

# TEXAS WATER DEVELOPMENT BOARD

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Texas Natural Resources  
Information System (TNRIS)  
<http://www.tnr.is.state.tx.us>

StratMap  
<http://www.stratmap.org>

Borderlands Information Center  
(BIC)  
<http://www.bic.state.tx.us>

Water Information Integration and  
Dissemination  
(TWDB WIID System)  
<http://wiid.twdb.state.tx.us/>

Texas Water Information  
Network (TxWIN)  
<http://www.txwin.net>

Water Smart  
<http://www.watersmart.org>

## STATE PARTICIPATION

### WHAT IS STATE PARTICIPATION?

Generally, the State Participation Program enables the Texas Water Development Board (TWDB) to assume a temporary ownership interest in a regional project when the local sponsors are unable to assume debt for the optimally sized facility. The TWDB may acquire ownership interest in the water rights or a co-ownership interest of the property and treatment works. The loan repayments that would have been required, if the assistance had been from a loan, are deferred. Ultimately, however, the cost of the funding is repaid to the TWDB based upon purchase payments, which allow the TWDB to recover its principal and interest costs and issuance expenses, etc., but on a deferred timetable.

The intent of this program is to allow for optimization of regional projects through limited State participation where the benefits can be documented, and such development is unaffordable without State participation. The goal is to allow for the "Right Sizing" of projects in consideration of future growth. On new water supply projects the TWDB can fund up to 80% of costs, provided the applicant will finance at least 20% of the total project cost from sources other than the State Participation Account, and at least 20% of the total capacity of the proposed project will serve existing needs. On other State Participation projects the TWDB can fund up to 50% of costs, provided the applicant will finance at least 50% of the total project cost from sources other than the State Participation Account, and at least 50% of the total capacity of the proposed project will serve existing needs.

### WHO CAN APPLY FOR THE FUNDS?

Any political subdivision of the State and water supply corporations which may sponsor construction of a regional water, or wastewater project can apply to the TWDB for participation in the project. Although it is not required, the applicant usually acquires a loan from the TWDB for the community's immediate needs.

### HOW DO I APPLY FOR STATE PARTICIPATION FUNDING?

The applicant is encouraged to meet with TWDB staff for assistance in the preparation of the application and to discuss the terms of the loan. The applicant must submit an engineering feasibility report and environmental information, as well as general, fiscal and legal application information to the appropriate TWDB regional project manager for staff review.

Provided funds are available to finance state participation projects, the TWDB will normally consider applications for financial assistance from the State Participation Account at its March and October meetings each year. It will apply a priority rating to the project if there is more than one project competing for the funds. The applications must be submitted by the first of February or first of September to be considered at the March and October TWDB meetings, respectively.

### HOW DOES TWDB GET FUNDS FOR THE PROGRAM?

The State Legislature, recognizing the value in optimizing and "Right Sizing" systems, appropriates funds to assist local governments in regional optimization projects. To offset some of the initial cost of processing these projects, the TWDB charges an administrative cost recovery fee of 0.77%.

### WHAT SAVINGS DOES STATE PARTICIPATION PROVIDE?

The benefits to the participant are threefold. First, payments are deferred to allow the customer base to grow into the added capacity facilitated, which will augment the applicant's ability to make the payments to the TWDB. Second, the TWDB does not accrue interest on the deferred interest portion thereby reducing the overall carrying cost of the facility for the applicant.



Third, optimizing regional projects reduces the necessity and added expense to local governments of building new structures or replacing undersized structures in the future.

These funds are limited in availability both as to the total amount approved by the Legislature each biennium and by limitations to participation in individual projects. The TWDB's participation from this program is limited to a maximum of 80% of costs for projects creating a new water supply, and to 50% of costs for other types of projects. The remaining costs of the project may be funded through other TWDB programs.

To approve an application, the TWDB must find that the project cannot be reasonably financed without state participation assistance and that the optimum regional development of the project cannot be reasonably financed without the State participation. Other findings must also be made.

