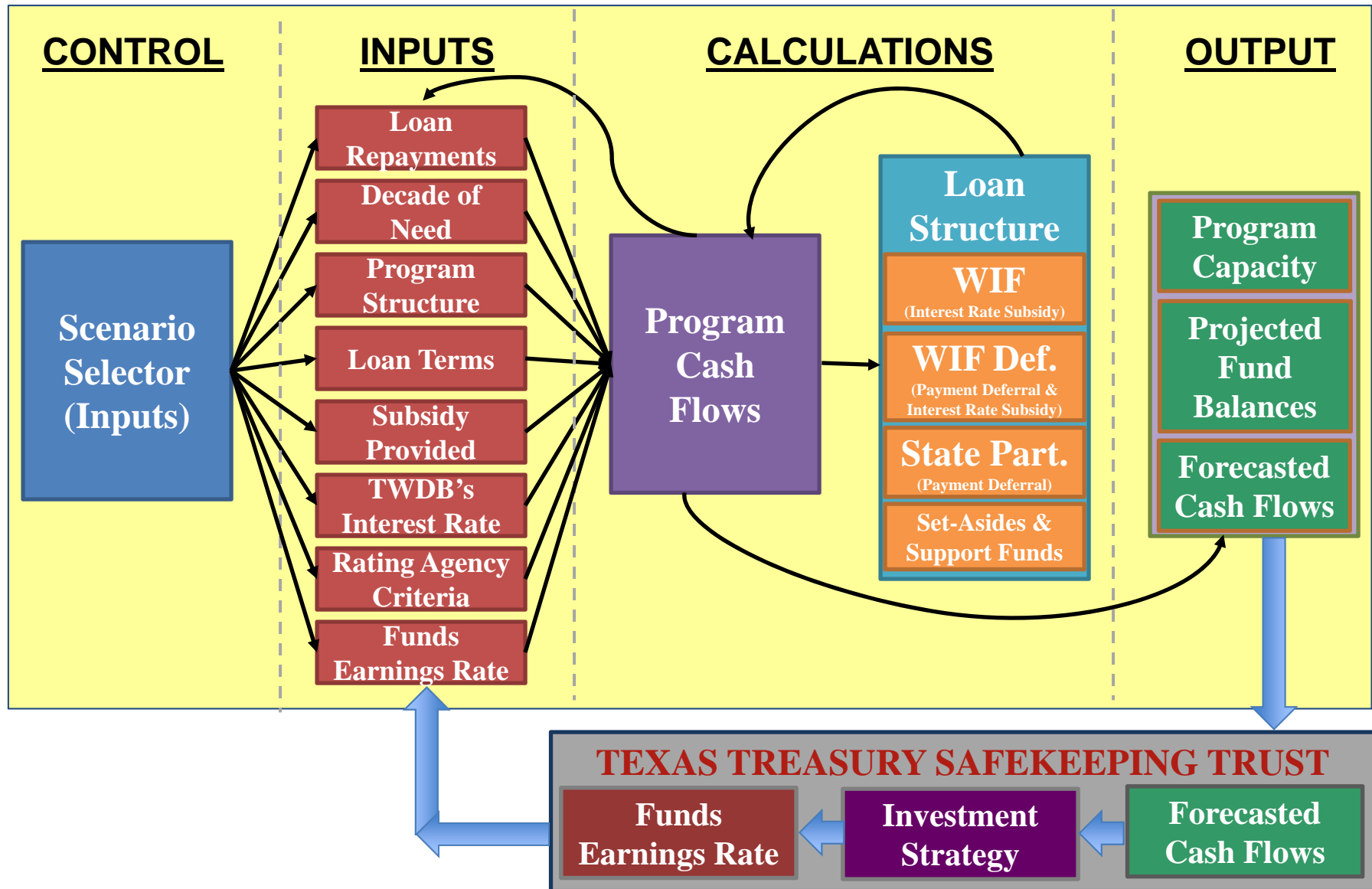
TWDB adopts rule.

SWIFT Advisory Committee submits recommendations to TWDB regarding rules relating to the allocation of funds for prioritizing projects.

December 1, 2014

TWDB shall provide SWIFT implementation report to the Governor, Lt. Governor, House Speaker and Legislature.

TWDB SWIFT/SWIRFT Model Architecture





Debt Primer for Texas Water Development Board Financing

WHAT IS THE TEXAS WATER DEVELOPMENT BOARD (TWDB)?

The TWDB is a bond bank. A bond bank is a governmental agency that buys municipal bonds or other obligations from local governments. The bond bank uses funds from the issuance of its own bonds, appropriated funds, or program equity (fund balance) to purchase the local bonds and obligations. Bond banks can utilize a pooled funding mechanism or can issue match bonds.

The TWDB primarily utilizes a pooled fund financing mechanism. This means a sponsor, in this case the TWDB, issues bonds or utilizes appropriated funds or program equity to purchase the bonds or other obligations of a number of local governments. Some of the benefits of this type of pooled financing are:

- Economies of scale through reduced cost of issuance
- Reduced borrowing costs (interest rates) due to the higher credit rating of the TWDB
- Reduced borrowing costs (interest rates) if interest rate subsidies are provided
- Reduced risk through diversification of assets

The TWDB can also issue bonds for which the proceeds are only used to purchase bonds or other obligations issued by a single entity. This would be outside of the pooled issuance and is commonly called a match bond. Some of the benefits of this type of financing are:

- Reduced borrowing costs (interest rates) due to the higher credit rating of the TWDB
- Ability of the borrower to structure the payback to meet individual needs
- Reduced interest rate risk to the TWDB because additional costs due to the exceptional structure are passed to the borrower

WHERE DOES THE TWDB GET ITS FUNDS TO BUY LOANS?

