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AGENDA ITEM MEMO

BOARD MEETING DATE: August 15, 2024

TO: Board Members

THROUGH: Bryan McMath, Interim Executive Administrator
Ashley Harden, General Counsel
Rebecca Trevino, Chief Financial Officer

FROM: LeeRoy Lopez, Accounting Director

SUBJECT: Contract for Financial Custodian Services

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute a contract with Computershare for the purpose of registering and safekeeping political subdivision obligations (PSOs) for a one-year term beginning September 1, 2024, at a cost of \$420,000, and authorizing the execution of up to four additional one-year renewal options per the contract terms, for a total contract amount not to exceed \$2,000,000.

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 requires accessing the DTCC system via a contractual relationship with a custodial bank.

The proposed contract is the result of a Request for Proposals (RFP) for Financial Custodial Services. The Procurement and Contract Services Division published the RFP on June 8, 2024, and received two responses from eligible vendors. After completing the administrative and technical review, Computershare was the highest scoring respondent and is the recommended vendor to provide this service.

The contract terms as outlined in Section 2.4 of the RFP state that the initial term will begin upon execution of the contract through August 31, 2025, with up to four (4) optional renewal terms as listed below.

Our Mission

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

Board Members

Brooke T. Paup, Chairwoman | L'Oreal Stepney, P.E., Board Member
Bryan McMath, Interim Executive Administrator

First Optional Renewal Period: September 1, 2025, through August 31, 2026
Second Optional Renewal Period: September 1, 2026, through August 31, 2027
Third Optional Renewal Period: September 1, 2027, through August 31, 2028
Fourth Optional Renewal Period: September 1, 2028, through August 31, 2029

KEY ISSUES

Based on the number of securities currently held as well as projected growth, it is estimated that costs will not exceed \$2,000,000 in total for fiscal years 2025-2029. The contract will be utilized by all state and federal financial programs with the exception of the State Water Implementation Fund for Texas (SWIFT).

RECOMMENDATION

To receive PSO registration and safekeeping services, the Executive Administrator recommends authorizing the Executive Administrator to execute a contract with Computershare for a one-year term beginning September 1, 2024, at a cost of \$420,000, and authorizing execution of up to four additional one-year renewal options per the contract terms, for a total contract amount not to exceed \$2,000,000.