Texas Water Development Board

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TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator
Les Trobman, General Counsel

FROM: Cindy Demers, Chief Financial Officer

DATE: January 7, 2016

SUBJECT: Consider: (a) authorizing the Executive Administrator and the CFO/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 $150,000,000; and (b) approving the selection of the co-managing underwriters for the negotiation of the bond issue.

ACTION REQUESTED

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

BACKGROUND

The 84th Legislature provided authority and appropriations sufficient to provide $50 million in funding for the Economically Distressed Areas Program (EDAP) in the fiscal 2016-2017 biennium. The Board authorized staff to proceed with this series at the December 14, 2015 Board Meeting. The additional $100 million is a not to exceed amount to authorize additional series of bonds to reimburse the Development Fund II for prior loans as well as future commitments and 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, fund the Development Fund II and provide the upcoming state match for the SRF grants. The proposed par of $150 million is a "not to exceed" amount and will include costs of issuance and rounding amounts.

Our Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Board Members

Bech Bruun, Chairman | Kathleen Jackson, Member | Peter Lake, Member

Kevin Patteson, Executive Administrator

The final issuance amount will be based on borrowers' needs, funds on hand and the determination of the optimal timing to issue the bonds associated with the state match requirements for SRF.

Additions to Transaction Team

At the December 14, 2015 Board meeting the Board approved First Southwest Company as financial advisor, Escamilla and Poneck as bond counsel, Norton Rose Fulbright as disclosure counsel, and Piper Jaffray, Inc. as senior managing underwriter for the transaction.

In addition staff recommends FTN Financial, Ramirez & Co., Inc. and Wells Fargo Securities to serve as co-managing underwriters for the transaction.

With Board approval, staff will include the additional $100 million in the process started in December with the authorization of the $50 million for EDAP. This includes developing a timeline, engaging the service providers, seeking debt issuance authority from the Legislative Budget Board and Bond Review Board, negotiating financing agreements with the borrowers, and taking 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 proposed to be issued under this item.

RECOMMENDATION

Authorize the Executive Administrator and the CFO/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 $150,000,000; and approve the selection of the co-managing underwriters for the negotiation of the bond issue.