

AGENDA ITEM MEMO

BOARD MEETING DATE: October 5, 2022

TO: Board Members

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

FROM: Georgia Sanchez, Development Fund Manager
David Duran, Team Lead

SUBJECT: Lending Rates for Fall 2022 SWIFT Financial Assistance Closings

ACTION REQUESTED

Consider approving by resolution the establishment of the lending rate scales for the State Water Implementation Revenue Fund for Texas (SWIRFT) financing structures to be effective October 5, 2022.

BACKGROUND

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

SWIFT offers financial assistance through the purchase of political subdivision obligations through three types of financing structures: 1) low-interest, 2) deferred interest, and 3) incremental repurchase for an acquired facility, also known as Board Participation. The TWDB adopted the subsidies applicable to this prioritization cycle on April 11, 2022.

KEY ISSUES

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

Our Mission

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

Board Members

Brooke T. Paup, Chairwoman | George B. Peyton V, Board Member
Jeff Walker, Executive Administrator

The TWDB priced the Series 2022 SWIRFT Revenue Bonds on September 28, 2022. Once the lending rate scales are approved and the SWIRFT bonds are closed on or about October 13, 2022, the underlying political subdivisions will commence the process for closing on their obligations by the deadline of December 8, 2022.

RECOMMENDATION

To provide prompt processing for the upcoming closings on political subdivision obligations, the Executive Administrator recommends approving by resolution the establishment of the lending rate scales for the SWIRFT financing structures to be effective October 5, 2022.

Attachment: Draft Resolution – SWIRFT 2022 Lending Rates

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

(22-)

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

WHEREAS, on September 28th, the TWDB priced and sold State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2022 (Master Trust), referred to herein as the SWIRFT Revenue Bonds; and

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

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

WHEREAS, in conjunction with the September 28th sale of the SWIRFT Revenue Bonds, lending rate scales have been prepared which will apply to financial assistance from the SWIRFT as set forth in Exhibit A to this Resolution, and, to which documents express reference is made; and

WHEREAS, the TWDB finds that the establishment of lending rate scales for the SWIRFT Revenue Bonds is necessary; and

NOW, THEREFORE, based on said considerations and findings, the Texas Water Development Board resolves as follows:

The TWDB approves the lending rate scales as set forth in Exhibit A to this Resolution, effective October 5th, 2022, for the lending rates which apply to financial assistance provided from the Project Financing Account of the Series 2022 Bond Indenture of the State Water Implementation Revenue Fund for Texas.

APPROVED and ordered of record this the 5th day of October 2022.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup
Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

Texas Water Development Board
SWIFT/SWIRFT Tax-Exempt Interest Rates Applicable to Series 2022 Bonds

| | | Lending Rates as of October 5, 2022 ¹ | | | | | | | |
|------|------------------------|--|----------------------|-------------------------|-------------------------|-------------------------|--|--|--|
| Year | TWDB Yield to Maturity | Board Participation | Deferred | Low-Interest 20-yr Loan | Low-Interest 25-yr Loan | Low-Interest 30-yr Loan | Rural/Agricultural Low-Interest 20-yr Loan | Rural/Agricultural Low-Interest 25-yr Loan | Rural/Agricultural Low-Interest 30-yr Loan |
| | | <i>0% Subsidy</i> | <i>0.00% Subsidy</i> | <i>25.00% Subsidy</i> | <i>18.00% Subsidy</i> | <i>14.00% Subsidy</i> | <i>50.00% Subsidy</i> | <i>34.00% Subsidy</i> | <i>27.00% Subsidy</i> |
| | | (YTM + COI) | (YTM + COI) | (YTM + COI) | (YTM + COI) | (YTM + COI) | (YTM + COI) | (YTM + COI) | (YTM + COI) |
| 2023 | 3.09% | 3.13% | 3.13% | 2.36% | 2.57% | 2.70% | 1.59% | 2.08% | 2.30% |
| 2024 | 3.19% | 3.23% | 3.23% | 2.43% | 2.66% | 2.78% | 1.64% | 2.15% | 2.37% |
| 2025 | 3.23% | 3.27% | 3.27% | 2.46% | 2.69% | 2.82% | 1.66% | 2.17% | 2.40% |
| 2026 | 3.27% | 3.31% | 3.31% | 2.49% | 2.72% | 2.85% | 1.68% | 2.20% | 2.43% |
| 2027 | 3.31% | 3.35% | 3.35% | 2.52% | 2.75% | 2.89% | 1.70% | 2.22% | 2.46% |
| 2028 | 3.35% | 3.39% | 3.39% | 2.55% | 2.79% | 2.92% | 1.72% | 2.25% | 2.49% |
| 2029 | 3.38% | 3.42% | 3.42% | 2.58% | 2.81% | 2.95% | 1.73% | 2.27% | 2.51% |
| 2030 | 3.45% | 3.49% | 3.49% | 2.63% | 2.87% | 3.01% | 1.77% | 2.32% | 2.56% |
| 2031 | 3.52% | 3.56% | 3.56% | 2.68% | 2.93% | 3.07% | 1.80% | 2.36% | 2.61% |
| 2032 | 3.57% | 3.61% | 3.61% | 2.72% | 2.97% | 3.11% | 1.83% | 2.40% | 2.65% |
| 2033 | 3.76% | 3.80% | 3.80% | 2.86% | 3.12% | 3.27% | 1.92% | 2.52% | 2.78% |
| 2034 | 3.96% | 4.00% | 4.00% | 3.01% | 3.29% | 3.45% | 2.02% | 2.65% | 2.93% |
| 2035 | 4.08% | 4.12% | 4.12% | 3.10% | 3.39% | 3.55% | 2.08% | 2.73% | 3.02% |
| 2036 | 4.45% | 4.49% | 4.49% | 3.38% | 3.69% | 3.87% | 2.27% | 2.98% | 3.29% |
| 2037 | 4.50% | 4.54% | 4.54% | 3.42% | 3.73% | 3.91% | 2.29% | 3.01% | 3.33% |
| 2038 | 4.55% | 4.59% | 4.59% | 3.45% | 3.77% | 3.95% | 2.32% | 3.04% | 3.36% |
| 2039 | 4.60% | 4.64% | 4.64% | 3.49% | 3.81% | 4.00% | 2.34% | 3.08% | 3.40% |
| 2040 | 4.65% | 4.69% | 4.69% | 3.53% | 3.85% | 4.04% | 2.37% | 3.11% | 3.43% |
| 2041 | 4.70% | 4.74% | 4.74% | 3.57% | 3.89% | 4.08% | 2.39% | 3.14% | 3.47% |
| 2042 | 4.75% | 4.79% | 4.79% | 3.60% | 3.94% | 4.13% | 2.42% | 3.18% | 3.51% |
| 2043 | 4.70% | 4.74% | 4.74% | 3.57% | 3.89% | 4.08% | 2.39% | 3.14% | 3.47% |
| 2044 | 4.70% | 4.74% | 4.74% | | 3.89% | 4.08% | | 3.14% | 3.47% |
| 2045 | 4.70% | 4.74% | 4.74% | | 3.89% | 4.08% | | 3.14% | 3.47% |
| 2046 | 4.70% | 4.74% | 4.74% | | 3.89% | 4.08% | | 3.14% | 3.47% |
| 2047 | 4.70% | 4.74% | 4.74% | | 3.89% | 4.08% | | 3.14% | 3.47% |
| 2048 | 4.80% | 4.84% | 4.84% | | 3.98% | 4.17% | | 3.21% | 3.54% |
| 2049 | 4.80% | 4.84% | 4.84% | | | 4.17% | | | 3.54% |
| 2050 | 4.80% | 4.84% | 4.84% | | | 4.17% | | | 3.54% |
| 2051 | 4.80% | 4.84% | 4.84% | | | 4.17% | | | 3.54% |
| 2052 | 4.80% | 4.84% | 4.84% | | | 4.17% | | | 3.54% |
| 2053 | 4.93% | 4.97% | 4.97% | | | 4.28% | | | 3.64% |
| 2054 | 4.93% | 4.97% | | | | | | | |
| 2055 | 4.93% | 4.97% | | | | | | | |
| 2056 | 4.93% | 4.97% | | | | | | | |
| 2057 | 4.93% | 4.97% | | | | | | | |

