

**TO:** Board Members

**THROUGH:** Kevin Patteson, Executive Administrator

**FROM:** Cindy Demers, Chief Financial Officer

**DATE:** November 19, 2015

**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 \$50,000,000 for the Economically Distressed Area Program (EDAP); and (b) approving the selection of financial advisor, bond counsels and senior managing underwriter 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 84<sup>th</sup> 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. 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. The proposed par of \$50 million is a “not to exceed” amount 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. For inclusion in the bond sale, each borrower will be required to execute a financing agreement within a limited time frame. 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, Norton Rose Fulbright, as disclosure counsel, and Escamilla & Poneck as bond counsel.

Staff recommends Piper Jaffray, Inc. to serve as senior managing underwriter for the transaction.

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.

Attachment(s):           1 – EDAP Commitments and Applications

Attachment 1 – EDAP Commitments and Applications as of 11/15/2015

**Committed Unclosed**

Team	IUP	Authority	Project ID	Commitment Number	Commitment Date	Anticip. Closing Date	Amount
1		Melvin	10451	L1000426	3/26/2015	11/30/2015	\$ 170,000.00
3		Airline ID	10440		10/28/2015	3/1/2016	\$ 475,000.00
1		Tahoka	10420	G1000449	7/23/2015	11/15/2016	\$ 6,314,000.00
2		Glen Rose	10434		10/28/2015	3/1/2016	\$ 7,040,000.00
<b>Total Unclosed EDAP Commitments:</b>							<b>\$ 13,999,000.00</b>

**EDAP Applications in House:**

Team	Authority	Project ID	Application Complete Date	Anticipated Board Date	Amount Requested
2	Mooreville WSC	10442	9/15/2015	12/1/2015	\$ 731,000.00
1	El Paso Montana Vista	10438	10/19/2015	12/1/2015	\$ 2,800,000.00
5	Nueces River	72045	9/22/2014	12/14/2015	\$ 16,547,000.00
2	Kosse	10437	9/25/2015	12/14/2015	\$ 2,100,000.00
5	Kerr County	10366	10/6/2015	12/14/2015	\$ 29,761,646.00
6	Olmito WSC	10453	5/18/2015		\$ 2,430,000.00
4	Moore Station WSC	10452	8/31/2015		\$ 927,360.00
<b>Total EDAP Applications in house:</b>					<b>\$ 55,297,006.00</b>