

From: Michele Gangnes
Sent: Tuesday, October 22, 2013 10:50 PM
To: Owen, Sue (CMG-Austin)

Someone else just sent me H204Texas info on Prop 2 so I will take a look

However, my earlier email almost included a lot of detail that I spared you until I knew more what you need, even without seeing H20 propaganda.

In fact, I think, judging from your email, the supporters of Prop 6 are trying to rewrite history. There is more backstory I think I should share with you on the vagaries of Prop 2--- just need to talk to Linda in the a.m. about information we are still verifying.

I hate that this stuff is so complicated --- prevents us from easily shining a light and allows obfuscation, dismissive attitude" and avoidance on the other end. Happy to work through it with you .

Best,
Michele

From: Lauren Mulverhill
Sent: Tuesday, October 22, 2013 11:23 AM
To: Owen, Sue (CMG-Austin)

The \$6 billion proposition in 2011 was for bonding authority only, which means it allows us to issue bonds to finance projects but there was no cash investment by the state. We have not yet used the \$6 billion bond authority. That is because we had remaining bond authority from a 2001 constitutional amendment that provided us with \$2 billion in bond authority. We have approximately \$360 million left in that authority. Once it is used up, we will begin using the \$6 billion authority.

As a point of reference: in fiscal year 2013 we used \$291,485,100 in authority, and in fiscal year 2012 we used \$314,021,961. Think of bond authority like a line of credit. We don't get \$6 billion in cash. We issue bonds and then loan those monies to Texas communities. Over time, those communities pay back the loans. It's not unlike a mortgage that you have to pay back with interest.

From: Lauren Mulverhill
Sent: Friday, October 25, 2013 4:30 PM
To: Owen, Sue (CMG-Austin)

Sue, the following documents are attached:

1. Summary of commitments made and loans closed by Fiscal Year starting after passage of 49-d-9 in November of 2001. Note the number of commitments made by TWDB is larger than the number of loans closed, because some projects withdrew or only required a portion of the funds committed. In the first year, more loans closed than were committed because some commitments were already on the books and had closed previously.
2. Excel backup for file 1 above.
3. Bonds authorized by the legislature (biennially) from 2002-2015 which would have required general revenue and had "sweeteners"

To further clarify your question "Why did the cash incentives make that difference in demand?," note that for the second question Prop 6 would only provide funding for State Water Plan projects.

From: Lauren Mulverhill

Sent: Monday, October 28, 2013 11:09 AM

To: Owen, Sue (CMG-Austin)

I chatted with one of our staff earlier & they wanted to add that there are several factors affecting demand, including economics, incentives and drought—so I am passing this along in case it wasn't conveyed earlier.

From: Elizabeth Fazio

Sent: Friday, October 25, 2013 5:24 PM

To: Owen, Sue (CMG-Austin)

Step 1) Authority to issue bonds

Step 2) \$ in the banking to support the repayment of the bonding (in the past this had to be GR appropriated)

Step 3) development of lending programs to support low-cost financing in connection with available authority and funding above

Step 4) applications in the door

Step 5) bonds issued in connection with projects

Step 6) bond proceeds into the lending programs and relent to local communities

Step 7) water projects developed to meet demands

Step 8) repayment of loans to board and these funds are used to repay bond holders in bonds issued

From: Elizabeth Fazio

Sent: Monday, October 28, 2013 1:54 PM

To: Owen, Sue (CMG-Austin)

Sue,

Yes, in the first case where an incentive is to lower the cost of the loan, this can be accomplished in two ways: by buying down the rate or by setting aside an overfunded reserve (also referred to as a credit enhancement) to increase the local entities' bond rate and lower the cost of bond issuance. The second case of incentive is to guarantee debt service payments during deferral periods, incremental repayment schedules, or state participation. These are all tools which the state can use but which the state is not required to use. This is where active management and oversight comes into play.

To issue a bond, the state requires proof of how the bond will be repaid, either through incoming revenue (a revenue bond) or a period where the state will guarantee the payment (a general obligation bond) Such as where the incentive is to make a certain number of debt service payments during a loan deferral period. In the later GO instance, the state requires and Prop 6 explicitly states that state set have enough on-hand funds to cover this gaurantee, previously done through GR. This makes the bond issuances "self-supporting." Prop 6 sets-up the SWIFT and SWIRFT so that available funds make take the place of GR. It requires that the state set-aside the cash from SWIFT into a reserve "support" account for the period of the deferral (but not the entire loan amount).

Clear as mud?

Best,

Liz