



Allens Creek Short-Term Financing

***Presented by
David Thompson
Chief Financial Officer***

Meeting Date: July 31, 2023



Short-Term Financing

- Under Federal tax law, an entity only has 18 months from the expenditure date to “reimburse” itself from tax-exempt debt proceeds.
- The Brazos River Authority paid \$46 million to the City of Houston on May 2, 2022, therefore reimbursement must be by November 2, 2023.
- No guarantee TWDB financing will close as scheduled and missing close date by even one day would have major consequences.
- To preserve the ability to sell tax-exempt bonds for this acquisition, the Brazos River Authority wants to secure a short-term debt issuance.
- Maturity date of 2/15/24 to be in parity with existing debt but will be callable and will be refunded with the proceeds from TWDB debt on its expected closing date of November 2, 2023.

Short-Term Financing

- **Financial advisor talked to various banks regarding short-term borrowing.**
- **PNC Bank, NA was recommended by our financial advisor because they submitted the lowest rate.**
- **Estimated interest expense is from the anticipated August 22nd close date thru expected receipt of the proceeds from the TWDB.**

Estimated Short-Term Financing Cost

• Estimated interest payments*	\$ 530,000
• Estimated interest earnings**	\$(455,000)
• Estimated cost of issuance	<u>\$ 280,000</u>
• Net estimated cost ***	\$ 355,000

*Based on fixed rate of 5.92% from August 22nd through October 16th and an estimated variable rate of 5.92% from October 17th through November 2nd.

**Based on TexPool rate 5.09%

***Down from estimate of \$850k presented to the Board in January partly due to inclusion of interest earnings.

***RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
BRAZOS RIVER AUTHORITY WATER SUPPLY SYSTEM
REVENUE BOND, TAXABLE NEW SERIES 2023A AND
RESOLVING OTHER MATTERS RELATED THERETO***

“WHEREAS, Brazos River Authority (the “Authority”) was duly created and is lawfully operating under Chapter 8502, Texas Special District Local Laws Code, as amended (the “Act”), pursuant to and in furtherance of the purposes of Article XVI, Section 59 of the Constitution of Texas; and

WHEREAS, the Act authorizes the Authority to issue bonds with respect to the acquisition, purchase, construction, maintenance, repair, improvement, and extension of works, improvements, facilities, plants, buildings, structures, appliances, and property for the purpose of exercising any of its powers and functions under the Act in the manner provided by the Act or any other applicable law; and

WHEREAS, in order to facilitate the conservation and development of the surface waters of the Brazos River, the Authority has heretofore established the Brazos River Water Supply System comprised of various facilities of the Authority; and

WHEREAS, the Authority heretofore pledged revenues derived from said System to the security and payment of its Water Supply System Revenue Bonds, Series 1991 (the “Series 1991 Bonds”) and obligations on a parity therewith; and

WHEREAS, the Board of the Authority has determined to issue the hereinafter authorized bond for the purpose of acquiring and permitting a reservoir to be known as Allens Creek Reservoir (the “Project”), to be secured by, and made payable from, a subordinate lien on the Net Revenues of said System; and

WHEREAS, the Authority will no longer issue bonds payable from a lien on the Net Revenues of the Authority's Water Supply System on a parity with the Series 1991 Bonds or bonds heretofore issued on a parity therewith; and

WHEREAS, the bond hereinafter authorized is to be issued and delivered pursuant to the Act and other applicable laws, for the purposes herein provided."

"THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BRAZOS RIVER AUTHORITY:

Section 1. RECITALS, COVENANTS AGREEMENT AND AMOUNT AND PURPOSE OF THE BOND. The Board of the Authority hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that said recitals are true and correct. Additional terms used in this Resolution are defined as set forth in the New Series 2023A Bond Covenants Agreement (the "Agreement") substantially in the form



presented at this meeting, the terms of which are hereby incorporated herein as if set forth in full at this place. The Bond of the Authority is hereby authorized to be issued and delivered, in the principal amount of \$46,000,000 for purposes of paying the costs of the Project and paying the costs of issuing the Bond.

Section 2. DESIGNATION AND TERMS OF SALE. (a) Designation. Each Bond issued pursuant to this Resolution shall be designated: “BRAZOS RIVER AUTHORITY WATER SUPPLY SYSTEM REVENUE BOND, TAXABLE NEW SERIES 2023A”.

(b) Sale of Bond. The Bond is hereby sold and shall be delivered to PNC Bank, National Association (the “Lender”) at a purchase price equal to 100% of the principal amount thereof. The Bond has been purchased by the Lender pursuant to a Purchase Agreement, the provisions of which are incorporated herein, and which Purchase Agreement the General Manager/CEO of the Authority is hereby authorized and directed to execute and deliver in the name of the Authority.



(c) Terms of Sale. The Bond shall be dated as of August 15, 2023, shall be in the denomination of the total outstanding principal amount of the Bond, shall be numbered R-1, shall be payable to the Lender, and shall mature on February 15, 2024.

The Bond shall bear interest from the Delivery Date set forth in the FORM OF BOND set forth in Section 2 of the Agreement to the date of maturity or redemption prior to maturity at the rate per annum equal to 5.92% through October 15, 2023, and thereafter at the Daily BSBY Rate plus 0.45%, but never more than the Maximum Rate, payable on February 15, 2024. The Bond shall be subject to redemption pursuant to the provisions of the Agreement.

Section 3. ADDITION TO SYSTEM. The Board hereby specifically adds the Allens Creek Reservoir to the System for all purposes.



Section 4. AMENDMENT. The Series 2015 Agreement is hereby amended by deleting subsection 20(b) in its entirety.

Section 5. IMMEDIATE EFFECT. This Resolution shall be effective immediately from and after its adoption. ”



**Brazos
River
Authority**