

**TO:** Board Members

**THROUGH:** Kevin Patteson, Executive Administrator

**FROM:** Cindy Demers, Chief Financial Officer and Development Fund Manager

**DATE:** November 9, 2015

**SUBJECT:** Briefing and Discussion on the Bond Sale Results for the Texas Water Development Board \$798,450,000 State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2015A (Master Trust) and \$11,960,000 State Water Implementation Revenue Fund for Texas Revenue Bonds, Taxable Series 2015B (Master Trust)

**ACTION REQUESTED**

No action is requested. This is a briefing and discussion on the results of the issuance of the referenced bonds.

**BACKGROUND**

These series of Bonds represent the inaugural issuance of bonds for the State Water Implementation Revenue Fund for Texas (“SWIRFT”). The Board understood that this issuance would require creating a flow of funds, trust indentures and related documents, and a strategic planning model; coordinating with outside entities related to acquiring necessary approvals; obtaining credit ratings for a new revenue pledge program; and the developing a comprehensive investor outreach program. On September 18, 2014, the Board authorized the Executive Administrator (“EA”) to begin the process for the creation and development of all processes related to the issuance of SWIRFT Bonds. To assist the EA, the Board selected FirstSouthwest and Estrada Hinojosa as Financial Advisors, McCall Parkhurst and Horton L.L.P. as Bond and Tax Counsel, The Hardwick Law Firm LLC as Disclosure Counsel and Citigroup as the Senior Managing Underwriter. Citigroup selected Locke Lord LLP as Underwriter’s Counsel.

In preparation for structuring the transactions, the EA identified the programmatic and transaction goals. The programmatic goals include achieving the targeted \$27 billion project funding over a 50-year period and ensuring the perpetuity of the \$2 billion capitalization at the end of the repayment period. The EA identified specific transaction goals included creating a flexible legal structure to allow programmatic and financing options that could evolve over time as the programmatic and market conditions change, achieving the highest ratings in order to maximize the savings to program participants, and engaging in extensive investor outreach to

**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 :

- : Bech Bruun, Chairman | Kathleen Jackson, Member
- : Kevin Patteson, Executive Administrator

introduce the new program to the market and establish strong benchmark pricing for future transactions.

The Texas Water Development Board (“TWDB”) and consultants analyzed various flow of fund strategies to determine the optimal structure factoring in several programmatic, legal, and financial considerations. Once the structure was determined, a strategic planning model was developed to analyze multiple “What If?” scenarios. Through a collaborative process within the TWDB, the various programmatic financing structures were analyzed and developed. The TWDB evaluated projected cash flows for each of the different structures and determined relative cash flow implications by structure. This was a valuable undertaking since the decision had been made to not specifically define or limit the funding amounts for each structure prior to receiving applications for funding. The implementation of this strategy benefited both the program participants as well as the TWDB by creating flexibility into the prioritization process. Additionally, the multi-year funding commitment was another program development that resulted as part of this process. The implementation of this concept had multiple benefits for both the TWDB and program participants. The program participants benefitted from being able to secure a funding commitment for significant projects while closing on portions at a time to reduce the financing costs. The benefit for both the program participants and the TWDB was that being able to fund projects over time, allowed the TWDB to fund significantly more projects with the inaugural funding cycle while still meeting the annual capital demand of the program participants. Finally the TWDB also benefited by being able to populate more of the strategic planning model and to provide more refined projections to the rating agencies. Another programmatic change that was evaluated was the amount of time between when the TWDB and program participants closed their respective financing transactions. Narrowing this window of time had significant capacity considerations.

In addition to work within the TWDB, there were also meetings with the Texas Treasury Safekeeping Trust Company (“Trust Co.”). As part of these meetings, the TWDB requested the Trust provide a projection for the rate of return on the funds in the State Water Implementation Fund for Texas (“SWIFT”). Since this is the most important assumption in determining capacity and other key variables, this was a critical step in the process. In an effort to be conservative, the TWDB made the decision to “haircut” the projected rate received for utilization in the model.

With these steps completed and the flow of funds further refined, the next focus was on the legal structure and the drafting of documents. As a result of the creation of an Assistance Account, where the funds to balance cash flow differences were to reside, this lent itself to the utilization of a Master Trust Indenture structure. To embed significant program flexibility, the concept of a series-by-series bond indenture was established. This allows the TWDB latitude to build in additional amendments over time as the program continues to develop. McCall, Parkhurst and Horton L.L.P. spent significant time in developing the financing framework into the legal documents with assistance from the TWDB and working group. The documents advanced to create a balance between flexibility for the TWDB with protections for the bond investors. Another outcome of this process was that the TWDB made the decision to utilize a Trustee to assist with both the loan servicing and debt service payments. Through a competitive solicitation process, the TWDB selected BNY Mellon to serve as both Master Trustee and Bond Trustee. In

addition to the specific bond documents, the legislatively defined Bond Enhancement Agreement, called the SWIFT Funds Transfer Agreement, was developed.

The bond issues required review and approvals from the Legislative Budget Board and the Bond Review Board. In addition, the Texas Attorney General (“Texas AG”) would need to approve the legal documents creating the bonds and the transaction related documents. Because of these approvals, the TWDB conducted significant outreach early on in the process to the Texas AG’s office, the Legislative Budget Board and the Bond Review Board. The TWDB wanted to identify any potential issues early in the process. Additionally, by engaging in early outreach with the Texas AG’s office, the TWDB was able to provide their office advance notice of the narrow window of timing related to the closing of the obligations for the programmatic participants.