BOND SALES

One source of funds the TWDB utilizes to buy bonds from local governments is the proceeds from issuing bonds. When local governments have more bonds to be purchased than the TWDB has appropriated funds or program equity, the TWDB must issue bonds to have funds available for lending. The TWDB issues different types of bonds depending on the program the local government has chosen to utilize.

Types of Bonds Issued by the TWDB

General Obligation

General Obligation (GO) bonds are backed by the full faith and credit of the State of Texas. Only entities that have the authority to levy taxes can issue GO bonds. Local governments depend upon property taxes (ad valorem taxes) to pay the obligations of their debt securities, while state-issued GO bonds are secured by the general revenues of the state. The ability to support bond payments with all funds, including ad valorem tax funds, is what makes GO bonds distinct from revenue bonds. Revenue bonds are repaid by using only the revenue

generated and specifically pledged to their payment, such as fees from a utility system or a pool of investments. When selling GO bonds, the issuer generally receives a lower interest rate than when selling revenue bonds because the market treats a tax pledge as more secure.

The GO bonds issued by the TWDB have the same municipal bond ratings as the State of Texas, since the security is based on the credit of the state. The state has the highest ratings possible from all three rating agencies, which allows the TWDB to issue bonds at favorable market interest rates. As mentioned above, one of the advantages to local governments in selling their bonds to the TWDB is that they are able to derive the economic benefit of being able to achieve interest rates comparable to AAA-rated issuers.

Revenue

Revenue bonds are secured by the revenues of a specific revenue-generating entity, such as a utility system or a pool of borrowers, and usually associated with the purpose of the bond. Unlike GO bonds, only the revenues pledged can be used for repayment. Any other revenue collected by the borrower, such as taxes, cannot be encumbered to repay the debt. Since the security for revenue bonds is more limited than GO bonds, a revenue bond usually will bear interest at a higher rate than a GO bond.

Currently, the TWDB has one program that issues revenue bonds, the Clean Water State Revolving Fund. The municipal bond ratings on this program are also the highest ratings available. This provides additional benefits to the local governments that utilize this program. The TWDB expects that most of the State Water Plan projects will be funded through the agency's newest revenue bond program when it is available, the State Water Implementation Revenue Fund for Texas (SWIRFT).

APPROPRIATED FUNDS

The TWDB receives appropriated funds from both the State of Texas and the federal government. Federal funding comes from the Environmental Protection Agency (EPA) to capitalize the Clean Water and Drinking Water State Revolving Funds (SRF). SRF programs combine federal and state capitalization funds with other resources, including tax-exempt revenue bond proceeds, fund investment earnings, and loan repayments to provide low-interest loans for eligible projects. Using fund assets as security, the TWDB can issue tax-exempt revenue bonds to leverage the SRF programs and provide additional funding over and above the capitalization grant amounts.

The TWDB has received state-appropriated funds for different programs including the Economically Distressed Areas Program (EDAP), State Participation and Water Infrastructure Fund, described in more detail below.

PROGRAM EQUITY/FUND BALANCE

Funds available after all debt service and other obligations are paid may be available to be re-lent to eligible applicants. Generally, the funds are restricted to the program in which they originated. Some cash balances in the programs may be restricted to cover future obligations such as upcoming debt service payments, reserve fund deposits, or for other commitments. Equity is generally utilized by the TWDB in support of its Clean Water SRF revenue bond program.

HOW DOES THE BORROWER RECEIVE FUNDING?

TYPES OF BORROWERS

The TWDB is limited to funding political subdivisions of the state, with the exception of select cases in the Drinking and Clean Water SRFs. A political subdivision is a state agency, a county, city, or other body politic or corporate of the state, including any district or authority created under Article III, Section 52, or Article XVI, Section 59, of the Texas Constitution. Eligible borrowers also include any interstate compact commission to which the state is a party and, in accordance with the Texas Constitution, any nonprofit water supply corporation created and operating under Chapter 67 of the Texas Water Code. Non-political subdivisions are eligible to receive funding from the Drinking Water SRF if they function as a public water system. Clean Water SRF funding is eligible to non-political subdivisions for nonpoint source pollution projects.

APPLICATION PROCESS

Eligible borrowers apply to be funded through various TWDB funding programs. Which program can be utilized depends on the type of project, entity, timing, and need. The application is standardized for all programs. It solicits information from the proposed borrower, which allows the TWDB to ensure eligibility and perform due diligence to determine the entity is able to manage the funds and has the ability to repay the debt obligation. Borrowers offer various types of pledges for repayment depending on the type of entity.

Types of Bonds/Pledges Offered by Applicants

General Obligation Bonds

As mentioned above, General Obligation (GO) bonds are backed by the full faith and credit of the issuing borrower. See explanation above for more information.

Revenue Bond

Revenue bonds are secured by the revenues of a specific revenue-generating entity, such as a utility system or a pool of borrowers, and usually associated with the purpose of the bond. See explanation above for more information.

Certificates of Obligation

This type of obligation is issued by cities and counties. Certificates of Obligation may be secured by both ad valorem taxes and revenues (commonly referred to as a double-barrel pledge). Certificates of Obligation often are utilized to fund water and wastewater projects when the intent is only to utilize revenues to pay the debt service. The local government, however, may also want the tax pledge to achieve a higher rating to get lower interest rates and reduce the covenants required with a revenue-only pledge. Although a Certificate of Obligation does not require the approval of voters, it does require an official action be taken to notify the voters of the issuer's intent to issue Certificates of Obligation, and state law requires publication of the notice of intent to inform the community of the proposed issuance. The issuance can be blocked if 5 percent of the voters validly sign a petition to stop the sale prior to approval of the sale ordinance.

