

TO: Board Members

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

FROM: Georgia Sanchez, Development Fund Manager

DATE: May 20, 2021

SUBJECT: Authorization to begin work on the proposed sale of 2021 Water Financial Assistance and 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 and 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 bonds.

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, to provide additional funding for the Financial Assistance Account of the Development Fund II program, and pay costs of issuance.

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

Board Members

Brooke T. Paup, Chairwoman | Kathleen Jackson, Board Member

Jeff Walker, Executive Administrator

Early planning and preparation are necessary to ensure a successful bond sale and selecting the financial advisor, bond counsel, and disclosure counsel at this time provides sufficient time for coordination and preparation of legal and disclosure documents, the rating agency process, and other activities.

Hilltop Securities Inc. is recommended to serve as financial advisor, Orrick, Herrington & Sutcliffe LLP as bond counsel, and Bracewell LLP as disclosure counsel.

Raymond James & Associates, Inc. is recommended to serve as senior managing underwriter for the transaction. Recommended co-managing underwriters include Robert W. Baird & Co. LLC, FHN Financial Capital Markets, Piper Sandler & Co., and Stifel, Nicolaus & Company, Inc.

With approval of this item, staff will finalize the timeline, engage the service providers, obtain ratings, complete the debt issuance process as required by the Bond Review Board, update the investor outreach website (via BondLink), and take other necessary steps to prepare the bonds for issuance and sale. The Executive Administrator will return with a request to adopt the associated bond resolution(s) 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 and 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 approving the selection of financial advisor, bond counsel, disclosure counsel, and senior and co-managing underwriters.