



Board Agenda
Wednesday, Sept. 23, 2020

Earliest start time: 11 a.m.

**MEMBERS OF THE PUBLIC WILL NOT BE PERMITTED TO ATTEND IN PERSON.
THE MEETING WILL BE LIVESTREAMED AT
<https://www.lcra.org/about/leadership/stream/>**

Items From the Chair

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- *3. Approve the LCRA Transmission Services Corporation Series 2020A Bond Issue and Thirty-third Supplemental Resolution..... 4

***This agenda item requires the approval of at least 12 Board members.**

Executive Session

The Board also may go into executive session for advice from legal counsel on any item(s) listed above, pursuant to Chapter 551 of the Texas Government Code.

Legal Notice

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at www.sos.state.tx.us/open.

FOR DISCUSSION

1. Comments From the Public

Summary

Consistent with Gov. Abbott's March 16, 2020, temporary suspension of various provisions of the Open Meetings Act, the public will not be able to attend the meeting in person but may view the open session portions of the meeting via livestream at: <https://www.lcra.org/about/leadership/stream/> and make comments to the Board of Directors via telephone.

The Board will take all public comments at the beginning of the meeting. Members of the public who would like to address the Board must **register by calling the number below between 10:15 and 10:45 a.m. on the day of the meeting.**

Phone number: 833-548-0282 (toll free)

Meeting ID: 6442096404##

FOR ACTION

2. Fiscal Year 2020 Financial Statements and Independent Auditor's Report

Proposed Motion

Approve the fiscal year 2020 audited financial statements and authorize the filing of the audited financial statements with the executive director of the Texas Commission on Environmental Quality.

Board Consideration

TCEQ, under authority granted to it within Section 49.194 of the Texas Water Code, requires river authorities such as LCRA to file with the commission an annual audit report approved by the Board of Directors.

Budget Status and Fiscal Impact

Approval of this item will have no budgetary or fiscal impact.

Summary

The Audit and Risk Committee reviewed the audited financials with the independent audit firm at the September meeting. The Board received the audited financial statements under separate cover.

Presenter

Jim Travis
Chief Financial Officer

FOR ACTION

3. Approve the LCRA Transmission Services Corporation Series 2020A Bond Issue and Thirty-third Supplemental Resolution

Proposed Motion

Staff recommends the Board of Directors adopt and approve a Thirty-third Supplemental Resolution (the Thirty-third Supplement) to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2020A (the Bonds) in an amount not to exceed \$250 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and any series of LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project); (ii) funding a debt service reserve fund for the Bonds; and (iii) paying for issuance costs.

This item requires approval of at least 12 members of the Board.

The resolution also will:

1. Approve related documents, in substantially final form, including the escrow agreement, the paying agent/registrar agreement, the Preliminary Official Statement in substantially final form and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the Bonds (the 2020A Installment Payment Agreement Supplement). Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the general manager, chief financial officer and/or treasurer to:
 - a. Select all or a portion of LCRA TSC's outstanding debt to be refunded by the Bonds and provide for appropriate notices of redemption/prepayment/ defeasance;
 - b. Approve any final changes to said documents necessary to facilitate proper issuance of such Bonds;
 - c. Establish the terms of the Bonds as provided in the resolution (including issuing such bonds in one or more separate series (tax-exempt and/or taxable), the principal amounts and maturity schedules, interest rates, redemption provisions and terms of any reserve funds); and
 - d. Approve the terms of the sale of the Bonds to an underwriting team led by Goldman Sachs & Co. LLC and to execute a bond purchase agreement.

Board Consideration

Section 8503.013 of the Texas Special District Local Laws Code (LCRA Act) requires a resolution approved by at least 12 members of the Board for the issuance of any bonds by LCRA. Section 152.054 of the Texas Water Code requires the LCRA Board to approve any debt issued by LCRA TSC.

