

Texas Water Development Board



P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator

FROM: Amanda Landry, Chief Financial Officer

DATE: February 23, 2015

SUBJECT: State of Texas General Obligation Water Financial Assistance Bonds, Series 2015D

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of State of Texas, General Obligation Water Financial Assistance Bonds, Series 2015D to fund the commitment to the Lower Colorado River Authority (LCRA) in a principal amount not to exceed \$255,000,000; (b) a Preliminary Official Statement; (c) authorization for the Executive Administrator and Development Fund Manager to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds; and (d) amending Board Resolution 14-72 to increase the commitment made by the Board to LCRA to \$255,000,000 to ensure consistency with the Board's bond issuance.

BACKGROUND

On September 4, 2014 the Board approved a loan commitment to the Lower Colorado River Authority (LCRA) in the amount of \$250,000,000 to finance the planning, acquisition, design and construction of an off-channel reservoir and associated improvements. In December 2014, LCRA staff notified TWDB staff that they were ready to proceed with the financing of the entire commitment amount.

On January 29, 2015 the board authorized the issuance of up to \$255,000,000 in General Obligation bonds for the Development Fund Program to fund the LCRA commitment. Jefferies was selected as the Senior Manager and the Co-Managers are Frost Bank, FTN Financial, Piper Jaffray & Co., Siebert Brandford Shank & Co., and Wells Fargo Securities.

Estrada Hinojosa & Company will serve as financial advisor for this transaction. Bracewell & Giuliani, LLP will serve as bond counsel and Mahomes Bolden PC as disclosure counsel.

Staff in coordination with the consultants, has drafted the required documents and after approval of this item will make application to the Bond Review Board (BRB) under the exempt

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development of water for Texas : Kevin Patteson, Executive Administrator

application process. The Board anticipates receiving BRB approval no later than March 19, 2015. Documents attached for your review include the Bond Resolution and Preliminary Official Statement. Staff anticipates minor edits to update these documents prior to publication. There is sufficient constitutional authority for this issuance.

MODIFICATION OF LOAN COMMITMENT RESOLUTION

This item recommends the revision of Loan Commitment Resolution from the September 4, 2014 meeting to increase the commitment amount from \$250,000,000 to \$255,000,000 to provide consistency with the Board's approved not to exceed amount on the pending bond issuance.

BOND SIZING

Preliminary debt service schedules for the bonds at a not-to-exceed format are included as Attachment 3. The maximum par amount of \$255,000,000 includes underwriter's discount, costs of issuance, and rounding amounts. While the par and premium amounts may be adjusted at the time of pricing due to market considerations, total proceeds will not exceed \$255,000,000. Issue size will depend upon the LCRA's needs.

COSTS OF ISSUANCE

Based on historical costs of issuance and the estimated par amount of the new bonds, the costs of issuance for the transaction have been estimated at a not to exceed cost of \$5.50 per bond for the underwriter's discount and a maximum of \$425,434 for all other related costs (i.e. bond counsel, disclosure counsel and financial advisory fees, bond ratings, paying agent/registrar fees and other miscellaneous costs).

The estimated fees and expenses are in line with the market and other similarly sized and structured bond transactions and are detailed in Attachment 4. The fees and expenses may be negotiated further based on market conditions at the time of pricing.

SCHEDULE

The Schedule of Events has been provided as Attachment 5. Staff anticipates pricing the bonds March 30, 2015 and closing the transaction April 22, 2015.

RECOMMENDATION

Staff recommends: (a) authorizing the issuance, sale and delivery of State of Texas, Water Financial Assistance Bonds, Series 2015D (Development Fund Program) in an aggregate principal amount not to exceed \$255,000,000; (b) approving a Preliminary Official Statement to be used in the marketing of the bonds; (c) approving and authorizing the Executive Administrator and Development Fund Manager to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds and (d) amending Board Resolution 14-72 to increase the commitment made by the Board to LCRA to \$255,000,000 to ensure consistency with the Board's bond issuance.

Attachments:

- 1 – 2015D Bond Resolution
- 2 – Draft Preliminary Official Statement
- 3 – Draft Debt Service Schedules

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4 – Estimated Costs of Issuance
5 – Schedule of Events

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

Les Trobman, General Counsel