Contract Revenue Bonds

Contract revenue bonds are similar to revenue bonds except the pledge of repayment is limited to a specific contract between the borrower and an underlying entity. The bond holder does not have security rights to any other revenue of the borrower. One reason local governments choose to utilize contract revenue bonds is because the debt service obligation under the contract is considered an operation and maintenance expense.

Tax Anticipation Notes

A tax anticipation note is a short-term debt security issued by a political subdivision to finance an immediate capital expenditure and is repaid with future tax collections or revenues, or both. Tax notes have a short maturity, which may not exceed seven years.

Types of Securities

Bonds – Under Texas law, bonds issued by political subdivisions with a maturity of over 365 days must be approved by the Texas Attorney General’s Office (AG) and registered by the Comptroller of Public Accounts (CPA). Once the bonds have been approved by the AG and registered by the CPA, they become valid and incontestable in a court. This provides additional security to the lender, in this case, the TWDB.

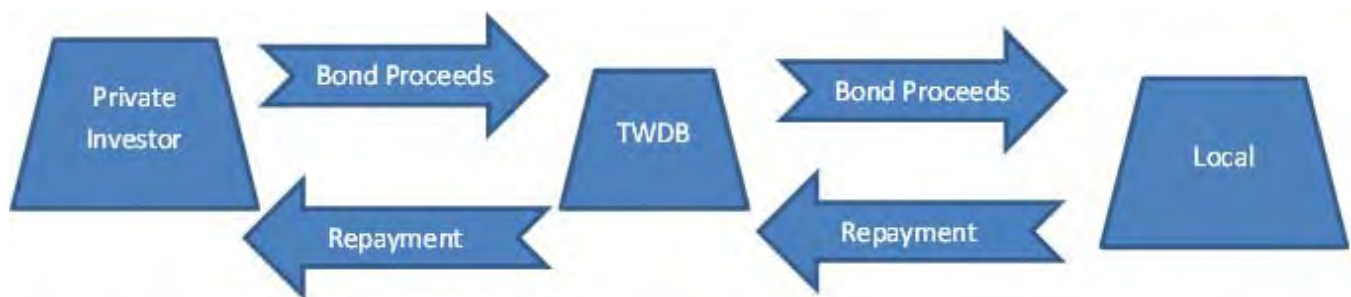
Loan Agreements –The TWDB may provide financial assistance to non-profit water supply corporations by purchasing a promissory note and loan agreement. Other municipalities may also utilize loan agreements if the debt is short term and repaid within the entity’s same fiscal year. If the promissory note and loan agreement are used to finance the project, financial advisor and bond counsel services are not required, thus saving issuance costs. AG approval and registration by the CPA are not required for the promissory note and loan agreement.

CLOSING PROCESS

After the TWDB approves the financial assistance application, the applicant’s consultants prepare the documents needed to issue the debt and coordinate the approval from the AG’s Office. After all TWDB’s conditions have been satisfied, the bond proceeds are delivered via wire transfer to the applicant’s bank. Funds are deposited into the applicant’s construction fund or escrow fund, depending on the program and status of the project. Approved outlays are deposited into the construction account and the remaining funds are deposited into an escrow fund. During the project, the applicant submits a release of funds request in the form of an outlay with invoices for incurred expenses. Outlays are submitted as milestones are completed. As outlays are approved, funds will be released from the escrow fund to the construction fund.

HOW DOES THE TWDB REPAY ITS BONDS?

The TWDB debt is repaid from revenue generated by the repayments of the underlying borrowers. See schematic.



The TWDB financial assistance programs are funded through a combination of the issuance of GO bonds, revenue bonds, repayments, interest earnings, and state and federal appropriations. The bond proceeds are then used to purchase municipal debt to finance water and wastewater projects. The municipality repays the principal and interest to the TWDB through either revenues of a utility system, ad valorem tax, general revenues,

or a combination of all. This process of issuance, disbursement and repayment streams enables the TWDB to create a revolving fund to make payments on the TWDB bonds or fund additional projects.

CURRENT TWDB FINANCIAL ASSISTANCE PROGRAMS

Clean Water State Revolving Fund (CWSRF) provides financing for wastewater and nonpoint source pollution related projects at interest rates lower than applicants can obtain in the open markets. The program provides a limited amount of loan forgiveness for disadvantaged and green projects. The CWSRF requires applicants to meet certain federal requirements. Revenue bonds issued to fund this program currently have the highest rating issued by Fitch, Moody's and S&P.

Drinking Water State Revolving Fund (DWSRF) provides financing for water projects at interest rates lower than applicants can obtain in the open markets. The primary goal is to facilitate compliance with the federal Safe Drinking Water Act. The program has a limited amount of loan forgiveness for disadvantaged and green projects. The DWSRF requires applicants to meet certain federal requirements.

Texas Water Development Fund II (DFund2) consists of three accounts, two of which—State Participation and Economically Distressed Areas Program—are discussed below. The Financial Assistance Account within DFund2 is a streamlined, state loan program. The program includes loans for any water, wastewater, reservoir, or flood control project. Rates are based on the TWDB's cost of funds. Bonds issued to fund this program are sold with the state General Obligation AAA rating.

State Participation Program (SP) enables the TWDB to assume a temporary ownership interest in a regional project when the local sponsors are unable to assume the total debt for an optimally sized facility. The project sponsor repurchases the TWDB's interest under a payment schedule that allows for the deferral of principal and interest payments. The amount of available funding is generally dependent on appropriations from the Texas Legislature.

Rural Water Assistance Fund (RWF) is primarily beneficial to water supply corporations by providing attractive interest rate loans with long-term finance options for water and wastewater construction projects. Projects ineligible for tax-exempt funding may be funded with taxable or Alternative Minimum Tax (AMT) bonds issued by the TWDB and must meet any applicable U.S. Tax Code requirements.

