



# ***Application for Texas Water Development Board Financing***

***Presented by  
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Chief Financial Officer***

***Meeting Date: January 30, 2023***



# ***TWDB Financing - State Water Implementation Fund for Texas (SWIFT) Program***

- **Project must be in the State Water Plan**
- **Must be a political subdivision to borrow**
- **Low interest rates – Based on the TWDB's AAA rating**
- **Flexible Financing structures**
  - **Deferred Loan**
    - **Development costs only (Plan/Design/Permit – not land)**
    - **Principal and Interest deferred up to 8 years**
    - **Interest not accrued/paid during deferral period**
  - **Low Interest Loan**
    - **Construction and acquisition of land costs**
    - **Subsidized fixed rate**

# 5/2/22 Payment to Houston Eligible for TWDB Financing

<b>Houston Out of Pocket Costs</b>	
Houston Costs HB 2846 06/02/2019	\$ 23,000,000.00
TWDB Interest Paid by Houston 08/15/2019	\$ 1,496,754.29
TWDB Interest Paid by Houston 08/15/2020	\$ 1,496,754.29
TWDB Interest Paid by Houston 08/15/2021	\$ 1,496,754.29
<b>Total Out of Pocket Cost Paid by Houston</b>	<b><u>\$ 27,490,262.87</u></b>
 <b>Appreciated Land Cost Paid to Houston</b>	 <b>\$ 3,500,000.00</b>
 <b>Houston's Initial Compensation</b>	 <b>\$ 15,000,000.00</b>
 <b>Total Payment to Houston 05/02/2022</b>	 <b><u>\$ 45,990,262.87</u></b>

# Debt Payoff Not Eligible for TWDB Financing

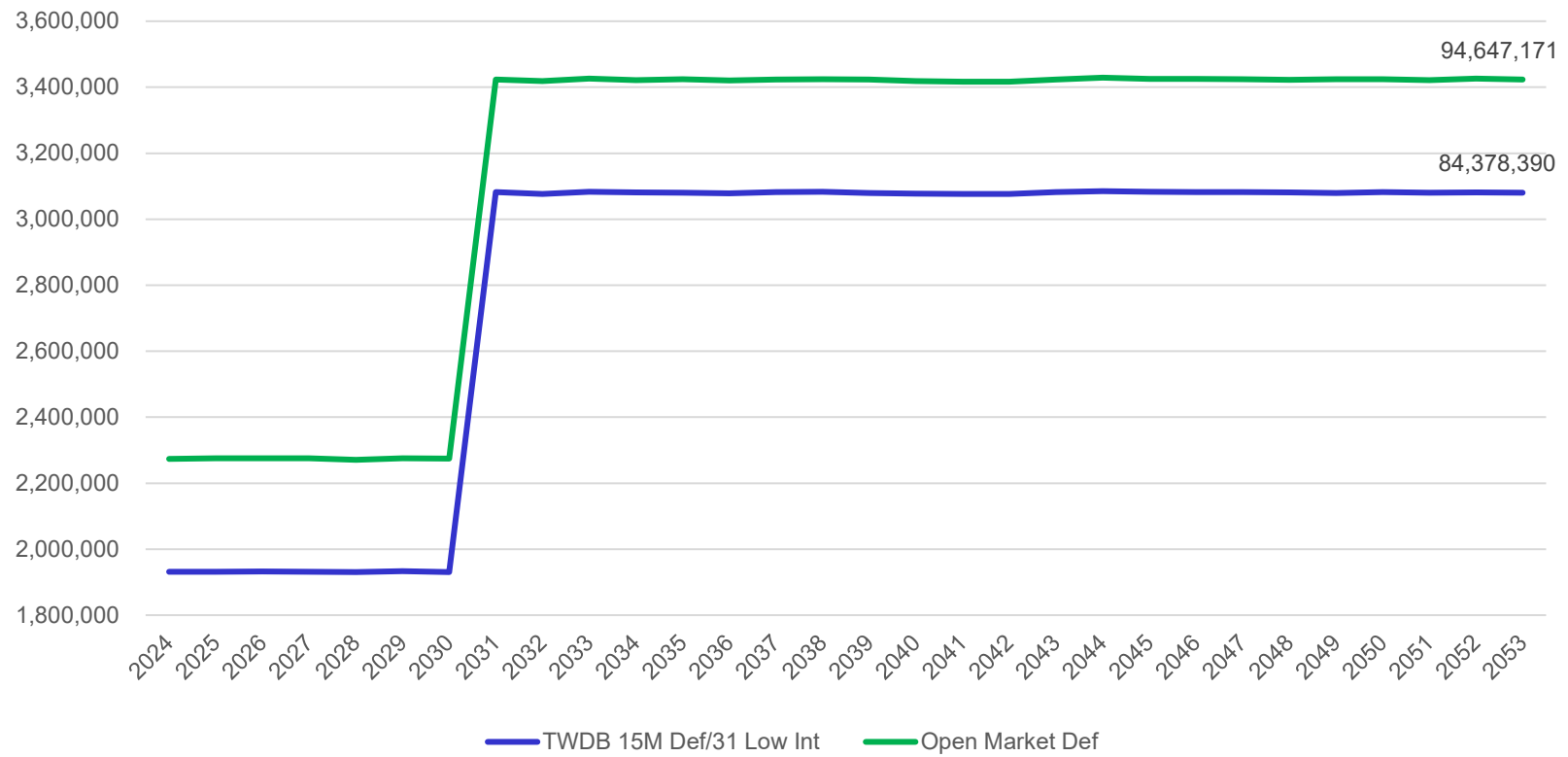
TWDB BRA and Houston Debt	
<i>Houston Debt</i>	\$ 14,000,000.00
Accrued interest 08/15/2021-05/02/2022	\$ 584,344.84
Total Payoff of Houston's portion of debt	<u>\$ 14,584,344.84</u>
<i>BRA Debt</i>	\$ 6,000,000.00
Accrued interest 08/15/2021-05/02/2022	\$ 250,432.23
Total Payoff of BRA's portion of debt	<u>\$ 6,250,432.23</u>
Total Payoff of TWDB Debt as of 05/02/2022	<u><u>\$ 20,834,777.07</u></u>

