



DATA SHEET
Agenda No. 9.

Meeting Date: December 6, 2018

Agenda Item:

Consider approval of the Parameters Resolution for proposed sale of Revenue Bonds in a combined maximum amount of \$32,000,000 to provide funds for approximately \$17,500,000 for expansion of the Doe Branch Plant and approximately \$14,500,000 of Refunding Bonds for the Northeast Regional Water Reclamation System.

Placement: <input type="checkbox"/> Consent <input checked="" type="checkbox"/> Individual Consideration <input type="checkbox"/> Executive Session
Vote: <input type="checkbox"/> Non-Weighted <input checked="" type="checkbox"/> Weighted Capital
Recommending Department: Business

Background:

At the Board's September meeting a Parameters Resolution was presented and approved for a proposed sale of bonds for the expansion of the Doe Branch plant (from 2 to 4 MGD) in the Northeast Regional Water Reclamation System. Since that time there have been some modifications of participation in the plant and the bond market has seen movement which effects the refunding opportunities. Current participants in the expansion are Celina, FWSD #10 and Mustang SUD. Mustang SUD and FWSD #10 are providing funding while Celina's portion of the expansion costs will be financed by District issued bonds. The \$17.5 million in Revenue Bonds is needed to fund Celina's portion, costs related to reserve for future use capacity, capitalized interest, deposit to debt service reserve and issuance costs for the project.

The Series 2007 and Series 2014 Bonds of the Northeast Regional Water Reclamation System have been identified for a refunding opportunity. Potentially, a portion of the bonds would refund the outstanding principal amount of Bonds (Series 2007 and 2014) owed by the District in order to save money through lower interest rates. Currently the total refunding produces approximately \$390,000 in savings or, an average of \$19,500 per year over the life of the refunded bonds. Based on current interest rates, refunding only the Series 2007 bonds achieve the Staff's recommended savings parameter of 3%. If the market changes in the District's favor after the first issue of bonds, the District has 180 days to move forward with another series of bonds to refund the 2014 Bonds.

As in recent successful bond issues for both "new money" and refundings, the District's Financial Advisor (Hilltop Securities) recommends a "parameter" authorization for the bonds. Sale of Revenue Bonds for "new money" and the Refunding would be subject to the limitations of several parameters set forth in the Bond Resolution. The most significant of the parameters are as follows:

- 1) The true interest cost of the bonds for the "new money" will not exceed 5.00%.
- 2) The aggregate principal amount of the bonds for the "new money" will not exceed \$17.5 million, including bond issuance costs.
- 3) No bonds for the "new money" will have a maturity beyond 2048.
- 4) The net present value savings of the Refunded Bonds shall not be less than 3.00%
- 5) The aggregate principal amount of the Refunding Bonds will not exceed \$14.5 million.
- 6) No Refunding Bonds will have a maturity beyond the original maturity of the bonds being refunded.

Since refundings are dependent on market conditions, Hilltop Securities has recommended that the Executive Director and Treasurer (or other Board Officer) be given authority (as the "Pricing Committee") to execute the sale based on the recommendation of the Financial Advisor. Authority would be based on parameters set forth in the Bond Resolution in Section 8.01 -- primarily addressing aggregate principal amounts, interest rate maximum, and amount of debt service savings.

Financial:

Upon approval of the Resolution (Sections 3.01 and 8.01 enclosed), the financing team will proceed with the preparatory steps for issuance of the Bonds on a negotiated basis. The proposed Resolution limits the bond issue to a maximum of \$32.0 million.

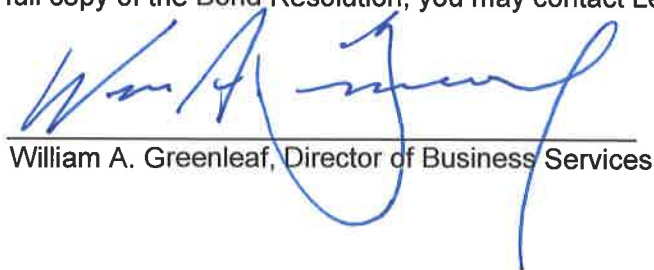
Recommendation:

Recommend approval of the proposed Resolution authorizing the issuance of revenue bonds for the Northeast Regional Water Reclamation System, subject to specified parameters. Actual issuance would be authorized by the Pricing Committee upon confirmation that the specified parameters are met and to fulfill the need for timely financing.

Enclosures:

Sections 3.01 and 8.01 of the Bond Resolution – remaining sections are standard verbiage. If you wish to have a full copy of the Bond Resolution, you may contact Lester Harris or Bill Greenleaf.

Submitted By:



William A. Greenleaf, Director of Business Services

Date: November 30, 2018

Section 2.02. Parity Bonds as Special Obligations.

The Parity Bonds are special obligations of the District payable solely from the Pledged Revenues, and the Owners thereof shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, other than certain amounts payable under certain of the System Contracts.

Section 2.03. Security Interest.

