Water Infrastructure Financing in Texas

A Presentation at the Western States Water Resources Infrastructure Needs and Strategies Symposium

Melanie Callahan, Executive Administrator

November 15, 2012

Today's Story

How does the State of Texas provide financial support for water-related infrastructure?

- Water supply projects and strategies are the primary focus
- Water infrastructure needs continue to grow
  - Drinking water treatment and distribution
  - Wastewater collection and treatment
  - Other infrastructure, including flood control

THE TEXAS TRIBUNE

As Drought Intensifies, Texas Ranchers Sell Cattle

by Kate Galbraith | 5 hours ago

KEYWORDS: Producers Livestock Auction drought

Time to get serious about implementing state water plan

Story Comm

Drought causes $30 million in damage to Texas 130 tollway under construction

By Ben Wear

Updated: 12:28 a.m. Monday, July 16, 2012
Published: 8:48 p.m. Sunday, July 15, 2012

Ricardo Brazziell/A

ENLARGE PHOTO

Crews have been workin
repair cracks in the pave
Texas 130 caused by soi
contracting during the dr
The substructure of comp
soil is also being change
create moisture barriers.

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Editorial: State wat

Alarming: 2 major water supply lakes for Lubbock critically low

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Posted: Aug 15, 2012 2:14 AM CDT
Updated: Aug 16, 2012 9:11 AM CDT

By James Clark - email

LUBBOCK, TX (KCBD) - On Thursday the newest federal Drought Monitor will be released, giving us an updated look at drought conditions for Lubbock and other West Texas Counties. Ahead of the Drought Monitor, KCBD NewsChannel 11 did some checking on area lake levels, and some of the numbers are downright alarming.

The good news, according to the Texas Water

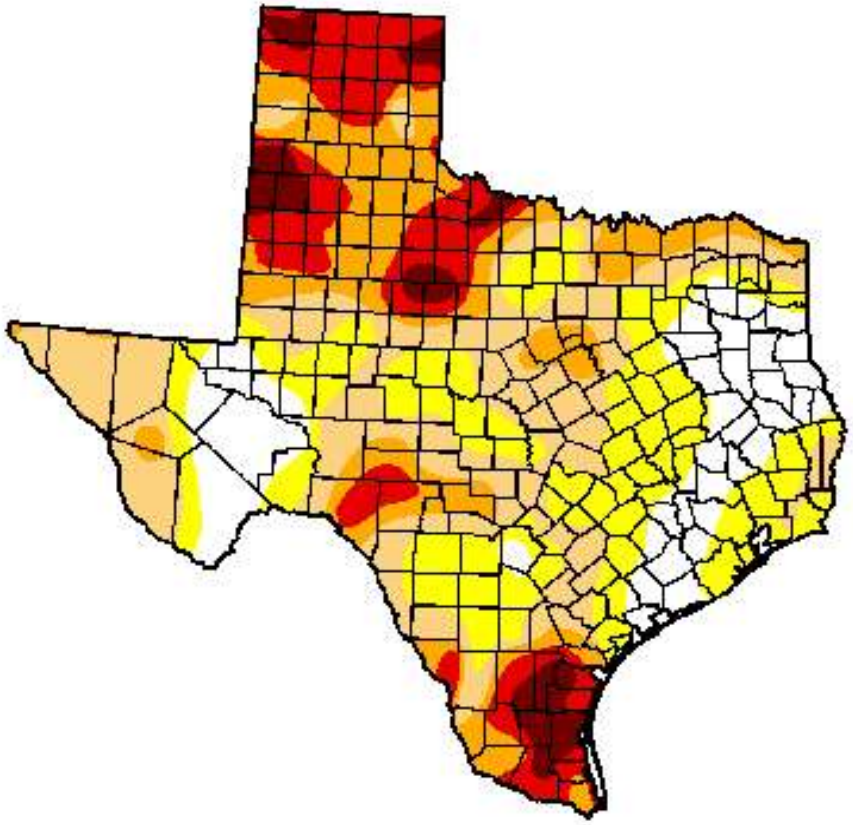
U.S. Drought Monitor

November 6, 2012
Valid 7 a.m. EST

Texas

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	15.44	84.56	59.90	33.55	16.98	4.68
Last Week (10/30/2012 map)	15.36	84.64	57.86	31.61	16.23	3.67
3 Months Ago (08/07/2012 map)	11.39	88.61	75.21	39.96	10.86	0.75
Start of Calendar Year (12/27/2011 map)	0.01	99.99	97.83	84.81	67.32	32.36
Start of Water Year (09/25/2012 map)	9.13	90.87	78.73	57.41	24.91	5.18
One Year Ago (11/01/2011 map)	0.00	100.00	100.00	98.18	90.42	64.95