This early outreach also was extended to the rating agencies. The TWDB understood early on, that communicating with the rating agencies throughout the drafting of legal documents and development of the programmatic and financing structures would be critical to the rating agency process. While this was true for both Standard & Poor’s and Fitch, the proposed structure was inconsistent with specific published pooled loan program criteria of Fitch. As a result of this process and high-level discussions with Fitch, it was determined that the unique proposed structure would not be evaluated based solely on their published criteria. The outreach included in-person meetings along with dialogue throughout the process. The value of this process was to be clear on the methodology the rating agencies would utilize in their rating evaluation process. In addition to the specific structure that was discussed with the rating agencies, much time was spent communicating the TWDB’s history of no loan defaults and the processes undertaken with the TWDB’s Financial Compliance group to identify and address early on any potential payment considerations from TWDB’s borrowers. The underlying ratings for the program participants expected to be included in the initial issuance were also carefully evaluated. The TWDB did achieve the desired AAA/AAA ratings for the SWIRFT.

Focusing on the transaction goals related to investor outreach, the TWDB recorded in February, 2015, an internet roadshow that focused on the legislative and programmatic aspects of the SWIFT and SWIRFT. This road show was available to potential investors and utilized as part of early investor outreach efforts which included meetings in Austin, San Antonio, Houston and Dallas. The TWDB also participated in several conferences including the Bond Buyer, JPMorgan’s Investor Conference, National Federation of Municipal Analysts and the Society of Municipal Analysts. These activities ceased in early July as the TWDB approached the 90 day window of time before the preliminary bond issue.

The TWDB’s early projections had identified an available capacity of approximately \$800 million for the first round of SWIRFT. Once the requested repayment structures were analyzed combined with the lower than projected interest rate environment, the Board determined in May 2015 while considering the prioritization that it could expand the projected bond issue size to accommodate all of the potential eligible applications. At the TWDB’s July Board meeting, funding commitments were made to potential program participants which allowed the TWDB to determine a projected par amount of bonds, the need for both taxable and tax-exempt series of bonds, the preliminary debt service structure and the preliminary draw from the SWIFT

necessary to fund the cash flow differential. The Board also named the co-managers on the transaction, which included Bank of America Merrill Lynch, Coastal Securities, Inc., J.P. Morgan, Loop Capital Markets, Morgan Stanley & Co., LLC, Piper Jaffray & Co., RBC Capital Markets, SAMCO Capital Markets and Seibert Brandford Shank & Co., LLC. While this size of syndicate is larger than traditional syndicates of the TWDB, the Board wanted to have a larger syndicate given the size of the preliminary bond issues and to have expanded potential for distribution of the bonds.

There was discussion about selecting payment dates to better align with the borrower repayments. In an effort to minimize the payment date differentials between the TWDB and its borrowers, the decision was made to have semi-annual principal payment dates. While this was new for the TWDB, its implementation assisted in minimizing the duration the program participant's payments were held until the TWDB's next payment date. Given the structure of solving for a 1.00X debt service coverage, there needed to be consistency in determining the program participants repayment information that the TWDB staff had as well as the financial advisors to ensure accuracy in the structure. Mock schedules were created in TxWISE to ensure that the schedules run by the financial advisors would match. Finally, the process related to the investments for the Assistance Accounts was decided to be a competitive bid. Bid specifications were prepared with input from the working group.

The Legislative Budget Board non-disapproval process ceased on July 21, 2015 and the Bond Review Board approval was received on Thursday, September 17, 2015. The bonds priced on Tuesday, October 6, 2015, the Assistance Accounts bids were received on Wednesday, October 7, 2015 and the bond issues closed on November 4, 2015.

### **KEY ISSUES**

Once the bond issues became public information with an announcement of the sale to Bloomberg on July 23rd, the investor outreach process initiated again. This included conducting an informational "SWIRFT 101" presentation for the co-managers, posting the preliminary official statement ("POS"), developing new transactions specific internet roadshow, and participating in live roadshow presentations in Boston and New York with 12 investors, several in-person institutional investor meetings in the Philadelphia area and one-on-one conference calls with nine different investors. The electronic roadshow was viewed by 27 different investors. The day before pricing, specific investor questions were answered as well as a "teach-in" with the Citigroup's institutional salesforce to further prepare them for discussions with investors.

Chairman Bruun and TWDB staff traveled to Citi's New York office to oversee the pricing of the bonds. The TWDB staff included Kevin Patteson, Lauren Graber, Cindy Demers and David Duran. The Chairman and the TWDB staff were joined by Anne Burger Entekin and Richard Fox from FirstSouthwest and Paul Jack from Estrada Hinojosa as well as Dave Houston, Rob Mellinger, Tatianna Troutman, Devin Phillips, Mark Pryce and Mario Carrasco from Citi.

Pre-pricing discussions focused on recent market volatility which included a market rally in response to a weaker than expected jobs report, investor demand, and the calendar of issues coming to market that week totaling \$8.5 billion, of which \$4.7 billion was made up of three transactions. On Monday, October 5, 2015, the taxable process was initiated with Indications of

Interest. This was followed on Tuesday, October 6, 2015 by the Price Guidance and Taxable Launch. Given that this was an inaugural issuance for the SWIRFT, much focus was placed on the initial pricing levels. Orders totaled \$28,050,000 of which \$12,020,000 were group net orders. The Priority of Orders was Group Net and Member Orders. Minor adjustments were made to the pricing levels of certain maturities and \$1.7 million was underwritten by Citigroup.