The District represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the District is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The District covenants that if Chapter 1208.002 is amended at any time while the Parity Bonds are outstanding and unpaid, the District shall take all actions required in order to preserve for the Owners of the Parity Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.01 hereof.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND
PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization.

One or more series of the District's bonds as may be designated and having such title or titles as may be specified in the respective Pricing Certificates for each such series are hereby authorized to be issued and delivered, from time to time, in accordance with the Constitution and laws of the State of Texas, including particularly the Act, and Chapters 1207 and 1371, Texas Government Code. The designation for each such series of Bonds shall contain information identifying the Bonds as Upper Trinity Regional Water District Northeast Regional Water Reclamation System Revenue Bonds. The Bonds, which may be issued as new money bonds, refunding bonds or combination new money and refunding bonds, each as specified by the Pricing Committee in the respective Pricing Certificate for each such series of Bonds shall be issued (a) in an aggregate principal amount not to exceed \$17,500,000 for the purposes of providing funds to acquire, construct, improve and extend the System, including the expansion of the Doe Branch Water Reclamation Plant, (b) in an aggregate principal amount not to exceed \$14,500,000 for the purpose of refunding all or a portion of the Refunded Bond Candidates, (c) making a deposit of capitalized interest to the extent provided in the Pricing Certificate, if any, to the Interest and Sinking Fund, (d) making a deposit to the Reserve Fund, or other funds to the extent provided in the Pricing Certificate, if any, and (e) paying the costs and expenses of issuing the Bonds. The total principal amount of the Bonds to be issued from time to time pursuant to this Resolution shall not exceed \$32,000,000, and the respective Pricing Certificates for each such series or subseries of Bonds shall reflect the amount of the authorization utilized and remaining under this Resolution.

proceeds, including earnings thereon, such amounts shall not be deposited to the Revenue Fund and shall be used only for the purposes for which bond proceeds may be used.

Section 7.11. Deficiencies; Excess Pledged Revenues.

(a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund or the Reserve Fund, such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the various funds when and as required by this Resolution or any resolution authorizing the issuance of any Parity Bonds, any surplus Pledged Revenues may be used by the District for any lawful purpose relating to the System.

ARTICLE VIII

SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS;
APPROVAL OF OFFICIAL STATEMENT

Section 8.01. Sale of Bonds.

(a) The Bonds shall be sold to the Underwriters in one or more series from time to time in accordance with the terms of this Resolution, including this Section 8.01(a). As authorized by the Act and Chapters 1207 and 1371, Texas Government Code, as amended, the Pricing Committee is authorized to act on behalf of the District upon determining that the conditions set forth below can be satisfied, in selling and delivering the Bonds and carrying out the other procedures specified in this Resolution, including determining whether the Bonds shall be sold in a negotiated or competitive sale, the price at which each of the Bonds will be sold, the number and designation of each series of Bonds to be issued, from time to time, the form in which the Bonds shall be issued, the years and dates on which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Refunded Bonds and the aggregate principal amount of the Bonds, the rate of interest to be borne by each maturity of the Bonds, the first interest payment date, the dates, prices and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District and shall be subject to mandatory sinking fund redemption, and all other matters relating to the issuance, sale and delivery of the Bonds, including the refunding of the Refunded Bonds, the acquisition of municipal bond insurance for all or any portion of the Bonds, if beneficial, and providing for the terms and provisions thereof applicable to the Bonds (including the execution of any commitment agreements, membership agreements in mutual insurance companies, and other similar agreements), all of which shall be specified in the Pricing Certificate; provided that the following conditions can be satisfied:

(i) the true interest cost of the Bonds shall not exceed 5.000% per annum; provided that the net effective interest rate on the Bonds shall not exceed the maximum rate set forth in Chapter 1204, Texas Government Code, as amended;

(ii) the aggregate principal amount of the Bonds authorized to be issued, whether in one or more series, for the purposes described in Section 3.01 shall not exceed \$32,000,000;

(iii) the aggregate principal amount of the new money Bonds authorized to be issued, whether in one or more series, for the purposes described in Section 3.01(i) shall not exceed \$17,500,000;

(iv) the aggregate principal amount of the refunding Bonds authorized to be issued, whether in one or more series, for the purposes described in Section 3.01(ii) shall not exceed \$14,500,000;

(v) the refunding of the Refunded Bonds shall produce a total net present value debt service savings of at least 3.00% of the principal amount of the Refunded Bonds;

(vi) the new money Bonds authorized to be issued pursuant to Section 3.01(i) shall mature not later than August 1, 2048;

(vii) the refunding Bonds authorized to be issued pursuant to Section 3.01(ii) shall mature not later than the final maturity of the Refunded Bonds being refunded;

(viii) prior to delivery of the Bonds to the Underwriters, but only to the extent the District is utilizing the authority of Chapter 1371, the Bonds must have been rated by a national recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations; and

(ix) all such terms and determinations pertaining to the pricing of the Bonds shall be based on bond market conditions and available interest rates for the Bonds on the date of the sale of the Bonds and taking into account any bond insurance policy, net of the costs of said bond insurance policy, all as set forth in the Pricing Certificate.

