

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Rebecca Trevino, CPA, Chief Financial Officer
Ashley Harden, General Counsel

FROM: Georgia Sanchez, Director of Debt and Portfolio Management

DATE: February 10, 2021

SUBJECT: Selection of Financial Advisor

ACTION REQUESTED

Consider (a) the selection and approval of a financial advisor to serve the Texas Water Development Board; and (b) authorizing the Executive Administrator to negotiate and enter into a contract with the financial advisor.

BACKGROUND

The Texas Water Development Board (TWDB) selects an external financial advisor through a formal Request for Qualifications (RFQ) process. The financial advisor provides specialized ongoing non-transactional expertise as well as performs duties in connection with a debt transaction, including new money issuances, refundings, calls and defeasances. Specific services and deliverable expectations are outlined in the financial advisor's contract.

On December 2, 2020, a Request for Qualifications (RFQ) was sent to firms listed on the Centralized Master Bidders List and an internal distribution list seeking proposals for financial advisory services. The RFP was posted on the Electronic State Business Daily (ESBD) for 22 days. The following three firms submitted responses:

Hilltop Securities Inc.
PFM Financial Advisors LLC
Tijerina Galvan Lawrence LLC

An internal review team independently reviewed the proposals to develop a recommendation based on the RFQ criteria. The review team's selection of the financial advisor was based on the firm's familiarity and knowledge of TWDB's pooled municipal obligations, experience and qualifications with municipal bonds, qualifications of

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Jeff Walker, Executive Administrator

personnel, and the firm's proposed service plan, including analytical and quantitative capabilities. The review team ranked Hilltop Securities Inc. as the highest scoring firm.

The proposed initial term of the service period is two years, expected to cover the period from March 1, 2021 through February 28, 2023 in an estimated amount of \$1,960,000, with three 1-year renewal options in an estimated amount of \$980,000 each, for a total five-year contract amount not to exceed \$4,900,000.

The vast majority of payments expected to be made under the financial advisor contract will be paid from bond proceeds, subsequent to each transaction facilitated. It is anticipated that the TWDB may enter the market up to five times a year, through various programs, during the contract period to meet the state's water and wastewater infrastructure financing needs. A small portion of contract payments may be paid from general revenue or other sources for requested special projects unrelated to a bond sale, such as an in-depth staff training module or data validation project.

RECOMMENDATION

In order to obtain specialized services relating to bond transactions and related issues and based on the review of the submitted RFQs, the Executive Administrator recommends (a) selection of Hilltop Securities Inc. as financial advisor; and (b) authorization for the Executive Administrator to negotiate and enter into a financial advisory consultant contract.