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AGENDA ITEM MEMO

BOARD MEETING DATE: March 13, 2025

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Georgia Sanchez, Interim Chief Financial Officer

FROM: David Duran, Director, Debt and Portfolio Management
Thomas Quick, Financial Analyst, Debt and Portfolio Management

SUBJECT: Authorization to begin work on the proposed sale of 2025 Water Financial Assistance and Refunding Bonds

ACTION REQUESTED

Consider authorizing the Executive Administrator, Chief Financial Officer, General Counsel, Development Fund Manager, and Director of Debt and Portfolio Management 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, 49-d-11, and 49-d-14 of the Texas Constitution and Subchapter L of Chapter 17 of the Texas Water Code, as amended.

The 87th Legislature provided authority and appropriations sufficient to issue bonds for the Economically Distressed Areas Program (EDAP) in the fiscal 2024-2025 biennium.

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 percent for any refunding transaction, a refunding that does not produce a 2 percent 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 percent net savings present value threshold.

Our Mission	:	Board Members
Leading the state's efforts	:	L'Oreal Stepney, P.E., Chairwoman Tonya R. Miller, Board Member
in ensuring a secure	:	
water future for Texas	:	Bryan McMath, Executive Administrator

KEY ISSUES

The proposed uses of the net proceeds of the bonds are to provide additional funding for the Financial Assistance Account of the Development Fund II program, to fund EDAP projects, refund currently callable Texas Water Development Board Water Financial Assistance Bonds, and pay costs of issuance.

Early planning and preparation are necessary to ensure a successful bond sale. 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.

J.P. Morgan is recommended to serve as senior managing underwriter for the transaction. Recommended co-managing underwriters include BOK Financial Securities, Inc., FHN Financial Capital Markets, Mesirow Financial, Piper Sandler & Co., and Frost Bank.

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 seek approval of the Preliminary Official Statement for any series to be issued under this authorization.

RECOMMENDATION

The Executive Administrator recommends authorizing the Executive Administrator, Chief Financial Officer, General Counsel, Development Fund Manager, and Director of Debt and Portfolio Management 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, and senior and co-managing underwriters.