Intensity:

- *D0 Abnormally Dry*
- *D1 Drought - Moderate*
- *D2 Drought - Severe*
- *D3 Drought - Extreme*
- *D4 Drought - Exceptional*

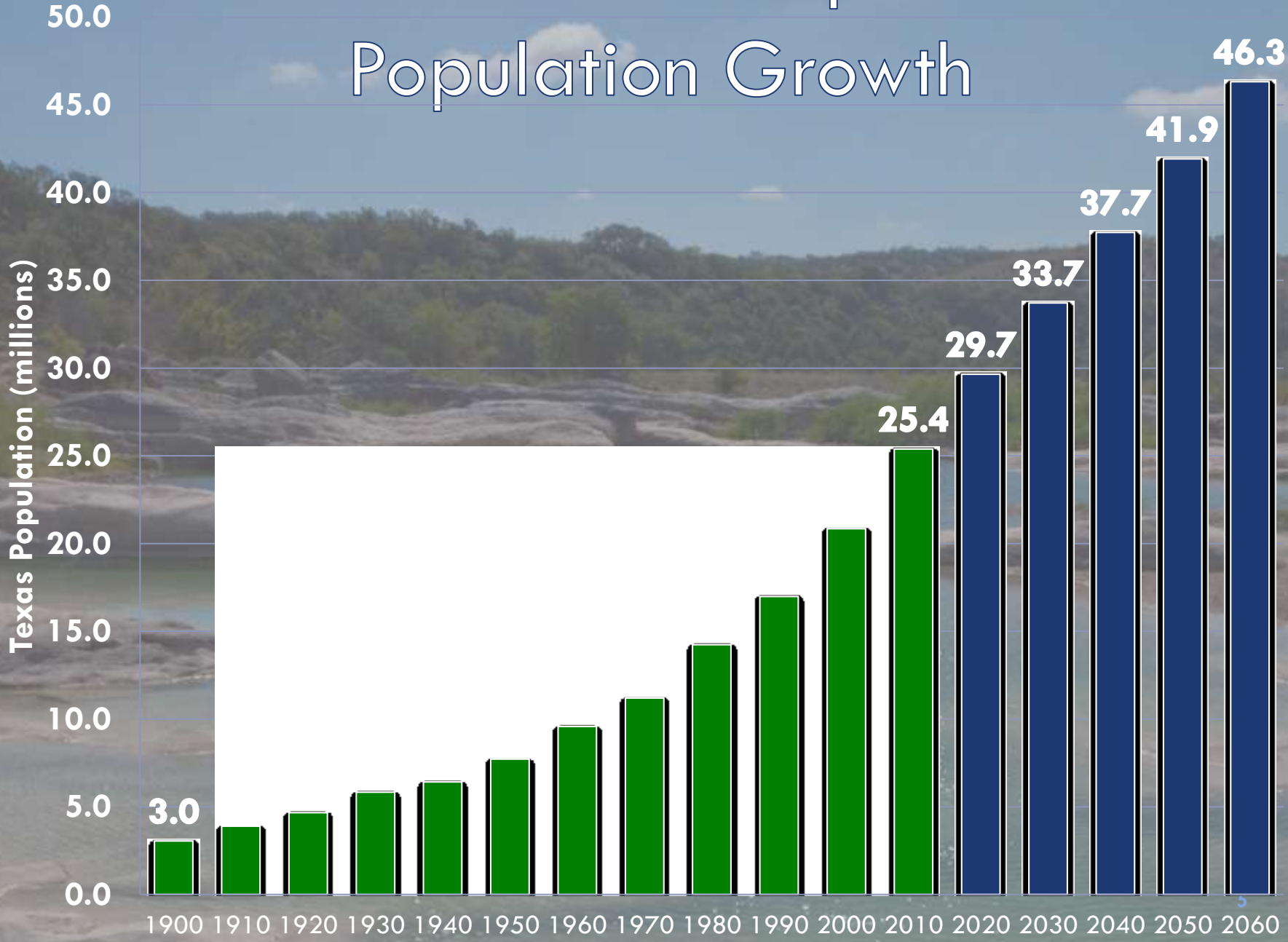
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Released Thursday, November 8, 2012