While price views were gathered on Monday, the tax-exempt pricing was done on Tuesday. Texas Retail was the first priority, followed by National Retail, Group Net and Member Orders. Retail was defined as individuals only. As noted with the taxable bonds, there was much focus and discussion regarding the initial spreads to ensure an aggressive pricing but not to potentially impair the building of the order book. Additionally, there had been significant focus and effort made to attract investors that would be interested in a 4.00% coupon. This strategy lowered the borrowing cost for the TWDB which passed on a corresponding benefit to the program participants. The 4.00% coupons totaled over \$834.2 million. A total of \$2,123,965,000 in orders were received of which \$956,390,000 were group net orders. There were orders from more than 50 institutional investor accounts. Again after minor price adjustments in the earlier maturities, the TWDB received a bid to underwrite the remaining balance. Ultimately, Citigroup agreed to underwrite \$132 million in tax-exempt bonds and did so to ensure the integrity of the original pricing. Citigroup was able to work off some of that balance to end the day underwriting \$80 million.

Throughout the order period, Chairman Bruun and the TWDB staff reviewed orders and received periodic status reports. Chairman Bruun and the TWDB staff noted for all of the underwriting firms the orders turned in, the types of orders, and the distribution of investor demand across maturities. The firms supported the transaction by turning in orders and supporting the sealed bid process. Detail by maturity and a summary of the total orders and allotments by firm are included in the final pricing book.

## **RESULTS**

### **Key Statistics:**

<b>Series</b>	<b>Designation</b>	<b>Par</b>	<b>Premium</b>	<b>Total Proceeds</b>	<b>TIC</b>	<b>Assistance Account</b>
2015 A	Tax-Exempt	\$798,450,000	\$93,664,009	\$ 892,114,009	3.630%	\$ 106,382,704.32
2015 B	Taxable	\$ 11,960,000	\$ -	\$ 11,960,000	4.440%	\$ 1,791,783.98
<b>Total</b>		<b>\$810,410,000</b>	<b>\$93,664,009</b>	<b>\$ 904,074,009</b>	<b>3.640%</b>	<b>\$ 108,174,488.30</b>

In addition to the true interest costs outlined above, the TWDB has projected the following savings for the program participants. These savings are conservative from the perspective they calculate the differential based on the TWDB's cost of funds, not the program participant's cost of funds based on their respective ratings.

<b>Applicant</b>	<b>Total Closing Amount</b>	<b>Savings</b>
Brazosport Water Authority	\$5,605,000	\$708,509
Canyon Regional Water Authority	42,000,000	5,635,057
Central Harris County Regional Water Authority	10,805,000	1,438,865
City of Bedford	30,000,000	4,002,142
City of Fort Worth	13,000,000	821,832
City of Houston	25,915,000	3,410,753
City of Marfa	705,000	87,888
Coastal Water Authority	66,565,000	(a)
El Paso Water Utilities	50,000,000	5,287,105
Greater Texoma Utility Authority, City of Tom Bean	1,210,000	156,571
Guadalupe Blanco River Authority	2,000,000	562,936
Hays Caldwell Public Utility Agency	3,960,000	455,617
Hays Caldwell Public Utility Agency	3,530,000	471,017
Hidalgo County Irrigation District #1	7,100,000	916,215
Lone Star Regional Water Authority	4,590,000	635,817
Lone Star Regional Water Authority (Taxable)	940,000	160,628
Lone Star Regional Water Authority	18,350,000	(a)
Lone Star Regional Water Authority (Taxable)	3,760,000	(a)
North Fort Bend Water Authority	8,670,000	1,124,693
North Harris County Regional Water Authority	80,435,000	9,881,742
Palo Pinto County Municipal Water District #1	9,915,000	1,311,181
Palo Pinto County Municipal Water District #1 (Taxable)	7,185,000	1,134,443
Tarrant Regional Water District	440,000,000	58,061,108
Upper Trinity Regional Water District	15,565,000	(a)
Upper Trinity Regional Water District	29,115,000	8,301,303
West Harris County Regional Water Authority	18,740,000	2,114,092
<b>Total</b>	<b>\$899,660,000</b>	<b>\$106,679,514</b>

(a) For Board Participation no savings calculations have been included due to the structure of the financing. This type of financing does not receive subsidy

In addition to funding almost \$900 million in projects, the TWDB was also successful in achieving goals related to the transactions. TWDB was able to (i) create a flexible programmatic, legal and financing structure, (ii) achieve AAA/AAA ratings, and (iii) establish a broad and diverse group of 50 institutional investors while establishing a strong benchmark pricing for future issuances.

### **COST SUMMARY**

The final underwriting cost was \$3.7746 per bond, negotiated as follows:

	<u>\$ Per Bond</u>	<u>Total \$ Amount</u>
Average Takedown	\$3.4323	\$2,781,600.25
Underwriter's Expenses	0.3423	277,367.30
Total Spread	<u>\$3.7746</u>	<u>\$3,058,967.55</u>

**PERFORMANCE ASSESSMENT**

In general, the TWDB was pleased with the performance of the underwriting syndicate on the new transactions. Citi led the investor outreach well as evidenced by securing 50 different institutional investors. Citi also led the transaction well, especially with performance from their desk, their sales force and their willingness to underwrite bonds. The TWDB was pleased to see that the co-managers supported the transactions by turning in orders and participating in the sealed bid process. The Chairman and the TWDB staff observed certain co-managers turning in orders early in the order period, turning in orders in excess of their liability, turning in priority orders and retail orders, and submitting and winning all four of the sealed bid opportunities. Winning bidders included Bank of America Merrill Lynch (two winning bids), RBC Capital Markets and J.P. Morgan.

