

Texas Water Development Board



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TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Rebecca Trevino, Chief Financial Officer
Todd Chenoweth, General Counsel

FROM: Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager

DATE: July 12, 2018

SUBJECT: State Water Implementation Revenue Fund for Texas Revenue Bonds

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds in one or more series; (b) the execution of the Bond Indentures; (c) the execution of State Water Implementation Fund for Texas Funds Transfer Agreement; (d) the Preliminary Official Statement; and (e) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

BACKGROUND

The Texas Water Development Board (TWDB) is authorized to issue revenue bonds associated with the State Water Implementation Revenue Fund for Texas (SWIRFT) under the Texas Constitution section 49-d-13 and Texas Water Code Section 15.475. SWIRFT bonds are issued to provide financial assistance to political subdivisions for projects included in the State Water Plan through the TWDB’s State Water Implementation Fund for Texas (SWIFT) program.

On May 17, 2018, the Board initiated the process for the issuance of revenue bonds to provide financing for SWIFT projects. Hilltop Securities Inc. was selected as financial advisor; McCall, Parkhurst & Horton L.L.P. as bond counsel and Bracewell LLP as disclosure counsel. The underwriting syndicate was also selected. Citigroup will serve as senior managing underwriter for the transaction, and co-managing underwriters include Bank of America Merrill Lynch, BOK Financial Securities Inc., Barclays, Estrada Hinojosa, FTN Financial Capital Markets, J.P. Morgan, Jefferies, Loop Capital Markets, Morgan Stanley & Company, Piper Jaffray, Raymond James, UMB Bank, and Wells Fargo.

Our Mission : **Board Members**

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas : Peter M. Lake, Chairman | Kathleen Jackson, Board Member | Brooke T. Paup, Board Member
: Jeff Walker, Executive Administrator

Staff, in coordination with the consultants, has drafted the required documents for the issuance of SWIRFT bonds. Attachments 1 through 5 include drafts of the Authorizing Resolution, Bond Indentures, Funds Transfer Agreement, and Preliminary Official Statement. Non-substantive edits to update these documents prior to execution and publication are anticipated.

BOND TRANSACTION

The maximum par amount recommended for a Fall 2018 SWIRFT sale is \$1,953,590,000. Final bond sizing will be determined by the amount and terms of financial assistance formally requested by the underlying SWIRFT political subdivisions as recorded in financing agreements executed prior to the SWIRFT bond pricing, as well as the costs of issuance.

Funds may be transferred from the SWIFT account to SWIRFT by a funds transfer agreement to provide security for the revenue bonds. The Executive Administrator recommends a not to exceed transfer amount of \$300 million for the SWIFT funds transfer agreement. The actual amount for the transfer will be determined after the SWIRFT bonds are priced and the bond purchase agreement is signed.

Legislative Budget Board (LBB) and Bond Review Board (BRB) approvals are required for this transaction. A request to the LBB was submitted on June 26, 2018, and a response is expected July 17, 2018. After this date, the Executive Administrator will submit an application and related supporting documentation to the BRB under the exempt application process, and anticipates receiving a response prior to posting of the Preliminary Official Statement.

COSTS OF ISSUANCE

The costs of issuance for the transaction have been estimated at a not-to-exceed of \$4.50 per bond for the underwriter's discount and \$995,000 for all other transaction-related fees and expenses. The estimated costs of issuance are appropriate, but may be negotiated further based on market conditions at the time of pricing.

SCHEDULE OF EVENTS

Below is a short summary of the schedule of events currently anticipated for this transaction:

- **May 17** Board initiated the bond issuance process and selected consultants and underwriting syndicate
- **July 26** Board considers approval of the issuance/documents
- **August 30** Post Preliminary Official Statement
- **September 17** Bond pricing initiation
- **September 18** Bond pricing
- **September 20** Board adopts lending rate scales
- **October 11** Closing and delivery of the bonds
- **November 30** Last day for closing of Political Subdivision Obligations

RECOMMENDATION

In order to provide low cost financing in a timely manner, the Executive Administrator recommends approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds in one or more series; (b) the execution of the Bond Indentures; (c) the execution of the State Water Implementation Fund for Texas Funds Transfer Agreement; (d) the Preliminary Official Statement; and (e) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

Attachments:

- 1 – Draft Authorizing Resolution
- 2 – Draft 2018B Bond Indenture
- 3 – Draft 2018C Bond Indenture
- 4 – Draft Funds Transfer Agreement
- 5 – Draft Preliminary Official Statement