State Water Implementation Fund for Texas (SWIFT) is intended to provide capitalization to the State Water Implementation Revenue Fund for Texas (SWIRFT) from which revenue bonds will be issued to finance projects in the State Water Plan. Projects include conservation and reuse, desalting groundwater and seawater, building new pipelines and developing reservoirs and well fields, and many more. To be eligible for funding, a project must be included in the most recent State Water Plan. State law requires that at least 20 percent of SWIFT funds must be used for conservation and reuse projects, and at least 10 percent must go to projects serving rural communities and agricultural conservation projects.

Agricultural Water Conservation Grant and Loan Program (AG) provides agricultural water conservation loans to political subdivisions to use for improvements on their facilities or to provide loans to individuals in their jurisdiction. Grants to state agencies and political subdivisions are available for agricultural water conservation programs, including demonstration projects, educational programs, irrigation system improvements, and metering equipment.

Economically Distressed Areas Program (EDAP) provides financial assistance in the form of a grant or a combination grant/loan to provide water and wastewater services to economically distressed areas where services do not exist or existing systems do not meet state standards. The program also includes measures to prevent future substandard development.

OTHER FINANCIAL ASSISTANCE PROGRAMS

Federal Emergency Management Agency (FEMA) Flood Mitigation Assistance (FMA) Grants Program provides federal funding in the form of grants to assist states and communities to fund cost-effective measures to reduce or eliminate the long-term risk of flood damage to buildings, manufactured homes, and other structures insurable under the National Flood Insurance Program (NFIP).

Federal Emergency Management Agency (FEMA)—Severe Repetitive Loss (SRL) Grants Program provides financial assistance with federal funding in the form of grants to assist state and communities in implementing mitigation measures to reduce or eliminate the long-term risk of flood damage to severe repetitive loss structures insured under the National Flood Insurance Program (NFIP).

Flood Protection Planning Grant Program offers grants to political subdivisions of the State of Texas for evaluation of structural and nonstructural solutions to flooding problems. Upstream and/or downstream effects of proposed solutions must be considered in the planning. The proposed planning must be regional in nature by considering the flood protection needs of the entire watershed.

Regional Water Planning Grant Program offers grants to political subdivisions of the State of Texas for studies and analyses to evaluate and determine the most feasible alternatives to meet regional water supply and wastewater facility needs, estimate the costs associated with implementing feasible regional water supply and wastewater facility alternatives, and identify institutional arrangements to provide regional water supply and wastewater services for areas in Texas.

Research and Planning Fund Grants offers grants to any person(s) or political subdivision(s) of the State of Texas for water research that addresses one of the TWDB's research topics published in the recent Request For Proposals. The TWDB defines research to be scientific activities that are undertaken to address practical problems rather than to expand the frontiers of knowledge.

Glossary (From Bond Review Board Debt Primer)

Allotment – Amount of securities distributed to each member of the underwriting syndicate to fill orders.

Advance Refunding – A refunding in which the refunded issue remains outstanding for a period of more than 90 days after the issuance of the refunding issue.

Bond – Debt instrument in which an investor loans money to the issuer that specifies: when the loan is due (“term” or “maturity” such as 20 years), the interest rate the borrower will pay (such as 5%), when the payments will be made (such as monthly, semi-annually, annually) and the revenue source pledged to make the payments.

Bond Counsel – Attorney retained by the issuer to give a legal opinion that the issuer is authorized to issue the proposed securities, the legal requirements necessary for issuance have been met and the proposed securities will be exempt from federal income taxation and state and local taxation where applicable.

Bond Insurance – A legal commitment by a third party to make timely debt service payments if the issuer is unable to do so.

Certificate of Obligation – A bond issued by a local taxing authority secured by property taxes to finance public projects without the approval of voters. The issuance can be blocked if 5% of the voters petition to stop the sale prior to approval of the sale ordinance.

Commercial Paper – Short-term, unsecured promissory notes that mature within 270 days and are backed by a liquidity provider (usually a bank) that stands by to provide liquidity in the event the notes are not remarketed or redeemed at maturity.

Competitive Sale – A sale in which the issuer solicits bids from underwriting firms and sells the securities to the underwriter or syndicate offering the most favorable bid that meets the specifications of the notice of sale.

Conduit Issuer – An issuer, usually a government agency that issues municipal securities to finance revenue-generating projects in which the funds generated are used by a third party (known as the “conduit borrower” or “obligor”) for debt-service payments.

Costs of Issuance – The expenses associated with the sale of a new issue of municipal securities including printing, legal fees, rating agency fees and other fees associated with the transaction.

Coupon – The interest rate paid on a security.

Current Refunding – A refunding transaction in which the municipal securities being refunded will mature or be redeemed within 90 days or less from the date of issuance of the refunding issue.

CUSIP – A unique, nine-character identification for each class of security approved for trading in the U.S. CUSIPs are used to facilitate clearing and settlement for market trades.

Dealer Fee – Cost of underwriting, trading or selling securities.



Disclosure – The act of releasing accurately and completely all material information to investors and the securities markets for outstanding or to be issued securities.

Discount – The amount by which the price paid for a security is less than its par value.

Escrow – Fund established to hold moneys or securities pledged to pay debt service.

Escrow Agent – Commercial bank or trust company retained to hold the investments purchased with the proceeds of an advance refunding and to use the invested funds to pay debt service on the refunded debt.

Expenses – Component of the underwriting spread representing the costs of operating the syndicate such as financial advisors, legal counsel, travel, printing, day loans, wire fees and other associated fees.

Financial Advisor – A securities firm that assists an issuer on matters pertaining to a proposed issue such as structuring, timing, marketing, fairness of pricing, terms and debt ratings.