Attachment:

1 – Power Point Presentation

November 10, 2015

# Texas Water Development Board

## Presentation to the Board



State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2015A and Taxable Series 2015B



# Overview of the Series 2015A and Series 2015B Financing

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## Transaction Goals:

- Provide inaugural round of funding to implement State Water Plan projects
- Create flexible legal structure and provide Board with ability to manage program to achieve capacity goals
- Introduce new program and credit to municipal market
- Establish strong benchmark pricing for future issuances
- Achieve the highest ratings

# Overview of the Series 2015A and Series 2015B Financing

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- An intensive approach with rating agencies was needed given new structure
- Highlights of the initial AAA ratings:
  - Board’s expertise in managing other large State programs like the State Revolving Fund
  - Active management and oversight with over 58 years of experience and no defaults
  - Strong State and voter support demonstrate program essentiality
  - While not pledged, mechanism is in place to make transfers from SWIFT to SWIRFT to support bonds, and SWIFT funds are constitutionally limited
  - Projected Obligation portfolio maintains high ratings
    - Over half the political subdivisions by dollar amount that are expected to receive funding from this issuance maintain AAA ratings
    - More than 58% of the political subdivisions maintain AA or higher ratings when factoring in multi-year commitments
- Achieving AAA ratings was essential to providing the lowest possible borrowing cost to political subdivisions

# Overview of the Series 2015A and Series 2015B Financing

## Financing Team

<b>Issuer</b>	Texas Water Development Board
<b>Co-Financial Advisors</b>	First Southwest Company, LLC Estrada Hinojosa & Company, Inc.
<b>Bond Counsel</b>	McCall, Parkhurst & Horton LLP
<b>Senior Manager</b>	Citigroup Global Markets Inc.
<b>Underwriter's Counsel</b>	Locke Lord LLP
<b>Disclosure Counsel</b>	The Hardwick Law Firm, LLC

## Financing Schedule

<b>Pricing Date</b>	October 6, 2015
<b>Dated Date</b>	November 4, 2015
<b>Delivery Date</b>	November 4, 2015

# Overview of the Series 2015A and Series 2015B Financing

## Transaction Summary

<b>Par Amount</b>	\$810,410,000 consisting of \$798,450,000 Series 2015A (Tax-Exempt) and \$11,960,000 Series 2015B (Taxable)
<b>Ratings</b>	AAA/AAA by Fitch and Standard & Poor's
<b>Total Amount Available to Acquire PSO's</b>	\$899,660,000 consisting of \$887,775,000 Series 2015A (Tax-Exempt) and \$11,885,000 Series 2015B (Taxable)
<b>Purpose</b>	Proceeds from the sale of the 2015 Bonds will be used (i) to provide funds to finance projects to implement the State Water Plan and (ii) to pay costs of issuance
<b>2015A Security</b>	The 2015A Bonds are special, limited obligations of the Board equally and ratably secured by and payable from including but not limited to the following: all amounts held in funds and accounts established under the 2015A Bond Indenture including a lien on repayments from Political Subdivision Obligations (PSOs) and amounts held in the Assistance Account
<b>2015B Security</b>	The 2015B Bonds are special, limited obligations of the Board equally and ratably secured by and payable from including but not limited to the following: all amounts held in funds and accounts established under the 2015B Bond Indenture including a lien on repayments from Political Subdivision Obligations (PSOs) and amounts held in the Assistance Account
<b>True Interest Cost</b>	3.63% (Series 2015A) / 4.44% (Taxable Series 2015B)
<b>All-In TIC</b>	3.65% (Series 2015A) / 4.50% (Taxable Series 2015B)

# Issuance Details and Amortization

- Interest will accrue from the delivery date
- Interest is payable on April 15, 2016, and on each October 15 and April 15 thereafter
- Semi-annual principal payments
- The bonds are subject to optional redemption on and after October 15, 2025 at a redemption price of par
- The Series 2015A tax-exempt bonds were marketed to investors with 2%, 4% and 5% coupons
- The Series 2015B taxable bonds were sold as par bonds with coupons ranging from 0.45% to 4.65%
- Both bond series were issued with a combination of serial and term bonds

Series 2015A Amortization	
Maturity	Principal Amount
10/15/2016	\$7,740,000
4/15/2017	7,860,000
10/15/2017	8,015,000
4/15/2018	8,260,000
10/15/2018	8,380,000
4/15/2019	8,590,000
10/15/2019	8,760,000
4/15/2020	8,980,000
10/15/2020	9,115,000
4/15/2021	9,390,000
10/15/2021	9,580,000
4/15/2022	9,860,000
10/15/2022	10,065,000
4/15/2023	10,360,000
10/15/2023	10,575,000
4/15/2024	10,250,000
10/15/2024	4,870,000
4/15/2025	11,575,000
10/15/2025	5,430,000
4/15/2026	12,400,000
10/15/2026	6,160,000
4/15/2027	12,980,000
10/15/2027	6,625,000
4/15/2028	13,570,000
10/15/2028	7,090,000
10/15/2029	25,450,000
10/15/2030	26,810,000
10/15/2031	27,190,000
10/15/2032	28,535,000
10/15/2033 (4.00%)	19,765,000
10/15/2033 (5.00%)	10,000,000
10/15/2034	31,090,000
10/15/2035	32,390,000
10/15/2040 (4.00%)	70,000,000
10/15/2040 (5.00%)	74,795,000
10/15/2045 (4.00%)	70,000,000
10/15/2045 (5.00%)	109,900,000
10/15/2050	46,045,000

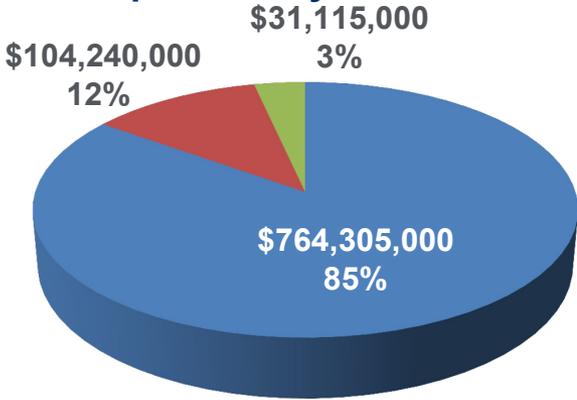
Series 2015B Amortization	
Maturity	Principal Amount
10/15/2016	\$75,000
4/15/2017	100,000
10/15/2017	75,000
10/15/2018	155,000
10/15/2019	155,000
10/15/2020	160,000
10/15/2021	165,000
10/15/2022	165,000
10/15/2023	175,000
10/15/2024	175,000
10/15/2025	230,000
10/15/2030	1,165,000
10/15/2035	1,920,000
4/15/2050	7,245,000