http://droughtmonitor.unl.edu

David Miskus, Climate Prediction Center/NCEP/NWS/NOAA

Historic and Projected Population Growth



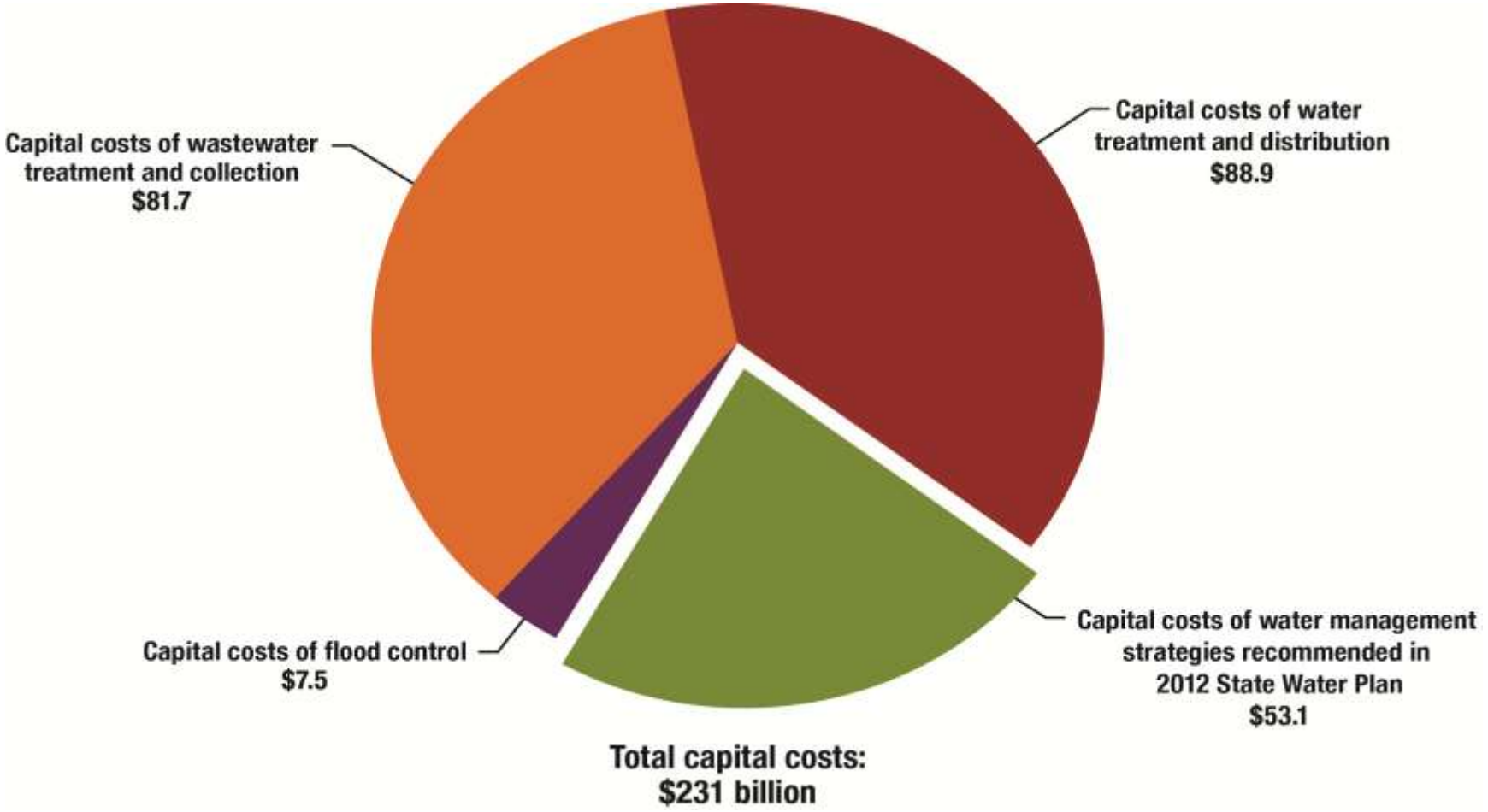
WATER FOR TEXAS 2012 STATE WATER PLAN

2012 Water for Texas

TEXAS WATER DEVELOPMENT BOARD

Total Capital Costs: $231 Billion

Through 2060



Socioeconomic impacts of not meeting needs

Lost income:

- $29 billion in 2020
- $116 billion in 2060

Lost jobs:

- 222,000 in 2020
- 1 million in 2060

Lost state and local business taxes:

- $3 billion in 2020
- $10 billion in 2060

Lost population growth:

- 295,000 in 2020
- 1.4 million in 2060

Implementing the Plan

Local Control

=

Local Responsibility

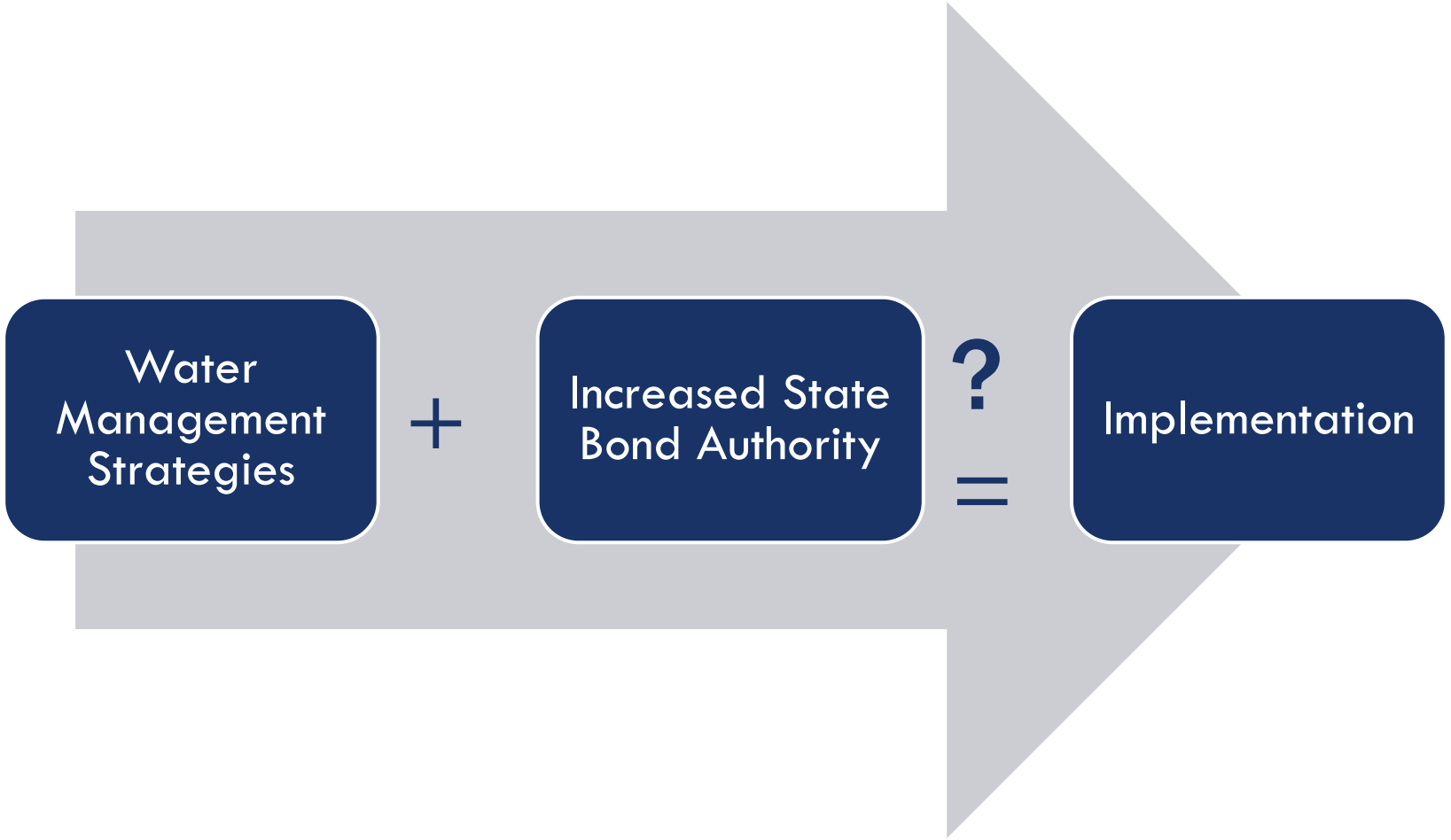
Challenges to Implementation

- State has no authority to require implementation of projects
- State has devoted limited financial resources to encourage implementation
- Local entities reluctant to impose costs of projects and associated debt on constituents
- Lack of recognition that there is a problem or of the benefits of taking action

