

AGENDA ITEM MEMO

BOARD MEETING DATE: February 2, 2023

TO: Board Members

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

FROM: Georgia Sanchez, Development Fund Manager
David Duran, Team Lead, Debt and Portfolio Management

SUBJECT: Authorization to begin work on the proposed sale of 2023 Water Financial Assistance and Refunding Bonds

ACTION REQUESTED

Consider authorizing the Executive Administrator, Chief Financial Officer, General Counsel and Development Fund Manager to take all necessary actions for the issuance, sale, and delivery of State of Texas Water Financial Assistance and Refunding Bonds, in one or more series; and approving the selection of financial advisor, bond counsel, disclosure counsel, senior managing underwriter, and co-managing underwriters for the negotiation of the bonds.

BACKGROUND

The Texas Water Development Board (TWDB) is authorized to issue general obligation bonds under Article III, Sections 49-d-8, 49-d-9, 49-d-10, and 49-d-11 of the Texas Constitution and Subchapter L of Chapter 17 of the Texas Water Code, as amended.

The 87th Legislature provided authority and appropriations sufficient to issue bonds for the Economically Distressed Areas Program (EDAP) in the fiscal 2022-2023 biennium.

Per the TWDB Debt Management Policy, the agency may refund bonds for savings or programmatic reasons. While the policy requires that the TWDB consider a net savings present value threshold of 2% for any refunding transaction, a refunding that does not produce a 2% minimal net present value savings may be considered if it achieves other benefits, such as eliminating restrictive covenants. It is anticipated that this transaction will exceed the 2% net savings present value threshold.

Our Mission

Leading the state's efforts in
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Board Members

Brooke T. Paup, Chairwoman | George B. Peyton V, Board Member | L'Oreal Stepney, P.E., Board Member
Jeff Walker, Executive Administrator

KEY ISSUES

The proposed uses of the net proceeds of the bonds are to provide additional funding for the Financial Assistance Account of the Development Fund II program, to fund EDAP projects, refund currently callable Texas Water Development Board Water Financial Assistance Bonds, and pay costs of issuance.

Early planning and preparation are necessary to ensure a successful bond sale and selecting the financial advisor, bond counsel, and disclosure counsel at this time provides sufficient time for coordination and preparation of legal and disclosure documents, the rating agency process, and other activities.

Hilltop Securities Inc. is recommended to serve as financial advisor, Orrick, Herrington & Sutcliffe LLP as bond counsel, and Bracewell LLP as disclosure counsel.

Siebert Williams Shank & Co., LLC is recommended to serve as senior managing underwriter for the transaction. Recommended co-managing underwriters include BOK Financial Securities, Inc., Ramirez & Co., Inc., and Wells Fargo Securities.

With approval of this item, staff will finalize the timeline, engage the service providers, obtain ratings, complete the debt issuance process as required by the Bond Review Board, update the investor outreach website (via BondLink), and take other necessary steps to prepare the bonds for issuance and sale. The Executive Administrator will return with a request to adopt the associated bond resolution(s) and approval of the Preliminary Official Statement for any series to be issued under this authorization.

RECOMMENDATION

In order to ensure a successful issuance of the Water Financial Assistance and Refunding Bonds, the Executive Administrator recommends authorizing the Executive Administrator, Chief Financial Officer, General Counsel, and Development Fund Manager to take all necessary actions for the issuance, sale, and delivery of State of Texas Water Financial Assistance and Refunding Bonds in one or more series; and approving the selection of financial advisor, bond counsel, disclosure counsel, and senior and co-managing underwriters.