Fixed rate – An interest rate that does not fluctuate during the life of the security.

General Obligation Debt – Debt legally secured by a constitutional pledge of the first monies coming into the State Treasury not otherwise constitutionally dedicated for another purpose. General obligation debt must be approved by a 2/3 vote of both houses of the Texas Legislature and by a majority of the voters.

Indenture – Deed or contract which may be in the form of a resolution that sets forth the legal obligations between the issuer and the securities holders. The indenture also names the trustee that represents the interests of the securities holders.

Issuer – A legal entity that sells securities for the purpose of financing its operations. Issuers are legally responsible for the obligations of the issue and for reporting financial conditions, material developments and any other operational activities.

Lease Purchase – Financing the purchase of an asset over time through lease payments that include principal and interest. Lease purchases can be financed through a private vendor or through one of the state's pool programs such as the Texas Public Finance Authority's Master Lease Purchase Program.

Letter of Credit – A credit enhancement used by an issuer to secure a higher rating for its securities. A Letter of Credit is usually a contractual agreement between a major financial institution and the issuer consisting of an unconditional pledge of the institution's credit to make debt-service payments in the event of a default.

Liquidity – The relative ability of a security to be readily traded or converted into cash without substantial transaction costs or loss in value.

Liquidity Provider – A financial intermediary that facilitates the remarketing of variable-rate debt at reset dates.

Management Fee – Component of the underwriting spread that compensates the underwriters for assistance in creating and implementing the financing.

Maturity Date – The date principal is due and payable to the security holder.

Mortgage Credit Certificate – A certificate issued by certain state or local governments that allows a taxpayer to claim a tax credit for some portion of the mortgage interest paid during a given tax year.

Municipal Bond – A debt security issued to finance projects for a state, municipality or county. Municipal securities are exempt from federal taxes and from most state and local taxes.

Negotiated Sale – A sale in which an issuer selects an underwriting firm or syndicate to assist with the issuance process. At the time of sale, the issuer negotiates a purchase price for its securities with that underwriting firm or syndicate.

Net Interest Cost – The rate of interest calculated over the life of the debt excluding the time value of money.

Not Self-Supporting Debt – Either general obligation or revenue debt intended to be repaid with state general revenues.

Notice of Sale – Publication by an issuer describing the terms of sale of an anticipated new offering of municipal securities.

Official Statement – The document published by the issuer which provides complete and accurate material information to investors on a new issue of municipal securities including the purposes of the issue, repayment provisions and the financial, economic and social characteristics of the issuing government.

Par – The face value of a security that is due at maturity. A “par bond” is a bond selling at its face value.

Paying Agent – The financial institution that makes debt-service payments to the security holders.

Premium – The amount by which the price paid for a security exceeds par value.

Private Placement – A direct sale of securities to investors without a public offering.

Credit Rating Agency – An entity that provides ratings of the credit quality for a security issuance that measures the probability of the timely repayment of principal and interest.

Refunding – An issuance to retire or defease all or a portion of outstanding debt.

Registrar – An entity responsible for maintaining ownership records on behalf of the issuer.

Remarketing Fee – Compensation to an agent for remarketing a secondary offering of short-term securities, usually for a mandatory or optional redemption or put (return of the security to the issuer).

Revenue Debt – Debt that is legally secured by a specified revenue source(s). Revenue debt does not require voter approval and usually has a maturity based on the life of the project to be financed.

Self-Supporting Debt – Debt that is designed to be repaid with revenues other than state general revenues. Self-supporting debt can be either general obligation debt or revenue debt.

Selling Group – Group of municipal securities brokers and dealers that assist in the distribution of a new issue of securities.

Structuring Fee – Component of the underwriting spread that compensates the underwriters for assistance with developing a marketable securities offering within the issuer’s legal and financial constraints.

Syndicate – Group of underwriters formed to purchase a new issue of securities from the issuer and offer it for resale to investors.

Takedown – The discount that the members of the syndicate receive when they purchase the securities from the issuer. Takedown is also known as the selling concession.

True Interest Cost – The rate of interest calculated over the life of the debt including the time value of money.

Trustee – Bank or trust company designated by the issuer or borrower under the indenture or resolution as the custodian of funds. The trustee represents the interests of the security holders including making debt-service payments.

Underwriter – An investment banking firm that purchases securities directly from the issuer and resells them to investors.

Underwriting Spread – Amount representing the difference between the price at which securities are bought from the issuer by the underwriter and the price at which they are reoffered to the investor. The underwriting spread generally includes the takedown, management fee, expenses and underwriting fee.

Underwriting Risk Fee – A portion of the underwriting spread designed to compensate the underwriter for the risk associated with market shifts and interest rate fluctuations.

Underwriter’s Counsel – Attorney who prepares or reviews the issuer’s offering documents on behalf of the underwriter and prepares documentation for the underwriting agreement and the agreement among underwriters.

Underwriter’s Risk – The underwriter’s risk of resale.

Variable Rate – An interest rate that resets at fixed intervals based on a predetermined index or formula.

Yield – The investor’s rate of return.

Water for Texas

Financial Assistance Programs

Federally Subsidized Programs

The **Clean Water State Revolving Fund (CWSRF)** provides loans for wastewater-related projects at interest rates lower than those offered by commercial markets. The program also provides additional subsidies for applicants meeting certain program criteria, such as for disadvantaged communities.

The **Drinking Water State Revolving Fund (DWSRF)** provides loans for drinking water projects at interest rates lower than those offered by commercial markets. These projects include public drinking water systems that facilitate compliance with primary drinking water regulations or otherwise significantly further the health protection objectives of the federal Safe Drinking Water Act. The program also provides additional subsidies for applicants meeting certain program criteria, such as for disadvantaged communities.