Delivery Date: 10/13/2022

¹Rates are based on TWDB actual cost of funds for the SWIRFT Series 2022 bonds, which include premiums, and cost of issuance of 0.04%. The rates above reflect conversion of TWDB premium bonds to borrower par bonds.

Texas Water Development Board

SWIFT/SWIRFT Tax-Exempt Non-Level Debt Service Interest Rates Applicable to Series 2022 Bonds

| Year | TWDB Yield to Maturity | Lending Rates as of October 5, 2022 ¹ | |
|------|------------------------------|---|---|
| | | Guadalupe-Blanco River Authority <i>13.00% Subsidy</i> (YTM + COI) | North Harris Co Regional Water Authority <i>11.30% Subsidy</i> (YTM + COI) |
| 2023 | 3.09% | 2.73% | 2.78% |
| 2024 | 3.19% | 2.82% | 2.87% |
| 2025 | 3.23% | 2.85% | 2.91% |
| 2026 | 3.27% | 2.88% | 2.94% |
| 2027 | 3.31% | 2.92% | 2.98% |
| 2028 | 3.35% | 2.95% | 3.01% |
| 2029 | 3.38% | 2.98% | 3.04% |
| 2030 | 3.45% | 3.04% | 3.10% |
| 2031 | 3.52% | 3.10% | 3.16% |
| 2032 | 3.57% | 3.15% | 3.21% |
| 2033 | 3.76% | 3.31% | 3.38% |
| 2034 | 3.96% | 3.49% | 3.55% |
| 2035 | 4.08% | 3.59% | 3.66% |
| 2036 | 4.45% | 3.91% | 3.99% |
| 2037 | 4.50% | 3.96% | 4.03% |
| 2038 | 4.55% | 4.00% | 4.08% |
| 2039 | 4.60% | 4.04% | 4.12% |
| 2040 | 4.65% | 4.09% | 4.16% |
| 2041 | 4.70% | 4.13% | 4.21% |
| 2042 | 4.75% | 4.17% | 4.25% |
| 2043 | 4.70% | 4.13% | 4.21% |
| 2044 | 4.70% | 4.13% | 4.21% |
| 2045 | 4.70% | 4.13% | 4.21% |
| 2046 | 4.70% | 4.13% | 4.21% |
| 2047 | 4.70% | 4.13% | 4.21% |
| 2048 | 4.80% | 4.22% | 4.30% |
| 2049 | 4.80% | 4.22% | 4.30% |
| 2050 | 4.80% | 4.22% | 4.30% |
| 2051 | 4.80% | 4.22% | 4.30% |
| 2052 | 4.80% | 4.22% | 4.30% |
| 2053 | 4.93% | 4.33% | 4.41% |

Delivery Date: 10/13/2022

¹Rates are based on TWDB actual cost of funds for the SWIRFT Series 2022 bonds, which include premiums, and cost of issuance of 0.04%. The rates above reflect conversion of TWDB premium bonds to borrower par bonds.