

Texas Water Development Board



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TO: Board Members

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

FROM: Georgia Sanchez, Development Fund Manager

DATE: March 14, 2019

SUBJECT: Authorization to begin work on the proposed 2019 Water Financial Assistance Refunding Bonds

ACTION REQUESTED

Consider authorizing the Executive Administrator, Chief Financial Officer, General Counsel and Development Fund Manager to take all necessary actions for the issuance, sale and delivery of State of Texas Water Financial Assistance Refunding Bonds in one or more series; and approving the selection of financial advisor, bond counsel, disclosure counsel, senior managing underwriter, and co-managing underwriters for the negotiation of the bond issue.

BACKGROUND

The Texas Water Development Board (TWDB) is authorized to issue general obligation bonds under Article III, Sections 49-d-8, 49-d-9, 49-d-10, and 49-d-11 of the Texas Constitution and Subchapter L of Chapter 17 of the Texas Water Code, as amended.

Per the TWDB Debt Management Policy, the agency may refund bonds for savings or programmatic reasons. While the policy requires that the TWDB consider a net savings present value threshold of 2% for any refunding transaction, a refunding that does not produce a 2% minimal net present value savings may be considered if it achieves other benefits, such as eliminating restrictive covenants. It is anticipated that this transaction will exceed the 2% net savings present value threshold.

KEY ISSUES

The proposed use of the net proceeds of the bonds is to refund currently-callable Texas Water Development Board Water Financial Assistance Bonds and pay costs of issuance.

Hilltop Securities Inc. is recommended to serve as financial advisor, Norton Rose Fulbright US LLP as bond counsel, and Bracewell LLP as disclosure counsel.

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

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Wells Fargo Securities is recommended to serve as senior managing underwriter for the transaction. Recommended co-managing underwriters include J.P. Morgan, Ramirez & Co.; Hutchinson, Shockey, Erley & Co.; and Mesirow Financial.

With Board approval, staff will finalize a timeline, engage the service providers, undertake the debt issuance process as required by the Bond Review Board, and take other necessary steps to prepare the bonds for issuance and sale. The Executive Administrator will return to the Board for adoption of associated resolutions and approval of the Preliminary Official Statement for any series to be issued under this authorization.

RECOMMENDATION

In order to ensure a successful issuance of the Water Financial Assistance Refunding Bonds, the Executive Administrator recommends authorizing the Executive Administrator, Chief Financial Officer, General Counsel, and Development Fund Manager to take all necessary actions for the issuance, sale and delivery of State of Texas Water Financial Assistance Refunding Bonds in one or more series; and approve the selection of Hilltop Securities Inc. as financial advisor, Norton Rose Fulbright US LLP as bond counsel, Bracewell LLP as disclosure counsel, Wells Fargo Securities as senior managing underwriter, and J.P. Morgan, Ramirez & Co.; Hutchinson, Shockey, Erley & Co.; and Mesirow Financial as co-managing underwriters.