The Pricing Committee shall determine whether the Bonds shall be sold by private placement or negotiated or competitive sale. Any member of the Pricing Committee is hereby authorized and directed to execute and deliver on behalf of the District a bond purchase contract (the "Purchase Contract"), providing for the sale of the Bonds to the Underwriters, in such form as determined by the Pricing Committee. The Pricing Committee is hereby authorized and directed to approve the final terms and provisions of the Purchase Contract in accordance with the terms of the Pricing Certificate and this Resolution, which final terms shall be determined to be the most advantageous reasonably attainable by the District, such approval and determination being evidenced by its execution thereof by any member of the Pricing Committee. With regard to such terms and provisions of said Purchase Contract, the Pricing Committee is hereby authorized to come to an agreement with the Underwriters on the following, among other matters:

1. The details of the purchase and sale of the Bonds;
2. The details of the public offering of the Bonds by the Underwriters;

3. The details of an Official Statement (and, if appropriate, any Preliminary Official Statement) relating to the Bonds and the District's Rule 15c2-12 compliance;
4. A security deposit for the Bonds;
5. The representations and warranties of the District to the Underwriters;
6. The details of the delivery of, and payment for, the Bonds;
7. The Underwriters' obligations under the Purchase Contract;
8. The certain conditions to the obligations of the District under the Purchase Contract;
9. Termination of the Purchase Contract;
10. Particular covenants of the District;
11. The survival of representations made in the Purchase Contract;
12. The payment of any expenses relating to the Purchase Contract;
13. Notices; and
14. Any and all such other details that are found by the Pricing Committee to be necessary and advisable for the purchase and sale of the Bonds.

The authority granted to the Pricing Committee under this Section 8.01(a) shall expire on a date 180 days from the date of this Resolution, unless otherwise extended by the Board by separate action.

(b) The Executive Director, Director of Business Services, President, Vice-President, Secretary and Treasurer of the Board are hereby authorized to prepare and complete a Preliminary Official Statement and any addenda, supplement or amendment thereto. Such Preliminary Official Statement as prepared by such parties is hereby approved. The District's Executive Director, Director of Business Services, President, Vice-President, Secretary and Treasurer of the Board, are each authorized to complete the Preliminary Official Statement with such modifications, completions, changes and supplements, as those persons shall approve or authorize for the purpose of preparing and determining and to certify or otherwise represent that the revised Preliminary Official Statement is a "deemed final" official statement as of its date within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2 12 under the Securities Exchange Act of 1934, as amended. The use and distribution of the revised Preliminary Official Statement in the public offering of the Bonds by the Underwriters is hereby authorized. Each of the Executive Director, Director of Business Services, the President, Vice-President, Secretary and Treasurer of the Board, are each of them hereby authorized and directed to use and distribute or authorize the use and distribution of the final Official Statement and any addenda, supplement or amendment thereto (the "Official Statement") and to execute the same and deliver appropriate numbers of executed copies thereof to the Underwriters of the Bonds. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Executive Director, Director of Business Services, President, Vice-President, Secretary and Treasurer of the Board, and the Underwriters, may be used by the Underwriters in the public offering and sale thereof. The Executive Director, Director of Business Services, President, Vice-President, Secretary and Treasurer of the Board are hereby authorized and directed to use and distribute or authorize the use and distribution of the final Official Statement and any addenda, supplement or amendment thereto (the "Official Statement") and to execute the same and deliver appropriate numbers of executed copies thereof to the Underwriters of

the Bonds. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by any of the Executive Director, Director of Business Services, President, Vice-President or Secretary or Treasurer of the Board and the Underwriters, may be used by the Underwriters in the public offering and sale thereof.

(c) All officers of the District are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms of sale therefor.

(d) The obligation of the Underwriters to accept delivery of the Bonds is subject to the Underwriters being furnished with the final, approving opinion of Bracewell LLP and Boyle & Lowry, L.L.P., Co-Bond Counsel, which opinion shall be dated and delivered on the Closing Date

Section 8.02. Control and Delivery of Bonds.

(a) The President of the District and any member of the Pricing Committee are each hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the District is hereby authorized and directed to issue a check of the District payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount not to exceed \$9,500).

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the Underwriters under and subject to the general supervision and direction of the President of the District or any member of the Pricing Committee, against receipt by the District of all amounts due to the District under the terms of sale.

Section 8.03. Deposit of Proceeds.

The proceeds of the Bonds received on the Closing Date shall be applied as follows:

(a) All amounts received representing accrued interest on the Bonds, if any, shall be deposited to the Interest and Sinking Fund; deposited to the Interest and Sinking Fund;

(b) An amount, if any, set forth in the Pricing Certificate, shall be deposited to the Reserve Fund;

(c) Capitalized interest in the amount, if any, set forth in the Pricing Certificate shall be deposited to the Interest and Sinking Fund;

(d) An amount as set forth in the Pricing Certificate shall be deposited to the Project Fund for the purposes specified in Section 3.01(a)(i);