



## Board Agenda

Wednesday, Jan. 18, 2023  
LCRA General Office Complex  
Board Room – Hancock Building  
3700 Lake Austin Blvd.  
Austin, TX 78703  
Earliest start time: 11 a.m.

### Items From the Chair

- 1. Comments From the Public ..... 3

### Items From the Chief Financial Officer

- 2. Financial Report ..... 5

### Consent Items

- 3. Amendments to LCRA Board Policy 308 – Purchasing Contracts..... 7
- 4. Directors’ Fees, Expenses..... 10
- 5. Minutes of Prior Meeting..... 11

### Action Items

- 6. LCRA Interruptible Agricultural Water Contract Rules and Rates for Garwood, Gulf Coast and Lakeside Agricultural Divisions..... 16
- \*7. Approve the LCRA Transmission Services Corporation Transmission Contract Refunding Revenue Bonds Issuance and Forty-First Supplemental Resolution..... 19
- \*8. Authorize a Note Purchase Agreement Related to the LCRA Revenue Revolving Notes, Series D and Taxable Series D, and Authorize Related Agreements..... 22
- 9. Contracts and Contract Changes ..... 24

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

### Executive Session

- 1. Enterprise Risk Portfolio Presentation
- 2. Litigation Update
- 3. Legislative Update

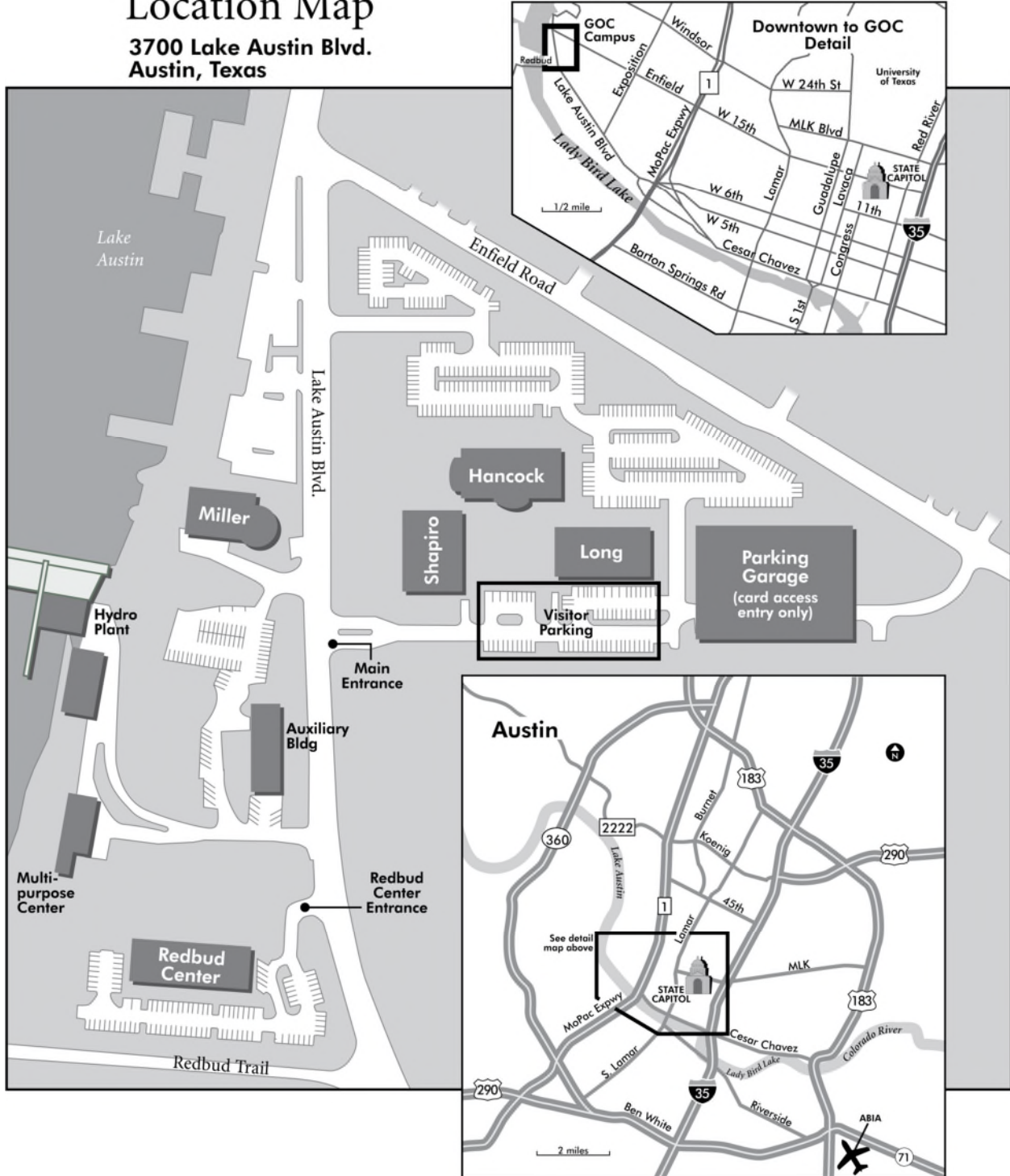
The Board also may go into executive session on any item listed above, pursuant to Chapter 551 of the Texas Government Code, including, but not limited to, sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code.

### Legal Notice

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at the following link: <https://www.sos.texas.gov/open/index.shtml>

# LCRA General Office Complex Location Map

3700 Lake Austin Blvd.  
Austin, Texas



## **FOR DISCUSSION**

# **1. Comments From the Public**

### **Summary**

This part of the meeting is intended for comments from the public on topics under LCRA's jurisdiction but not related to an item on the Board of Directors agenda. No responses or action may be taken by the Board during public comments.

