

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
Alejandro Imatzu, Senior Financial Analyst

SUBJECT: General Obligation new money and refunding Series 2023 Bond Sale

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of State of Texas, General Obligation Water Financial Assistance and Refunding Bonds, Series 2023A, Series 2023B, and Series 2023C (Economically Distressed Areas Program); (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, and 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.

BACKGROUND

The 87th Legislature provided appropriations sufficient to provide \$100,000,000 in funding for Economically Distressed Areas Program (EDAP) in the fiscal 2022-23 biennium.

On December 15, 2022, the Board approved a prioritization of requests for EDAP financial assistance. The total amount of financial assistance requested by these applicants was approximately \$532 million, of which approximately \$290 million was deemed eligible for funding.

On February 2, 2023, approval was received to initiate the process for the issuance of General Obligation bonds to provide funding for EDAP applicants, as well as additional funding for the Financial Assistance Account of the Water Development Fund (DFund) program and to pay costs of issuance.

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

Hilltop Securities Inc. was selected to serve as financial advisor, Orrick, Herrington & Sutcliffe LLP as bond counsel, and Bracewell LLP as disclosure counsel. The selection of an underwriting syndicate, led by senior manager Siebert Williams Shank & Co., LLC, included BOK Financial Securities, Inc., Ramirez & Co., Inc., and Wells Fargo Securities .

The required documents, including the bond resolutions and Preliminary Official Statement have been drafted and are included as attachments. After approval by the Board, a request for issuance approval will be provided to the Legislative Budget Board (LBB), and a formal Notice of Intent to issue debt will be provided to the Bond Review Board (BRB). Approval is expected from the LBB and BRB in advance of posting the Preliminary Official Statement. 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 market considerations, total par for the new money and refunding series combined will not exceed \$190,000,000. Final bond sizing will also be influenced by the amount and terms of financial assistance formally requested by the entities receiving funds through DFund and EDAP.

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 \$645,000 for all other transaction-related fees and expenses. The estimated costs of issuance are appropriate and 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:

- **February 2** TWDB initiated bond issuance process and selected consultants
- **March 9** TWDB considers approval of issuance/documents
- **June 20** Bond pricing initiation
- **June 21** Bond pricing
- **July 6** Closing and delivery of the bonds
- **July 13** TWDB adopts lending rate scales

RECOMMENDATION

In order to realize savings in the DFund, and to provide additional funding for the EDAP and DFund programs, the Executive Administrator recommends approving by resolution: (a) the issuance, sale and delivery of State of Texas, General Obligation Water Financial Assistance and Refunding Bonds, Series 2023A, Series 2023B, and Series 2023C (Economically Distressed Areas Program); (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, and Development Fund Manager to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

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Attachments:

1. Series 2023A Draft Bond Resolution
2. Series 2023B Draft Bond Resolution
3. Series 2023C Draft Bond Resolution
4. Draft Preliminary Official Statement