

AGENDA ITEM MEMO

BOARD MEETING DATE: March 9, 2023

TO: Board Members

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

FROM: Georgia Sanchez, Development Fund Manager
David Duran, Team Lead

SUBJECT: Texas Water Development Board State Revolving Fund Revenue Bonds

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board State Revolving Fund Revenue Bonds, in one or more series; (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, Chief Financial Officer, Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of multiple series of such bonds.

BACKGROUND

Authorization was previously received to initiate the bond issuance process to provide funding for eligible projects through the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF), state matching funds for projected federal CWSRF and DWSRF capitalization grants, and costs of issuance. Hilltop Securities Inc. was selected to serve as financial advisor, McCall, Parkhurst & Horton L.L.P. was selected to serve as bond counsel, and Bracewell LLP was selected to serve as disclosure counsel. RBC Capital Markets was selected to serve as senior managing underwriter for the transaction. Jefferies, Mesirow Financial, Inc., Morgan Stanley, Piper Sandler & Co., and Raymond James were selected to serve as co-managing underwriters.

Staff, in coordination with the consultants, has drafted and attached the required documents, including a supplemental bond resolution and Preliminary Official Statement. Upon approval, a formal Notice of Intent to issue debt will be provided to the Bond Review

Our Mission

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

Board Members

Brooke T. Paup, Chairwoman | George B. Peyton V, Board Member | L'Oreal Stepney, P.E., Board Member
Jeff Walker, Executive Administrator

Board (BRB), and approval is expected from the BRB in advance of posting the Preliminary Official Statement. Legislative Budget Board approval is not required for this transaction. Staff anticipates non-substantive edits to update the bond documents prior to publication.

KEY ISSUES

While the par and premium amounts will be adjusted at the time of pricing due to final projected needs and market considerations, the total principal not-to-exceed amount is \$350 million.

The costs of issuance for the transaction have been estimated at a not-to-exceed of \$4.25 per bond for the underwriter's discount and \$785,000 for all other transaction-related fees and expenses. The estimated costs of issuance are appropriate but may be negotiated further based on market conditions at the time of pricing.

Below is a short summary of the preliminary schedule of events currently anticipated for this transaction:

- **March 9, 2023** Board considers bond sale resolution/documents
- **May 8, 2023** Bond pricing initiation
- **May 9, 2023** Bond pricing
- **May 25, 2023** Closing and delivery of the bonds

RECOMMENDATION

In order to provide low-cost financing in a timely manner for eligible projects through the CWSRF and DWSRF, state matching funds for projected CWSRF and DWSRF capitalization grants, and costs of issuance, the Executive Administrator recommends approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board State Revolving Fund Revenue Bonds, in one or more series; (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, Chief Financial Officer, Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

Attachments:

1. Draft Bond Resolution
2. Draft Preliminary Official Statement