 Term Bonds

# 2015 Funding Commitments and Savings

2015 Financial Assistance	
Structure	Closing Amount
Board Participation	\$104,240,000
Deferred	31,115,000
Low-Interest	764,305,000
<b>Total</b>	<b>\$899,660,000</b>

**Composition by Par for 2015**



■ Low-Interest ■ Board Participation ■ Deferred

Applicant	Total Closing Amount	Savings <sup>(b)</sup>
Brazosport Water Authority	\$5,605,000	\$708,509
Canyon Regional Water Authority	42,000,000	5,635,057
Central Harris County Regional Water Authority	10,805,000	1,438,865
City of Bedford	30,000,000	4,002,142
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West Harris County Regional Water Authority	18,740,000	2,114,092
<b>Total</b>	<b>\$899,660,000</b>	<b>\$106,679,514</b>

(a) For Board Participation no savings calculations have been included due to the structure of the financing. This type of financing does not receive subsidy.  
 (b) Savings are calculated based on TWDB's cost of funds and does not reflect any additional savings that may be realized based on the difference between interest rates the program participants would have realized in the market and that of the TWDB's AAA rates.

# Marketing Summary (Pre-Transaction)

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## Investor communication process started well in advance of pricing

- Presentation of TWDB management expertise, SWIFT/SWIRFT legislation, and general funding concept for State Water Plan projects beginning 9 months prior to bond pricing date
- In-person investor meetings in Austin, Dallas, Houston, San Antonio and New York with 43 national and regional institutional investors
- Presentations at several institutional investor conferences including the National Federation of Municipal Analysts conference with over 500 members attending the event
- Electronic Roadshow available for investor viewing during a 4 month period

# Marketing Summary (Series Specific)

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## **Extensive transaction-specific investor outreach plan to detail the new program structure and address any potential credit concerns**

- Early announcement of bond sale on Bloomberg on July 23<sup>rd</sup> to further maximize investor awareness and facilitate syndicate participation
- Informational “SWIRFT 101” meeting with syndicate members several weeks prior to pricing
- Preliminary Official Statement and Electronic Roadshow made available over 2 weeks in advance of the pricing date
  - Provides sufficient time for investors to perform internal credit review and approvals, and allow retail systems to begin marketing
- Live Roadshow presentations in Boston and New York with 12 institutional investors
- Several in-person institutional investor meetings in Philadelphia area, and one-on-one conference calls with 9 different investors
- Electronic Roadshow viewed by 27 institutional investors
- TWDB provided “teach-in” with Citi institutional salesforce to further prepare for discussions with investors

# Comprehensive Institutional Investor Outreach

Investor	Investor Meeting	1-on-1 Meeting	1-on-1 Call	Electronic Roadshow	Submitted Orders
AllianceBernstein	✓				
Appleton Partners	✓				
BlackRock	✓		✓	✓	✓
BNY Mellon Wealth Mgmt.	✓				
Breckenridge	✓			✓	
Capital Group				✓	
Capital Research	✓				✓
Cavanal Hill	✓		✓		
Chubb		✓			✓
Citi Private Wealth Mgmt.	✓				
CW Henderson & Associates		✓			
DB Scudder	✓				
Delaware Investments	✓				
Deutsche Investment Mgmt.	✓			✓	
Eaton Vance	✓				✓
Federated	✓				
Fidelity	✓	✓		✓	
Franklin Templeton Investments	✓			✓	
Frost Bank		✓		✓	
FTN Financial				✓	
Goldman Sachs Asset Mgmt.			✓		✓
Guardian Investment Mgmt.	✓				
Guardian Life Insurance	✓				
GW&K Investment Mgmt.	✓		✓	✓	
Hancock/Manulife	✓				
Hayman Capital	✓				
Income Research and Mgmt.	✓				
JP Morgan CIO			✓	✓	
JP Morgan Investment Mgmt.	✓				✓
Linscomb Williams	✓				

Investor	Investor Meeting	1-on-1 Meeting	1-on-1 Call	Electronic Roadshow	Submitted Orders
Loews	✓				
Loomis Sayles	✓				
Mackay Shields		✓			
McGowan Group	✓				
Merrill Lynch	✓				
Morgan Stanley Smith Barney	✓				✓
National PFG				✓	
National Western Life Ins Co				✓	
Northwestern Mutual		✓			
Nuveen	✓				✓
Offit Capital Advisors				✓	
Oppenheimer	✓				
Orix	✓				
Petrus	✓				
Prudential	✓				✓
Putnam	✓				
RBC Dain Rauscher				✓	
Samson Capital Advisors	✓				✓
Schwab	✓				
Segment Wealth Management	✓				
Standish	✓			✓	✓
State Farm	✓		✓	✓	
T. Rowe Price	✓	✓		✓	
Texas Capital Bank	✓				
Travelers	✓				
UBS	✓			✓	
Vanguard		✓			✓
Wells Capital	✓		✓		
Wells Fargo Bank	✓		✓	✓	✓
Western Asset Management	✓				

