

TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator

FROM: Amanda Landry, Chief Financial Officer

DATE: January 20, 2015

SUBJECT: Consider: (a) authorizing the Executive Administrator and the Development Fund Manager to take all necessary actions for the issuance, sale and delivery of State of Texas Water Financial Assistance Bonds in one or more series in an aggregate principal amount not to exceed \$78,000,000; and (b) approving the selection of financial advisor, bond counsels and underwriters for the negotiation of the bond issue.

ACTION REQUESTED

Authorize the Executive Administrator and the Development Fund Manager to proceed with the subject bonds and selection of advisors.

BACKGROUND

The 83rd Legislature provided authority and appropriations sufficient to provide \$50 million in funding for the Economically Distressed Areas Program (EDAP) in the fiscal 2014-2015 biennium. In addition, there are insufficient fund balances available in the Development Fund II to fund the upcoming state match requirements for both the Clean Water (CW) and Drinking Water (DW) State Revolving Fund (SRF) grants. There is sufficient constitutional bond authority available for this issuance.

KEY ISSUES

Proceeds of the issuance will be used to fund grants and loans for EDAP and provide state match for both the CWSRF and DWSRF grants. The proposed par of \$78 million is a “not to exceed” amount for all series of bonds and will include costs of issuance and rounding amounts.

Attachment 1 outlines existing EDAP commitments for grants and loans of which \$50 million are anticipated to be funded with proceeds from this issuance. Additional commitments are also expected in the upcoming months. For inclusion in the bond sale, each borrower will be required to close the loan or grant within a limited time frame through a financing agreement. The final issuance amount will be based on borrowers’ needs and funds on hand.

Advisors

First Southwest Company is recommended to serve as financial advisor and Norton Rose Fulbright and Escamilla & Poneck. as bond counsel.

Staff recommends Ramirez & Co., Inc. to serve as Senior Manager for the transaction. Co-managers recommended are Loop Capital Markets, Mesirow Financial and SAMCO Capital Markets.

With Board approval, staff will develop a timeline, engage the service providers, seek debt issuance authority from the Legislative Budget Board and Bond Review Board, negotiate financing agreements with the borrowers, and take other necessary steps to prepare the bonds for issuance and sale. Staff anticipates returning to the Board for adoption of the resolutions and approval of the Preliminary Official Statement for any series issued under this item.

This recommendation has been reviewed by legal counsel and is within the TWDB's legal authority.

Les Trobman, General Counsel

Attachment(s): 1 – Development Fund EDAP Commitments as of 01/21/2015

ATTACHMENT 1

Unclosed EDAP Commitments as of 1/21/15*

Authority	Project ID	Commit. Number	Commit. Date	Anticip. Closing Date	Commit. Amount	Expire. Date	Prog
Airline ID	10440	G1000279	2/20/2014	1/5/2015	\$5,084,916	2/28/2015	EDAP
Airline ID	10440	L1000280	2/20/2014	1/5/2015	\$277,000	2/28/2015	EDAP
Agua SUD	10365	G1000252	10/17/2013	5/29/2015	\$29,300,000	6/30/2015	EDAP
North Alamo WSC	10445	G1000341	12/11/2014	5/22/2015	\$1,568,000	6/30/2015	EDAP
North Alamo WSC	10430	G1000334	11/6/2014	5/22/2015	\$9,154,000	11/30/2015	EDAP
North Alamo WSC	10430	L1000335	11/6/2014	5/22/2015	\$646,000	11/30/2015	EDAP
Pharr	10446	G1000352	11/6/2014	5/22/2015	\$1,762,500	11/30/2015	EDAP
Pharr	10446	L1000347	11/6/2014	5/22/2015	\$1,762,500	11/30/2015	EDAP
	5	8			\$49,554,916		

* The total unclosed EDAP commitments balance will rise to \$50,496,916 upon board approval of \$942,000 grant commitment for Val Verde County under consideration on the 1/29/15 board agenda.