State Programs

The **Texas Water Development Fund (DFund)** is a streamlined, state loan program. The program includes loans for water supply and conservation, water quality enhancement, flood control, and municipal solid waste. This fund enables the Texas Water Development Board (TWDB) to fund projects with multiple, eligible water and wastewater-related purposes in one loan.

The **State Participation Program (SP)** enables the TWDB to assume a temporary ownership interest in a regional project when the local sponsors are unable to assume the total debt for an optimally sized facility. The TWDB may acquire an ownership interest in the water rights as well as the facilities. The TWDB requires that the project sponsor repurchase the TWDB's interest in the project under a payment schedule that allows for the deferral of principal and interest payments. The amount of available funding is dependent on appropriations from the Texas Legislature.

The **Water Infrastructure Fund (WIF)** offers state loans for up to 20 years at subsidized interest rates below the TWDB's cost of funds for the planning, design, and construction of State Water Plan projects. Projects funded through the WIF must be recommended strategies in the most recent Regional and State Water Plans. The amount of available funding is dependent on appropriations from the Texas Legislature.

The **Rural Water Assistance Fund (RWF)** provides small rural water utilities with low-cost financing for water and wastewater construction projects. The TWDB offers attractive interest rate loans with long-term finance options. Entities, such as Water Supply Corporations or projects ineligible for tax-exempt funds, may be funded with taxable or Alternative Minimum Tax (AMT) proceeds and must meet any applicable U.S. Tax Code requirements.

The **State Water Implementation Fund for Texas (SWIFT)** will help finance projects in the State Water Plan. Before the funds are made available, TWDB must develop a point system to prioritize projects and develop rules on how the funds will operate. Once these tasks are complete, the SWIFT may be used to fund rural water projects and projects in communities and cities of all sizes. Projects include conservation and reuse, desalting groundwater and seawater, building new pipelines and developing reservoirs and well fields, and many more. To be eligible for funding, a project must be included in the most recent State Water Plan. These projects were recommended by local and regional water experts for their communities. By legislative mandate, at least 20 percent of SWIFT funds must be used for conservation and reuse projects, and at least 10 percent must

go to projects serving rural communities and agricultural conservation projects.

Financial Assistance for Specific Needs

The **Agricultural Water Conservation Grant and Loan Program (AG)** provides agricultural water conservation loans to political subdivisions to use for improvements on their facilities or to provide loans to individuals in their jurisdiction. The TWDB may also provide grants to state agencies and political subdivisions for agricultural water conservation programs, including demonstration projects, educational programs, irrigation system improvements, and metering equipment. Applications are normally accepted once each year for grants and at any time for loans.

The **Economically Distressed Areas Program (EDAP)** provides financial assistance in the form of a grant or a combination grant/loan to provide water and wastewater services to economically distressed areas where services do not exist or existing systems do not meet state standards. The program also includes measures to prevent future substandard development.

Other Financial Assistance Programs

- ▶ Federal Emergency Management Agency—Flood Mitigation Assistance Grant Program
- ▶ Federal Emergency Management Agency—Severe Repetitive Loss Grant Program
- ▶ Flood Protection Planning Grant Program
- ▶ Nonpoint Source Pollution Loan and Estuary Management Program (Clean Water State Revolving Fund)
- ▶ Regional Water Planning Grant Program
- ▶ Research and Planning Fund Grants

Where may I get more information?

For more information, please contact the TWDB at (512) 463-0991 or Financial_Assistance@twdb.texas.gov. Additional information on financial assistance programs is also available at <http://www.twdb.texas.gov/financial/programs>.

Other funding information links

Texas Water Infrastructure Coordination Committee (TWICC)

<http://www.twicc.org>

Federal funding opportunities

<http://www.grants.gov/>

Texas Division of Emergency Management

<http://www.txdps.state.tx.us/dem/Mitigation/hazardMitigationGrantProgram.pdf>





Water for TEXAS

Clean Water State Revolving Fund (CWSRF)

Projects eligible for funding

Planning, design, and construction of:

- Wastewater treatment facilities
- Wastewater recycling and reuse facilities
 - “Purple” pipe distribution systems
 - Industrial reuse
- Nonpotable reuse
- Wastewater collection systems
- Storm water pollution control
 - Costs for developing and implementing storm water program as required by an NPDES permit
- Nonpoint source pollution control
 - Capital projects that improve the waters of the state but are not tied to NPDES permit
 - Correction of failing on-site systems
 - Wetlands restoration
 - Streambed erosion control
 - Control of agricultural runoff
- Estuary management projects
 - Any project identified in either the Galveston Bay or the Coastal Bend Estuary Management Plan

Ineligible projects

- Reservoir, unless part of a water treatment process or water quality enhancement project
- Water supply projects
- Land, unless part of treatment process
- Operation and maintenance costs
- Project aspects that promote growth

Who can apply?

- Political subdivisions
- Private entities only if nonpoint or estuary management projects

Funds available

- Approximately \$325 million per year but can be increased, based on demand

Benefits and terms

- 20–30 year maturities
- Below market interest rate—reduced 120 basis points off underlying credit rating
 - i.e., if applicant has underlying rating of AA, interest rate is 120 basis points off the AA scale
 - 155 reduction for equivalency projects
- Loan forgiveness for disadvantaged and green projects (limited to approximately \$5–6 million/year)

What is the application and approval process?

- Entities submit proposed project information (PIF) by March 1 annually
 - Additional projects can be added throughout year to meet emergency, programmatic, or capacity needs or if project is ready to proceed
- TWDB rates adopts Intended Use Plan (IUP)—summer
- Entities invited to submit application
- TWDB technical review
- TWDB commits to funding
- Bond closing and funds delivered to escrow
- Funds released from escrow by milestones (planning, design, construction)

Are there any special requirements?