# Pricing Summary

- The municipal market rallied on Friday prior to the pricing date following U.S. Treasuries in response to the weaker than expected jobs report
- Intermediate taxable and tax-exempt benchmark rates were approaching 6-month lows with the 10-Year Treasury at 2.05% and 10-year AAA MMD at 2.01%
- Negotiated new issuance during the week of pricing was \$8.5 billion, although \$4.7 billion was made up in 3 transactions
- The transaction locked-in all-in borrowing costs of 3.65% and 4.50% for the Series 2015A and Series 2015B (Taxable) bonds, respectively



# Order Flow and Repricing Summary

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- The Board received strong investor participation from individual retail investors, Separately Managed Accounts (professional retail), money managers, bond funds, and insurance companies
- \$2.1 billion of total orders received including \$955.7 million of orders from more than 50 institutional investor accounts
- Investor interest for 4% callable coupons totaled over \$834.2 million resulting in a lower all-in TIC versus a 5% callable coupon structure
- Robust investor response allowed Citi to lower yields by as much as 2 basis points in earlier maturities
- Despite strong investor demand, some bonds remained unsold after the order period; Citi underwrote \$132 million of unsold maturities to maintain the initial pricing

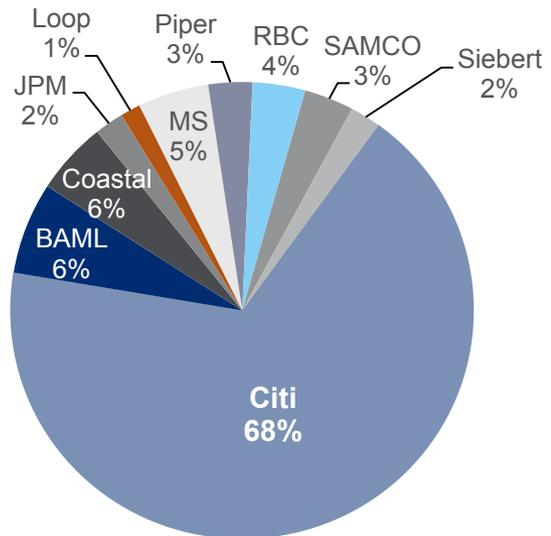
# Syndicate Rules

Firm	Role	Liabilities and Group Net Percentages
Citigroup	Senior Manager	55%
BofA Merrill	Co-Manager	5%
Coastal Securities	Co-Manager	5%
JP Morgan	Co-Manager	5%
Loop Capital	Co-Manager	5%
Morgan Stanley	Co-Manager	5%
Piper Jaffray	Co-Manager	5%
RBC Capital Markets	Co-Manager	5%
SAMCO Capital Markets	Co-Manager	5%
Siebert Brandford Shank	Co-Manager	5%

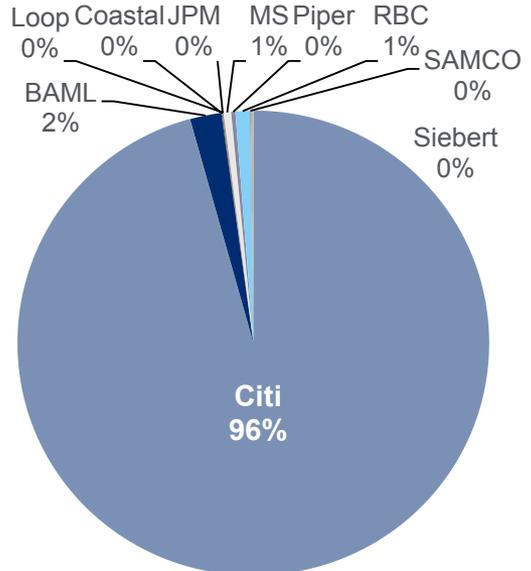
Priority of Orders	Designation Policy
1) Texas Retail	Defined as an order placed for the account of an individual. Retail orders do not include bank portfolios, insurance companies, bond funds, or municipalities. Retail orders greater than \$500,000 must be approved by the TWDB and the order will be treated as a Retail Order for the first \$500,000, and a Group Net for the remaining bonds ordered
2) National Retail	
3) Group Net	
4) Member	