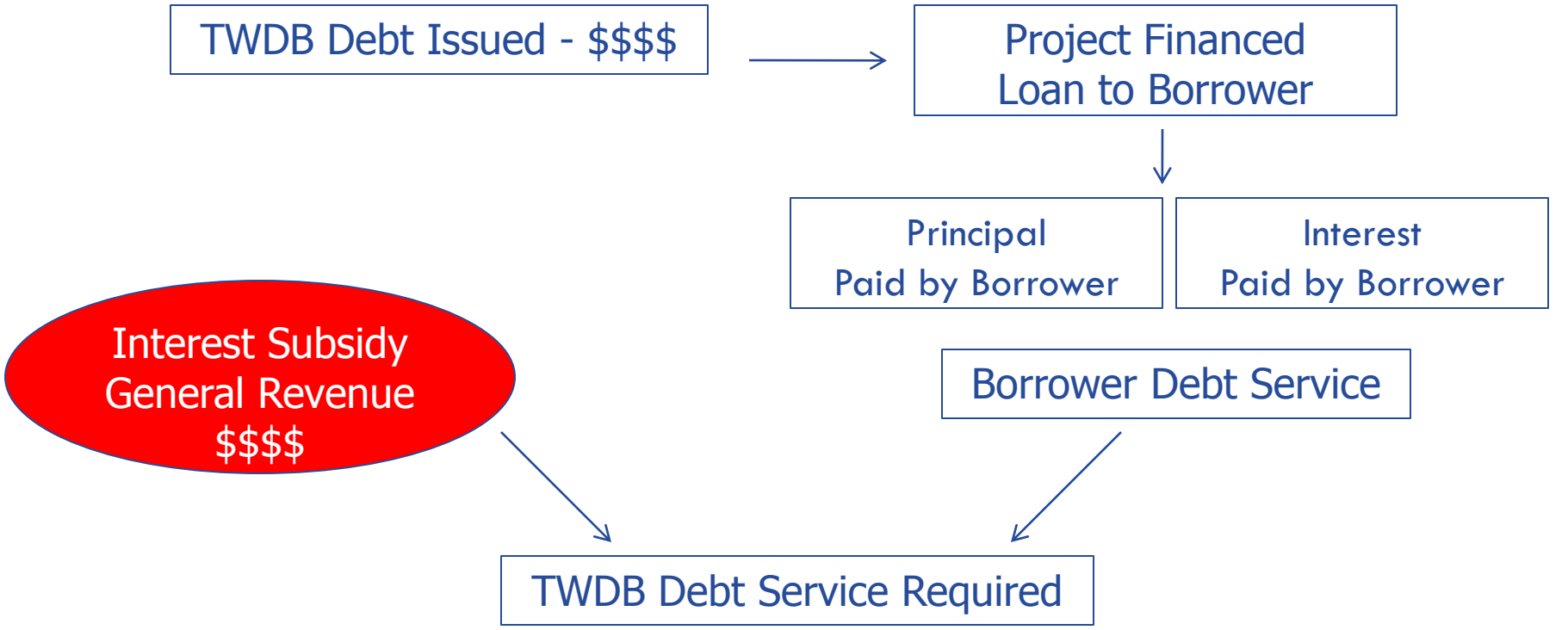
Prop 2 ≠ Pile of Cash

Prop 2 = $6 Billion Bond Authority

Any Progress?



Traditional Methodology
Debt Service



- ALL $$$ goes for Debt Service
- No Funds remain in the program
- Continued reliance upon General Revenue