Budget Status and Fiscal Impact

The fiscal year 2021 LCRA TSC business plan anticipates the refunding of a portion of the short-term debt. Based on current market conditions and historically low interest rates, the refunding will be advantageous, increase flexibility on timing of future financings, and provide low-cost and long-term funds. The FY 2021 LCRA TSC business plan anticipates the issuance of about \$437 million of short-term obligations to fund LCRA TSC's ongoing capital plan.

Summary

With this action, the Board will approve the Bonds, issued for the purpose of current refunding of certain LCRA TSC commercial paper and revolving notes in an amount not to exceed \$250 million, establishing a Debt Service Reserve Fund for the Bonds, and paying for the issuance costs related to the Bonds. The Board also will approve the execution of documents necessary for the sale of the Bonds further described below.

Background

The Thirty-third Supplement is a supplemental resolution to the Controlling Resolution establishing LCRA TSC's transmission revenue financing system adopted by the Board in 2001 and readopted in 2003. The Thirty-third Supplement authorizes the Bonds, approves the forms of the ancillary agreements relating to such bonds, and delegates to the general manager, the chief financial officer and/or the treasurer authority to set the specific terms of such Bonds (including maturity, amortization, interest rates, redemption provisions, etc.) according to parameters set forth in the resolution. The Thirty-third Supplement also requires an officer of LCRA TSC to agree to the specific terms of the Bonds. The Controlling Resolution, the Thirty-third Supplement, and the pricing certificate of the LCRA officer and the LCRA TSC officer establishing the terms of the Bonds together constitute the authorization of such Bonds.

The 2020A Installment Payment Agreement Supplement is a supplemental agreement to the Transmission Installment Payment Agreement between LCRA and LCRA TSC executed in 2003. The supplemental agreement provides for the arms-length obligation of LCRA TSC to pay LCRA the debt service associated with the Bonds and further provides for LCRA TSC's ownership of the projects financed or refinanced with the proceeds of the Bonds.

The Bond Purchase Agreement is the contract among LCRA and the underwriters of the Bonds that establishes the terms of the sale and delivery of such Bonds from LCRA and LCRA TSC to such underwriters. This agreement provides for the conditions for closing on the Bonds, including required legal opinions, and provides for certain limited events that may terminate LCRA TSC's obligation to deliver and/or the underwriters' obligation to accept the Bonds at closing. Goldman Sachs will be the senior manager of the underwriting team for the Bonds.

The Paying Agent/Registrar Agreement is the contract among LCRA, LCRA TSC and The Bank of New York Mellon Trust Company NA setting forth the rights, duties and obligations of the two parties under which such bank will act as the paying agent and registrar for the Bonds. The bank will provide paying agent and transfer agent services, maintain registration books, and facilitate providing certain notices for the Bonds, among other services.

The Official Statement is the document that provides disclosure to prospective investors regarding the terms of the bonds, security, risk factors, and financing and operating information of LCRA TSC.

PricewaterhouseCoopers LLP will perform certain procedures relating to the financial information disclosed in documents related to the Bonds and provide appropriate letters to the Board regarding those procedures.

Use of Proceeds

Proceeds from the Bonds will be used to refund certain LCRA TSC commercial paper notes and revolving notes, establish a Debt Service Reserve Fund for the Bonds, and pay for issuance costs.

LCRA and LCRA TSC have authorized the issuance of commercial paper and revolving notes under programs backed by three separate credit facilities. Periodically, staff recommends refunding short-term, variable-rate debt with long-term, fixed-rate debt when market conditions are favorable and the short-term debt credit facilities approach their maximum capacity. In addition, staff periodically recommends refunding existing long-term debt with new long-term debt to capture interest rate savings and/or adjust the debt structure to benefit LCRA TSC customers.

Staff currently expects the Bonds to be sold and delivered by Oct. 22, 2020, subject to the approving opinions of the Office of the Attorney General and bond counsel.

Presenter(s)

Jim Travis

Chief Financial Officer