- Project may be required to segment funding depending on readiness to proceed to construction
- Assistance >\$500,000 must adopt a water conservation and drought contingency plan
- Equivalency projects must comply with:
 - National Environmental Policy Act (NEPA)-type environmental review
 - TWDB’s Disadvantaged Business Enterprise program
- Davis-Bacon Act wage rates must be applied to all projects financed in whole or in part with CWSRF funds
- American Iron & Steel requirements



Water for TEXAS

Drinking Water State Revolving Fund (DWSRF)

Projects eligible for funding

Planning, design, acquisition and construction for projects that:

- Address non-compliance with Safe Drinking Water Act standards
- Ensure compliance with national primary drinking water regulations
- Upgrade or replace water supply infrastructure
- Consolidate water systems
- Purchase capacity in water systems
- Purchase land or conservation easements to protect the source water of a public water system from contamination

Ineligible projects

- Dams, or rehabilitation of dams
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located
- Laboratory fees for monitoring
- Operation and maintenance expenses
- Projects needed mainly for fire protection
- Projects primarily intended to serve future growth

Who can apply?

- Publicly owned community water systems
- Privately owned community water systems
- Nonprofit water supply corporations
- Privately owned water companies
- Nonprofit, noncommunity public water systems

Funds available

- Approximately \$100 million per year

Terms

- 20-year maturities; 30-year maturities for disadvantaged communities
- Below market interest rate—reduced 125 basis points off underlying credit rating
 - i.e., if applicant has underlying rating of AA, interest rate is 125 basis points off the AA scale
- Loan forgiveness for disadvantaged and green projects (limited to approximately \$8–9 million/year)

What is the application and approval process?

- Entities submit proposed project information (PIF) by March 1 annually
 - Additional projects can be added throughout year to meet emergency, programmatic, or capacity needs or if project is ready to proceed
- TWDB rates adopts Intended Use Plan (IUP)—summer
- Entities invited to submit application
- TWDB technical review
- TWDB commits to funding
- Bond closing and funds delivered to escrow
- Funds released from escrow through outlay submittal for cost incurred

Are there any special requirements?

- Project may be required to segment funding depending on readiness to proceed to construction
- 2.25% loan origination fee
- Assistance >\$500,000 must adopt a water conservation and drought contingency plan
- National Environmental Policy Act (NEPA)-type environmental review
- Comply with the TWDB's Disadvantaged Business Enterprise program
- Davis-Bacon Act wage rates must be applied to all projects financed in whole or in part with DWSRF funds
- American Iron & Steel requirements



Water Development Fund (DFund)

Projects eligible for funding

Planning, design, acquisition and construction of projects for:

- Water supply including reservoirs and well fields
- Wastewater
- Flood control
- Conservation

Ineligible projects

- Operation and maintenance expenses

Who can apply?

- Political subdivisions
- Nonprofit water supply corporations

Funds Available

- Based on demand
- \$6 billion in evergreen authority

Benefits and terms

- Generally 20–30 year maturities; up to 50 years constitutionally
- Rates are based on TWDB cost of funds. Sold with State General Obligation AAA rating.

What is the application and approval process?

- Entities submit application
- TWDB technical review
- TWDB commits to funding
- Depending on funding available, may require TWDB bond sale prior to funding
- Bond closing and funds delivered to escrow
- Funds released from escrow by milestones (planning, design, construction)

Are there any special requirements?

- Reservoirs must segment funding; permitting required prior to commitment for construction
- Assistance >\$500,000 must adopt a water conservation and drought contingency plan
- Water supply projects must be consistent with State Water Plan
- State-level environmental review
- American Iron & Steel requirements



Water for TEXAS

Water Infrastructure Fund (WIF)

Projects eligible for funding

Planning, design, acquisition and construction of projects for:

- Recommended water management strategies in the most recent TWDB-approved Regional Water Plan and approved State Water Plan

Ineligible projects

- Operation and maintenance expenses
- Funds may not be used to maintain a system or to develop a retail distribution system

Who can apply?

- Political subdivisions
- Nonprofit water supply corporations

Funds available

- Based on legislative authorization and debt service appropriation for subsidy
- \$6 billion in evergreen authority

Benefits and terms

- 20-year maturities
- Rates are based on TWDB cost of funds. Sold with State General Obligation AAA rating.
- Subsidy requires legislative appropriations

What is the application and approval process?

- Entities submit abridged application by August 1 or February 1
- An abridged application contains sufficient information for the TWDB to prioritize projects based on the available funds

- Applications are prioritized
- Prioritization is approved by the Board in September and March of each year
- Priority projects invited to submit complete application within 30 days
- TWDB technical review
- TWDB commits to funding
- Depending on funding available, may require TWDB bond sale prior to funding
- Bond closing and funds delivered to escrow
- Funds released from escrow by milestones (planning, design, construction)

Are there any special requirements?

- Reservoirs must segment funding; permitting required prior to commitment for construction
- Assistance >\$500,000 must adopt a water conservation and drought contingency plan
- Projects must be recommended in the Regional and State Water Plan
- State-level environmental review
- American Iron & Steel requirements



State Participation

Projects eligible for funding

Funding for planning, design, acquisition and construction for the excess capacity of regional projects for:

- Water supply
- Wastewater
- Flood control

Ineligible projects

- Portions of the project proposed to serve existing needs

Purpose of fund

Provides funding and state assumes a temporary ownership interest in a project when the local sponsors are unable to assume debt for an optimally sized facility. Encourage the optimum regional development of projects by funding excess capacity for future use where the benefits can be documented and where such development is unaffordable without state participation. The goal is to allow for the “right sizing” of projects in consideration of future needs. TWDB may acquire an ownership interest in the water rights as well as the facilities.