Texas Water

Traditional Method of Funding SWP

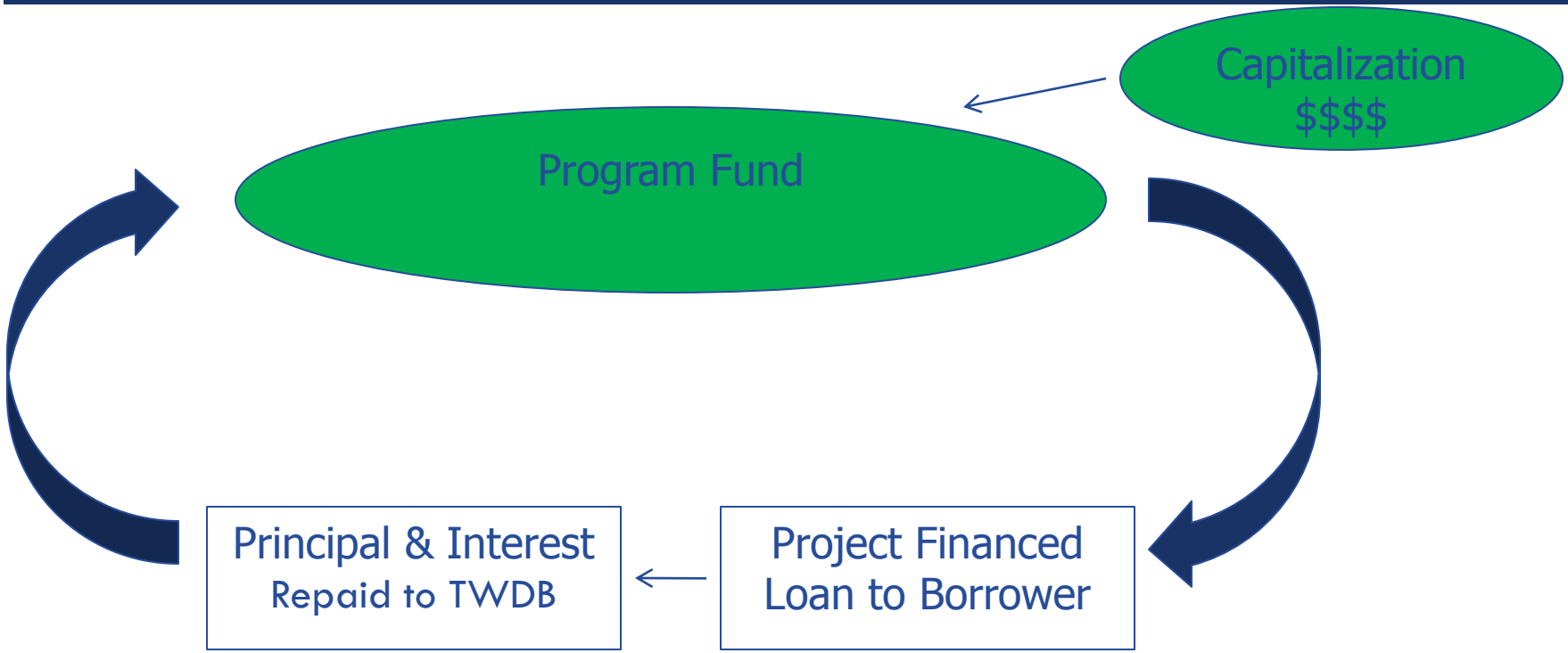
- Project financing needs through 2060 $26.9B
- Debt to be incurred by State (P&I) $66.5B
- Repayments from borrowers (P&I)
  - With interest subsidies and deferrals $59.2B
- Overall cost to the State $ 8.6B
  - (Cost in first biennium $1.8B)

Provides only $26.9B in assistance over 50 years; no additional funding would be available