## **WHAT ARE THE TERMS OF FINANCIAL ASSISTANCE?**

**Security Instrument:** A Master Agreement will be developed to establish responsibilities, duties and liabilities of each party, and to govern the funding arrangements, including provisions for a defined source of revenue which will be used to purchase the State's portion of the facility.

**Pledge:** System revenues and/or tax pledges are typically required. Contract revenue pledges for river authorities and others are possible. The TWDB may subordinate this obligation relative to debt issuance.

**Length of TWDB Participation and Repurchase Payments:** Period of useful life of the project facilities being constructed with a maximum financing life of 34 years. Contracts between the TWDB and the applicant include a repurchase payment schedule which approximates the following:

- 1st & 2nd Years \$0 interest payable/\$0 principal (interest accrues but deferred as to payment)
- 3rd & 4th Years @ 20% of accrued interest/\$0 principal (80% of accrued interest deferred)
- 5th Year @ 30% of accrued interest/\$0 principal (70% of accrued interest deferred)
- 6th Year @ 40% of accrued interest/\$0 principal (60% of accrued interest deferred)
- 7th Year @ 55% of accrued interest/\$0 principal (45% of accrued interest deferred)
- 8th Year @ 70% of accrued interest/\$0 principal (30% of accrued interest deferred)
- 9th Year @ 85% of accrued interest/\$0 principal (15% of accrued interest deferred)
- 10th through 12th Years @ 100% of accrued interest/\$0 principal (No accrued interest deferred)
- 13th through 19th Years @ all annual accruing interest plus recovery of equal portions of the previously deferred interest each year
- 20th through 34th Years @ all annual accruing interest plus principal.

A portion of the TWDB's ownership is transferred only when the principal portion of the payment begins.

THE INTENT IN THE SCHEDULE IS TO PRODUCE APPROXIMATELY LEVEL DEBT SERVICE BEGINNING IN THE 13TH YEAR, BUT THE DEFERRED INTEREST COMPONENT IS RECOVERED PRIOR TO THE APPLICATION OF PAYMENTS TO PRINCIPAL.

**Interest Rates:** While the assistance is not a loan, the purchase requirement is certain as to terms of payment and does include a component of the repurchase cost that includes the interest costs of the TWDB's funds in financing the project. These rates are based upon the TWDB's cost of the funds for loans at such time as the TWDB's acquisition payment is made to establish its participation in the project. Rates are established by maturity date for each installment closed. The rates are set approximately 45 days prior to installment closing, and are based upon the TWDB's TIC composite lending rate scale for State Participation bonds. The rate is set in accordance with the TWDB Rules in 31 TAC 363.33(a).

**Fees:** There is an administrative cost recovery fee relating to State Participation Commitments of \$0.77 per \$100 of Participation funds provided. The fee may be paid at closing in full, or a minimum of 1/3 of the fee must be paid at closing. If the applicant chooses to pay 1/3 of the fee at closing, the remaining 2/3 of the fee may be arranged in two subsequent installments in the first, second or third years based upon terms agreed upon in the individual contracts.

**Conditions to Close:** Environmental Review and Water Conservation Plans in addition to financial conditions. Upon TWDB commitment, a letter is provided detailing all special conditions.

Applicable Rules: 31 TAC 363 Subchapter A and F.

## **WHERE MAY I GET MORE INFORMATION?**

For further information on the State Participation Program, please contact the Texas Water Development Board or visit the TWDB web site at 512-463-3119 or visit the TWDB website at [www.twdb.state.tx.us/assistance/financial/fin\\_infrastructure/StateParticipation.asp](http://www.twdb.state.tx.us/assistance/financial/fin_infrastructure/StateParticipation.asp).

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### **Our Mission**

*Provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water for Texas.*

### **EQUAL OPPORTUNITY EMPLOYER**

*The Texas Water Development Board does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services, programs or activities.  
1-800-RELAY TX (for the hearing impaired)*