

AGENDA ITEM MEMO

BOARD MEETING DATE: November 19, 2020

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Rebecca Trevino, Chief Financial Officer

FROM: LeeRoy Lopez, Accounting Director

SUBJECT: Authorization to amend Wells Fargo Depository Trust Custody (DTC)
Account Services Contract
Ref: Contract No. 1900012372

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute a contract amendment with Wells Fargo Brokerage Services, LLC (Wells Fargo) to increase the FY20 budget by \$20,000 and establish the FY21 budget at a maximum of \$350,000 for the purposes of registering and safekeeping political subdivision obligations (PSOs) for all financing programs except the State Water Implementation Revenue Fund for Texas (SWIRFT).

BACKGROUND

The Texas Water Development Board (TWDB) registers PSOs issued by entities participating in its financing programs with the Depository Trust and Clearing Corporation (DTCC) and uses its clearing services for processing principal and interest payments of its PSOs. Utilization of DTCC's clearing services improves agency efficiency by eliminating manual processing and facilitating financial reporting. Because TWDB is not formally classified as a banking institution, it accesses the DTCC system via a contractual relationship with Wells Fargo.

The contract for these services was procured during fiscal year 2018 and commenced September 1, 2019 for a three-year term; budget capacity is added annually.

Services are billed on a quarterly basis and the majority of the costs are determined by the number of CUSIPs held in TWDB accounts. In addition to the cost per CUSIP, the agreement authorizes a surcharge when TWDB is unable to register securities in accordance with DTC's standard timeframes.

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Leading the state's efforts in ensuring a secure water future for Texas and its citizens

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Jeff Walker, Executive Administrator

KEY ISSUES

The FY20 budget was set at \$300,000, but the final costs are expected to be \$315,785. The overage is due to late registration of three loan closing files which occurred in March as a result of the immediate, unexpected pivot to working from home due to the COVID-19 pandemic. Increasing the FY20 budget by \$20,000 will result in enough budget capacity to complete the FY20 activities.

Based on the number of securities currently held, as well as projected FY21 growth, it is estimated that costs for FY21 will not exceed \$350,000. Costs associated with Development Fund, Economically Distressed Areas, or Water Infrastructure Fund programs will be paid with general revenue, while costs associated with the Clean Water or Drinking Water State Revolving Funds will be paid with 4% administrative funds.

RECOMMENDATION

The Executive Administrator recommends the Board delegate authority to execute a contract amendment increasing the FY20 budget by \$20,000 and establishing an FY21 budget in the amount of \$350,000 for the purposes of registering and settling TWDB's PSOs for all programs except SWIFT.