Insufficient G.O. bond authority to meet the needs

Impact to Constitutional Debt Limit

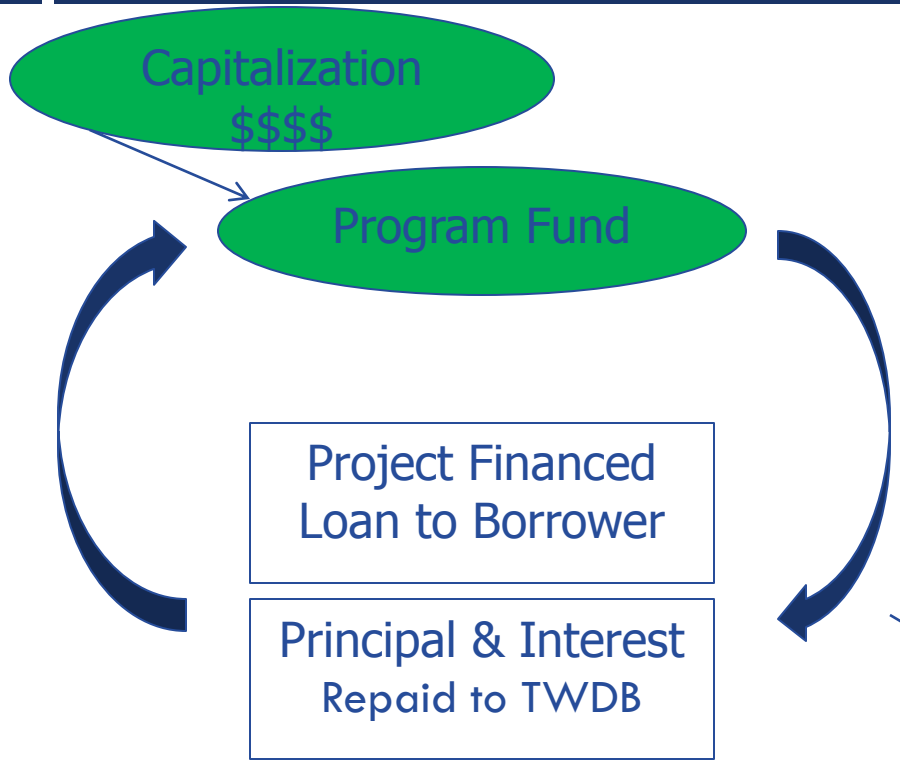
Capitalization Methodology

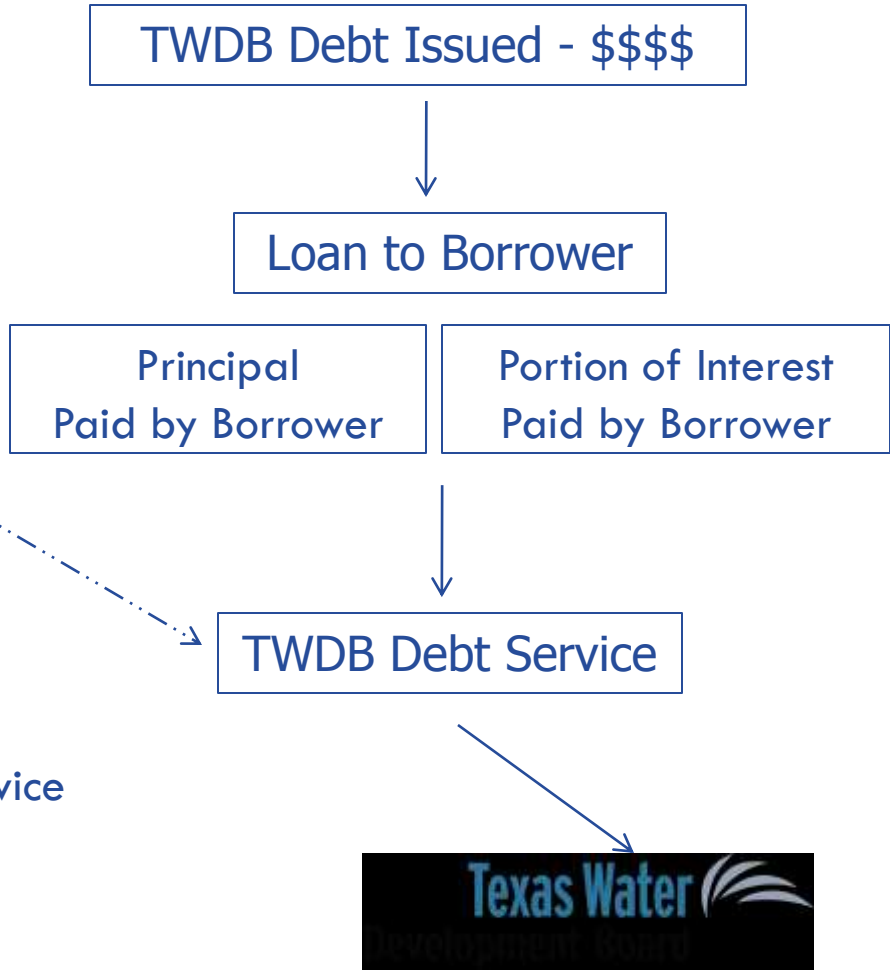


- All Capital remains in the program
- Interest earnings grow the Program Fund
- Permanent program funding
- No ongoing General Revenue requirement

Texas Water Development Board

Capitalization Methodology with Leveraged Debt





- All Capital remains in the program
- Interest earnings grow the Program Fund
- A portion of interest earnings pay for debt service
- Permanent program funding
- No ongoing General Revenue requirement