# Orders and Allotments in Aggregate

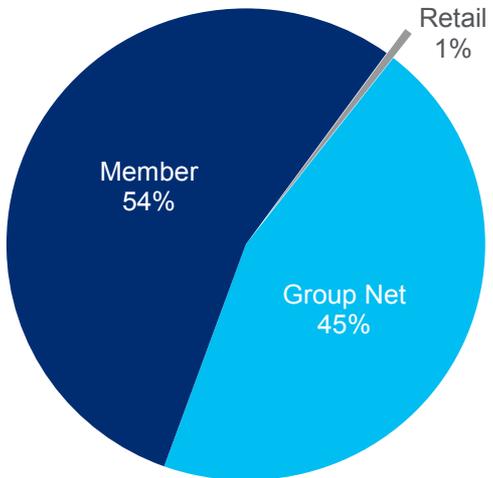
**Orders by Underwriter**



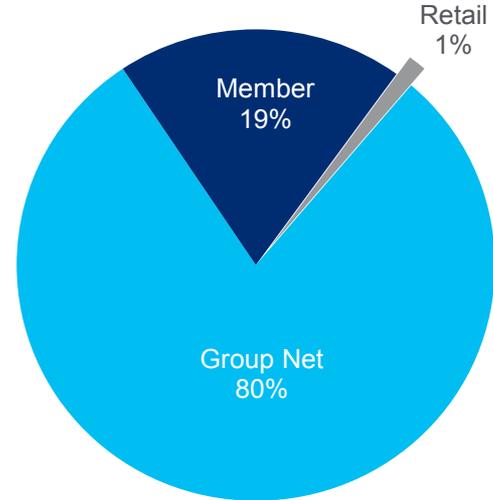
**Allotments by Underwriter**



**Orders by Type**



**Allotments by Type**



# Orders and Allotments in Aggregate - Detail

Manager	Orders (\$000's)					Allotments (\$000's)				
	Retail	Group Net	Member	Total	Firm % of Total	Retail	Group Net	Member	Total	Firm % of Total
Citi	2,805	959,490	493,645	1,455,940	67.65%	2,265	641,005	132,030	775,300	95.67%
BAML	1,820	-	137,735	139,555	6.48%	1,570	-	15,875	17,445	2.15%
Coastal	-	170	109,825	109,995	5.11%	-	175	250	425	0.05%
JPM	450	-	43,075	43,525	2.02%	450	-	75	525	0.06%
Loop	-	250	30,140	30,390	1.41%	-	250	-	250	0.03%
MS	4,710	-	102,000	106,710	4.96%	3,960	-	250	4,210	0.52%
Piper	-	8,500	57,665	66,165	3.07%	-	2,000	270	2,270	0.28%
RBC	380	-	78,390	78,770	3.66%	255	-	7,740	7,995	0.99%
SAMCO	-	-	74,465	74,465	3.46%	-	-	490	490	0.06%
Siebert	1,500	-	45,000	46,500	2.16%	1,500	-	-	1,500	0.19%
<b>Total</b>	<b>11,665</b>	<b>968,410</b>	<b>1,171,940</b>	<b>2,152,015</b>	<b>100.00%</b>	<b>10,000</b>	<b>643,430</b>	<b>156,980</b>	<b>810,410</b>	<b>100.00%</b>

# Orders and Allotments by Series - Detail

## Series 2015A

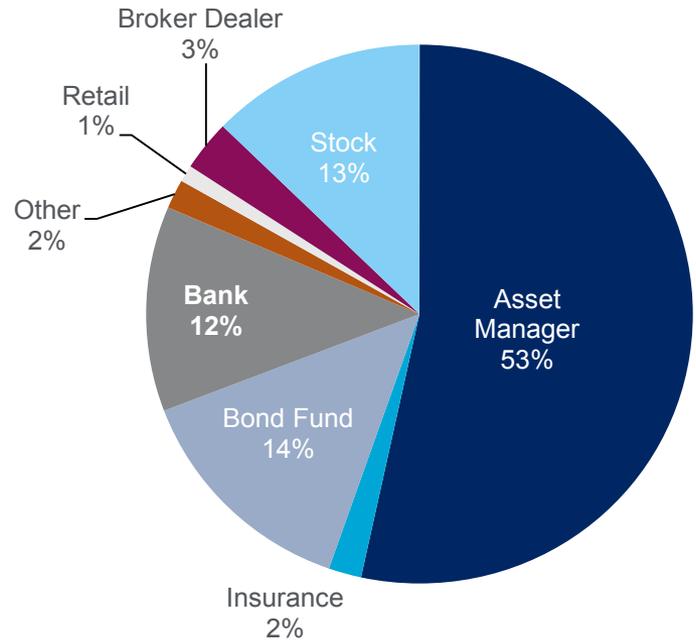
Manager	Orders (\$000's)				Allotments (\$000's)			
	Retail	Group Net	Member	Total	Retail	Group Net	Member	Total
Citi	2,805	947,640	492,520	1,442,965	2,265	631,715	131,555	765,535
BAML	1,820	-	135,735	137,555	1,570	-	15,875	17,445
Coastal	-	-	106,085	106,085	-	-	-	-
JPM	450	-	43,000	43,450	450	-	-	450
Loop	-	250	30,140	30,390	-	250	-	250
MS	4,280	-	100,000	104,280	3,530	-	-	3,530
Piper	-	8,500	56,500	65,000	-	2,000	-	2,000
RBC	-	-	77,740	77,740	-	-	7,740	7,740
SAMCO	-	-	70,000	70,000	-	-	-	-
Siebert	1,500	-	45,000	46,500	1,500	-	-	1,500
<b>Total</b>	<b>10,855</b>	<b>956,390</b>	<b>1,156,720</b>	<b>2,123,965</b>	<b>9,315</b>	<b>633,965</b>	<b>155,170</b>	<b>798,450</b>

## Series 2015B

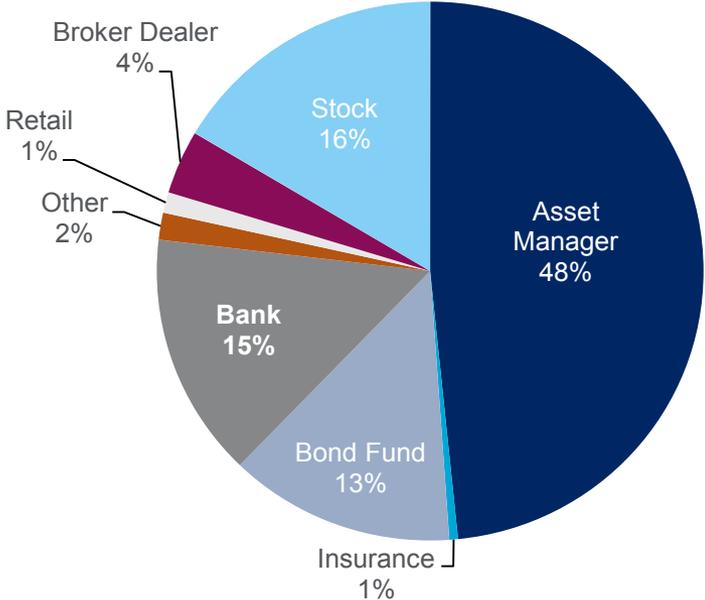
Manager	Orders (\$000's)				Allotments (\$000's)			
	Retail	Group Net	Member	Total	Retail	Group Net	Member	Total
Citi	-	11,850	1,125	12,975	-	9,290	475	9,765
BAML	-	-	2,000	2,000	-	-	-	-
Coastal	-	170	3,740	3,910	-	175	250	425
JPM	-	-	75	75	-	-	75	75
Loop	-	-	-	-	-	-	-	-
MS	430	-	2,000	2,430	430	-	250	680
Piper	-	-	1,165	1,165	-	-	270	270
RBC	380	-	650	1,030	255	-	-	255
SAMCO	-	-	4,465	4,465	-	-	490	490
Siebert	-	-	-	-	-	-	-	-
<b>Total</b>	<b>810</b>	<b>12,020</b>	<b>15,220</b>	<b>28,050</b>	<b>685</b>	<b>9,465</b>	<b>1,810</b>	<b>11,960</b>