# Why

- Because of the projected spend on projects the BRA anticipates needing to issue debt in 2024
- Allens Creek meets the TWDB SWIFT program criteria
- The SWIFT program is more beneficial than issuing open market debt
- If the TWDB selects the BRA's application for funding, staff will seek approval from the BRA's Board to accept the funds.
- Once supporting documentation for the acquisition is approved by the TWDB, the funds will be released into our operating account and can be used for other projects.



### Debt Comparison



# Estimated Sources and Uses of Funds

## Series 2023 - TWDB SWIFT

Deferred	
Par Amount of Bonds	\$16.3
<b>Total Sources</b>	<b>\$16.3</b>
Costs of Issuance	\$0.1
Deposit to Project Fund	15.0
Deposit to Debt Service Reserve Fund	1.2*
<b>Total Uses</b>	<b>\$16.3</b>

\*\$3.2M Reserve Fund requirement

Lessor of:

- 10% of Par
- 100% of maximum annual debt service
- 125% of the average annual debt service

(Calculates to 7% of Par)

Low Interest	
Par Amount of Bonds	\$33.2
<b>Total Sources</b>	<b>\$33.2</b>
Costs of Issuance	\$0.2
Deposit to Project Fund	31.0
Deposit to Debt Service Reserve Fund	2.0*
<b>Total Uses</b>	<b>\$33.2</b>

Total Debt	
Par Amount of Bonds	\$49.5
<b>Total Sources</b>	<b>\$49.5</b>
Costs of Issuance	\$0.3
Deposit to Project Fund	46.0
Deposit to Debt Service Reserve Fund	3.2
<b>Total Uses</b>	<b>\$49.5</b>

# **SWIFT Program timing:**

- **January Board approval (Resolution) to submit applications**
  - SWIFT bridged application due 2/1/23
  - Spring 2023 TWDB evaluates and extends invitations to submit complete application
  - Summer 2023 complete applications due
- **July Board approval (Resolutions) to commit to SWIFT financing, to sell bonds to TWDB and possible short-term financing**
  - Late Summer 2023 (typically September) BRA commits to financing or withdraws application
  - Fall/Winter 2023 (typically October) TWDB bond closing
  - BRA bond closing (after TWDB bond closing) - needed by Nov 2 to avoid short-term financing
- **December 2023 expect receipt of funds**



# Possible Short-term Borrowing

- Under Federal tax law, an entity only has 18 months from the expenditure date to “reimburse” itself from tax-exempt debt proceeds.
- The Brazos River Authority paid cash to the City of Houston on May 2, 2022, therefore reimbursement must be prior to November 2, 2023.
- It is uncertain if the TWDB SWIFT financing will close prior to November 2, 2023. To preserve the ability to sell tax-exempt bonds for this acquisition, the Brazos River Authority may have to secure a short-term debt issuance which would close prior to November 2 and then have the TWDB refund that debt under the SWIFT program.
- Estimated issuance costs of \$250k and estimated interest of \$200k a month for three months

# Recommendation

- **Approve Resolution to apply for \$50 million in TWDB SWIFT financing**
  - Savings of \$10.3M over similar Open Market borrowing
  - Deferred loan includes \$5.4M of interest during deferral period that does not have to be paid.
  - Estimated short-term borrowing interest and fees \$850k
  - No increase in System Rate over the borrowing period as a result of this debt issuance.
  - \$50M includes \$500k of contingency for rate increases above estimate

**WHEREAS, the Brazos River Authority desires to submit an application for financial assistance to the Texas Water Development Board for a reservoir and related permits; and**

**“BE IT RESOLVED by the Board of Directors of the Brazos River Authority that an application is hereby authorized to be filed with the TWDB seeking financial assistance in an aggregate amount not to exceed \$50 million for money spent on acquisition of Allens Creek Reservoir and related permits; and**

**BE IT FURTHER RESOLVED** that the General Manager/CEO and Chief Financial Officer of the Brazos River Authority are each hereby designated the authorized representatives of the Authority for the purpose of furnishing such information and executing such documents as may be required in connection with the preparing and filing of such application for financial assistance and complying with the rules of the TWDB; and

**BE IT FURTHER RESOLVED** that this authorization shall become effective immediately upon adoption. “



**Brazos  
River  
Authority**