Capitalization Method of Funding SWP

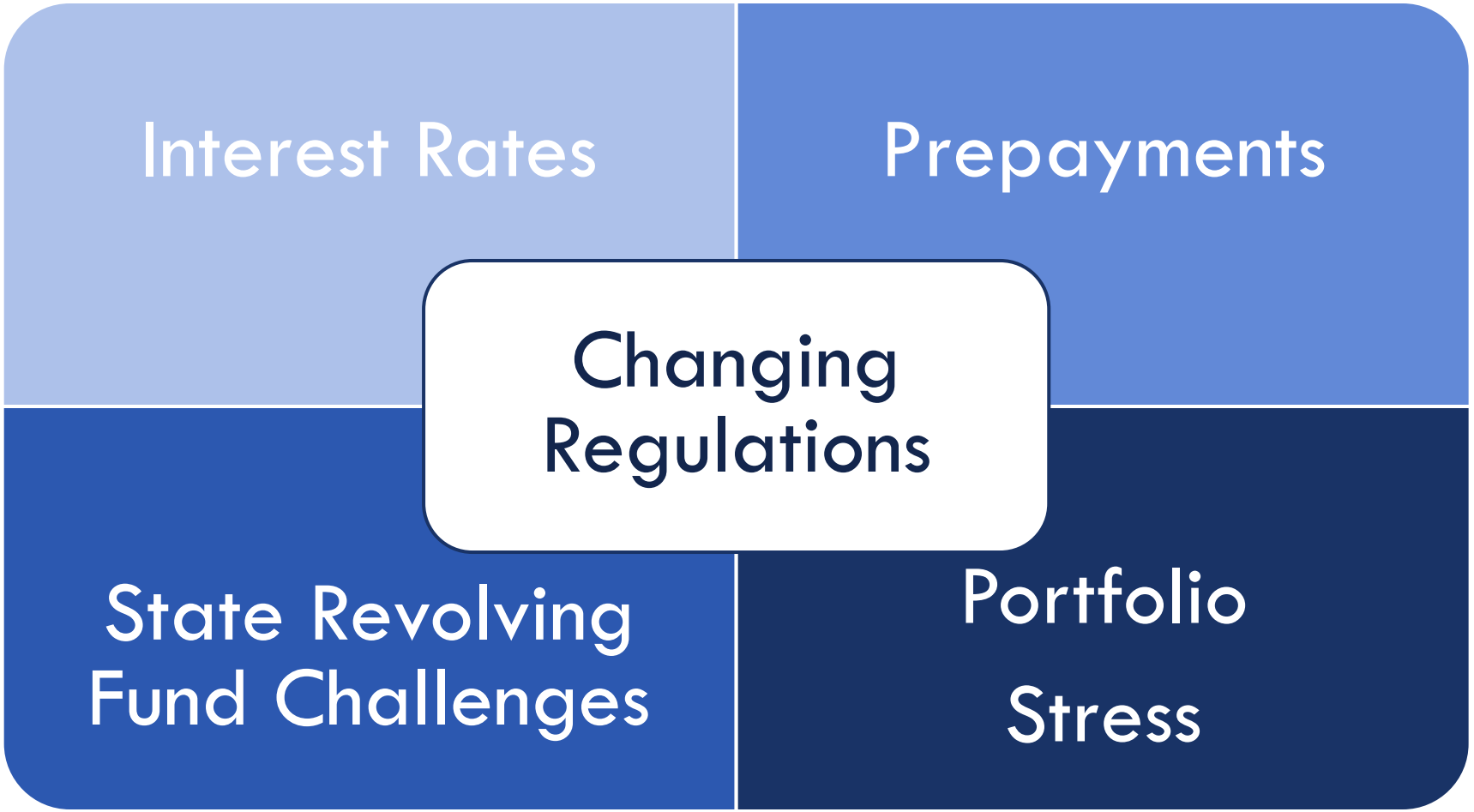
- Project Financing Available through 2060 $44.2B
- Overall cost to the State $ 2.6B
  - Assumes $400M in first year and $150M/year for 15 years
  - Cost in first biennium $550M

Provides increasing levels of funding up to $1B annually → Alleviates impact to Constitutional Debt Limit → Provides ongoing assistance beyond 2060 with subsidies and deferrals available → Allows utilization of revenue bonds, leaving G.O. bonds for other water-related infrastructure

Comparison

	Traditional	Capitalization
Projects Funded Over 50 Years	$26.9B	$44.2B
Cost to the State	$8.6B	$2.6B
Ongoing Project Funding	No	Yes

Financial Challenges



Not just water supply

Other Financial Assistance Programs
Clean Water State Revolving Fund
Drinking Water State Revolving Fund
Texas Water Development Fund
Economically Distressed Areas Program
Rural and Agricultural Assistance Programs
Flood Protection Assistance Programs

Other Agency Activities

- Established Economic Development Advisor
- Working closely with the Corps of Engineers to sustain and enhance current water supplies
- Continue to seek ways to improve delivery of financial assistance through the SRFs

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