# Orders and Allotments by Investor Type

Orders by Type of Investor



Allotments by Type of Investor



# Summary of Compensation and Expenses

## Breakdown of Underwriting Spread

	\$ / Bond	Amount
Average Takedown	\$3.4323	\$2,781,600.25
Expenses	0.3423	277,367.30
Management Fee	0.0000	0.00
<b>Total</b>	<b>\$3.7746</b>	<b>\$3,058,967.55</b>

## Summary of Compensation

Firm (Liability)	Avg Takedown (\$/Bond)	Group Net*	Member	Total	Firm % of Total
Citigroup (55%)	\$3.4323	\$1,232,609.81	\$503,187.50	\$1,735,797.31	62.40%
BofAMerrill (5%)	3.4323	112,055.44	8,147.50	120,202.94	4.32%
Coastal Securities (5%)	3.4323	112,055.44	1,687.50	113,742.94	4.09%
JP Morgan (5%)	3.4323	112,055.44	1,725.00	113,780.44	4.09%
Loop Capital (5%)	3.4323	112,055.44	-	112,055.44	4.03%
Morgan Stanley (5%)	3.4323	112,055.44	14,520.00	126,575.44	4.55%
Piper Jaffray (5%)	3.4323	112,055.44	1,350.00	113,405.44	4.08%
RBC Capital Markets (5%)	3.4323	112,055.44	1,999.00	114,054.44	4.10%
SAMCO Capital Markets (5%)	3.4323	112,055.44	2,250.00	114,305.44	4.11%
Siebert Brandford Shank (5%)	3.4323	112,055.44	5,625.00	117,680.44	4.23%
<b>Total</b>		<b>\$2,241,108.75</b>	<b>\$540,491.50</b>	<b>\$2,781,600.25</b>	<b>100.00%</b>

\*Sales credit for Group Net orders is based on underwriting liabilities

# SWIRFT's Unique Features Establish Strong Credit

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**1 TWDB has over 58 years of Experience Managing Pooled Loan Programs with No Defaults**

**2 Solid Legal Framework for SWIFT/SWIRFT Program**

- SWIFT Funds are Constitutionally Protected Funds
- SWIFT Transfers Utilized to Provide Security for SWIRFT Bonds
- Funds from SWIFT are Transferred at each Bond Closing to Secure Bonds for Life of Issue

**3 Strong Financial Structure and Security for the Series 2015 Bonds**

- AAA/AAA Ratings by Fitch and Standard & Poor's
- Bond Proceeds Fund Projects for Essential Service Utilities
- Diverse Portfolio of Program Participants (52% AAA, 26.5% AA, 13% A, 8.5% Non-rated - S&P Ratings)

**4 SWIFT/SWIRFT Enjoys Solid Public and Political Support**

- Overwhelming Statewide Voter Approval
- Legislative Participation and Oversight
- Full Time Board Members with Professional and Active Management Team
- Visible and Essential Community Investments

# 2015 SWIRFT Savings to borrower

Applicant	Total Closing Amount	Savings <sup>(b)</sup>
Brazosport Water Authority	\$5,605,000	\$708,509
Canyon Regional Water Authority	42,000,000	5,635,057
Central Harris County Regional Water Authority	10,805,000	1,438,865
City of Bedford	30,000,000	4,002,142
City of Fort Worth	13,000,000	821,832
City of Houston	25,915,000	3,410,753
City of Marfa	705,000	87,888
Coastal Water Authority	66,565,000	(a)
El Paso Water Utilities	50,000,000	5,287,105
Greater Texoma Utility Authority, City of Tom Bean	1,210,000	156,571
Guadalupe Blanco River Authority	2,000,000	562,936
Hays Caldwell Public Utility Agency	3,960,000	455,617
Hays Caldwell Public Utility Agency	3,530,000	471,017
Hidalgo County Irrigation District #1	7,100,000	916,215
Lone Star Regional Water Authority	4,590,000	635,817
Lone Star Regional Water Authority (Taxable)	940,000	160,628
Lone Star Regional Water Authority	18,350,000	(a)
Lone Star Regional Water Authority (Taxable)	3,760,000	(a)
North Fort Bend Water Authority	8,670,000	1,124,693
North Harris County Regional Water Authority	80,435,000	9,881,742
Palo Pinto County Municipal Water District #1	9,915,000	1,311,181
Palo Pinto County Municipal Water District #1 (Taxable)	7,185,000	1,134,443
Tarrant Regional Water District	440,000,000	58,061,108
Upper Trinity Regional Water District	15,565,000	(a)
Upper Trinity Regional Water District	29,115,000	8,301,303
West Harris County Regional Water Authority	18,740,000	2,114,092
<b>Total</b>	<b>\$899,660,000</b>	<b>\$106,679,514</b>

(a) For Board Participation no savings calculations have been included due to the structure of the financing. This type of financing does not receive subsidy.

(b) Savings are calculated based on TWDB's cost of funds and does not reflect any additional savings that may be realized based on the difference between interest rates the program participants would have realized in the market and that of the TWDB's AAA rates.

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