Who can apply?

- Political subdivisions
- Nonprofit water supply corporations

Funds available

- Limited to available funds or based on legislative authorization and debt service appropriation to pay state’s portion of debt service
- \$6 billion in evergreen authority

Benefits and terms

- Generally 34-year maturities
- Allows for the deferral of principal and interest payments
- Rates are based on TWDB cost of funds. Sold with State General Obligation AAA rating.

What is the application and approval process?

- Entities submit abridged application by August 1 or February 1
- An abridged application contains sufficient information for the TWDB to prioritize projects based on the available funds
- Applications are prioritized
- Prioritization is approved by the Board in September and March of each year
- Priority projects invited to submit complete application within 30 days
- TWDB technical review
- TWDB commits to funding
- Depending on funding available, may require TWDB bond sale prior to funding
- Bond closing and funds delivered to escrow
- Funds released from escrow by milestones (planning, design, construction)

Are there any special requirements?

- Reservoirs must segment funding; permitting required prior to commitment for construction
- Project sponsor repurchases the TWDB’s interest in the project under an agreed payment schedule
- Administrative cost recovery fee of 0.77% due at closing (cannot be financed)
- Maximum State Participation funding for water supply at 80% of project costs (TWDB rules)
- Maximum State Participation funding for wastewater at 50% of project costs (TWDB rules)
- Assistance >\$500,000 must adopt a water conservation and drought contingency plan
- Water supply projects must be consistent with State Water Plan
- State-level environmental review
- American Iron & Steel requirements





Economically Distressed Areas Program

The Economically Distressed Areas Program (EDAP) provides financial assistance in the form of a grant or a combination grant/loan to provide water and wastewater services to economically distressed areas where services do not exist or existing systems do not meet state standards. The program also includes measures to prevent future substandard development.

Funds available

- \$50 million for state 2014–2015 biennium

Projects eligible for funding

- Water and wastewater projects benefiting economically disadvantaged communities
- Construction for new water or wastewater service
- Improvements to existing water or wastewater infrastructure
- All phases of a project are eligible, including planning, land acquisition, design, and construction

Qualified applicants

- Political subdivisions of the state
- Area to be served must have
 - Median household income of no more than 75% of the statewide median household income
 - Been established prior to June 1, 2005
 - Inadequate service
 - County-adopted model subdivision rules

Benefits

- Some projects will qualify to receive a portion of the financial assistance in the form of a grant. Amount of loan is determined on ability to repay.

Segmented project funding is utilized to reduce costs for projects that are not ready for construction.

For specific questions on the EDAP, contact TWDB at (512) 463-0991 or email Financial_Assistance@twdb.texas.gov. Detailed information on the EDAP and other financial assistance programs is also available at <http://www.twdb.texas.gov/financial/programs>.





Water for **TEXAS**

Rural Water Assistance Fund

The Rural Water Assistance Fund (RWF) provides small, rural water utilities with low-cost financing for water and wastewater construction projects. The Texas Water Development Board offers attractive interest rate loans with long-term finance options. Entities, such as water supply corporations or projects ineligible for tax-exempt funds, may be funded with taxable or alternative minimum tax proceeds and must meet any applicable U.S. Tax Code requirements.

Funds available

- Based on demand and the availability of alternative minimum tax proceeds

Projects eligible for funding

- Water-related projects
- Water quality enhancement projects
- Projects that finance the consolidation or regionalization of a neighboring utility

Qualified applicants

- Rural political subdivisions serving a population of 10,000 or less
- Counties in which no urban area has a population exceeding 50,000

Benefits

- Loans with reasonable interest rates
- Equivalent to tax-exempt rates for water supply corporations
- Tax exemption for project supplies
- Longer terms: maximum 40-year maturities, consistent with the useful life of the project

For specific questions on the RWF, contact TWDB at (512) 463-0991 or email Financial_Assistance@twdb.texas.gov. Detailed information on the RWF and other financial assistance programs is also available at <http://www.twdb.texas.gov/financial/programs>.



Agricultural Water Conservation Grant and Loan Program

The Agricultural Water Conservation Grant and Loan Program (AG) provides agricultural water conservation loans to political subdivisions to use for improvements on their facilities or to provide loans to individuals in their jurisdiction. The Texas Water Development Board may also provide grants to state agencies and political subdivisions for agricultural water conservation programs, including demonstration projects, educational programs, irrigation system improvements, and metering equipment. Applications are normally accepted once each year for grants and at any time for loans.

GRANTS

Funds available

- Up to \$600,000 for grants annually
- For state fiscal years 2014 and 2015, up to \$3 million available to groundwater conservation districts for metering of agricultural irrigation water use
- Matching requirement: the grant must be matched by an equal amount of allowable expenditures

Projects eligible for grants

- Grants may be awarded for demonstrations, irrigation system improvements, education, research, technical assistance, and technology transfer
- Grants may be made to political subdivisions to purchase and install, on either public or private property, metering devices to measure agricultural irrigation water use and to quantify water savings resulting from different agricultural water conservation strategies

Qualified grant applicants

- State agencies
- Political subdivisions

LOANS

Funds available

- Varies depending on available program funds

Projects eligible for loans

- Pass-through loans to individuals for conservation activities or loans to districts for projects that improve the applicant's facilities

Qualified loan applicants

- Political subdivisions

Benefits

- Low interest rates: loans are offered at an interest rate equal to the asking yield for a U.S. Treasury Note with a 12-month maturity
- Loan maturities of up to 10 years

For specific questions on the AG program, contact TWDB at (512) 463-0991 or email Financial_Assistance@twdb.texas.gov. Detailed information on the AG program and other financial assistance programs is also available at <http://www.twdb.texas.gov/financial/programs>.