In order to address the Board, a member of the public is required to sign and complete the registration form at the entrance to the meeting room. Please see the Protocols for Public Communication at Board and Committee Meetings as shown in Exhibit A for details.

Any member of the public wishing to comment on an item listed on this agenda will be called to make comments at the appropriate time.

### **Exhibit(s)**

A – Protocols for Public Communication at Board and Committee Meetings

## EXHIBIT A

### **PROTOCOLS FOR PUBLIC COMMUNICATION AT BOARD AND COMMITTEE MEETINGS**

**Approved by the LCRA Board of Directors on Dec. 11, 2018**

- 1. Oral Presentations on Issues Under LCRA's Jurisdiction.** Any person wishing to make an oral presentation at a Board meeting on any matter under LCRA's jurisdiction must complete a registration form that indicates the agenda item or other topic on which they wish to comment, along with the speaker's name, address and other relevant information. Any person making an oral presentation to the Board may distribute related materials to the Board at the meeting.
- 2. Time Allocation.** The presiding officer may limit the length of time for each speaker. Speakers may not trade or donate time to other speakers without permission from the presiding officer, and repetitive testimony shall be minimized.
- 3. Rules of Decorum.** Speakers and members of the audience must avoid disruptive behavior that interferes with the orderly conduct of a public meeting. Placards, banners, and hand-held signs are not allowed in Board or committee meetings, and speakers and members of the audience must avoid personal affronts, profanity, booing, excessive noise, and other disruptive conduct. The presiding officer may direct that anyone who disrupts a meeting be removed from the room.
- 4. Recording.** Any person making an audio or video recording of all or any part of a Board meeting must do so in a manner that is not disruptive to the meeting. During a meeting, members of the public must remain in or behind the public seating area and are not permitted to record from any other area of the meeting room.
- 5. Committee Meetings.** The protocols outlined in 1-4 above also apply to members of the public wishing to address any LCRA Board committee whose membership comprises the entirety of the LCRA Board on matters within the scope of each of those committees.

**FOR DISCUSSION**

## **2. Financial Report**

**Summary**

Staff will present financial highlights for LCRA covering the month and fiscal year to date.

**Presenter(s)**

Jim Travis  
Chief Financial Officer

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**Lower Colorado River Authority**  
**Financial Highlights**  
**December 2022**

**Lower Colorado River Authority**  
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**Key term:**

**Net margin** – Total operating revenues, including interest income, less direct and assigned expenses.



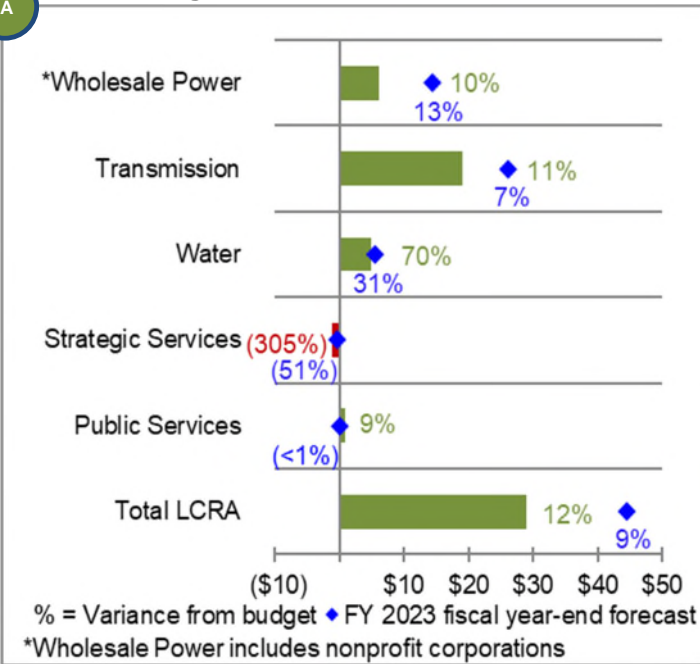
# Lower Colorado River Authority

Dec. 31, 2022

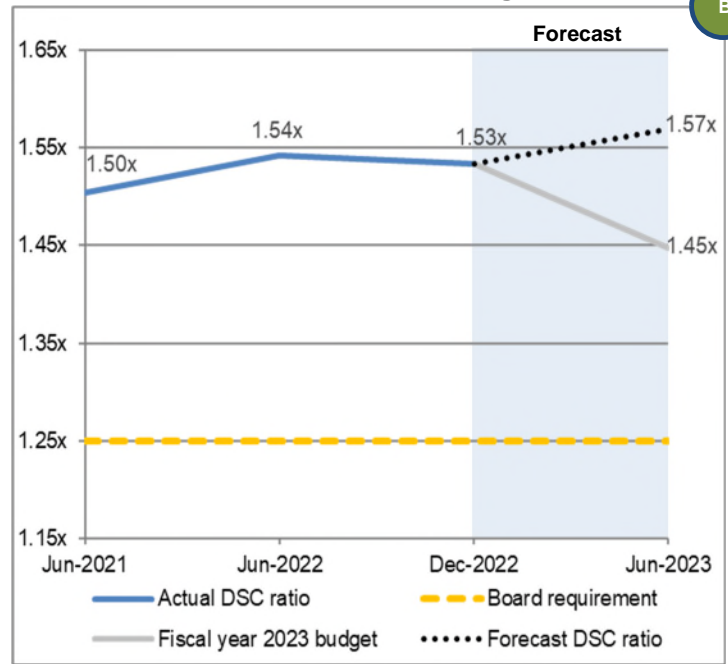
(Dollars in Millions)

## Budget-to-Actual Highlights

### Net Margin Fiscal Year-to-Date Variances



### Debt Service Coverage



#### Key takeaways:

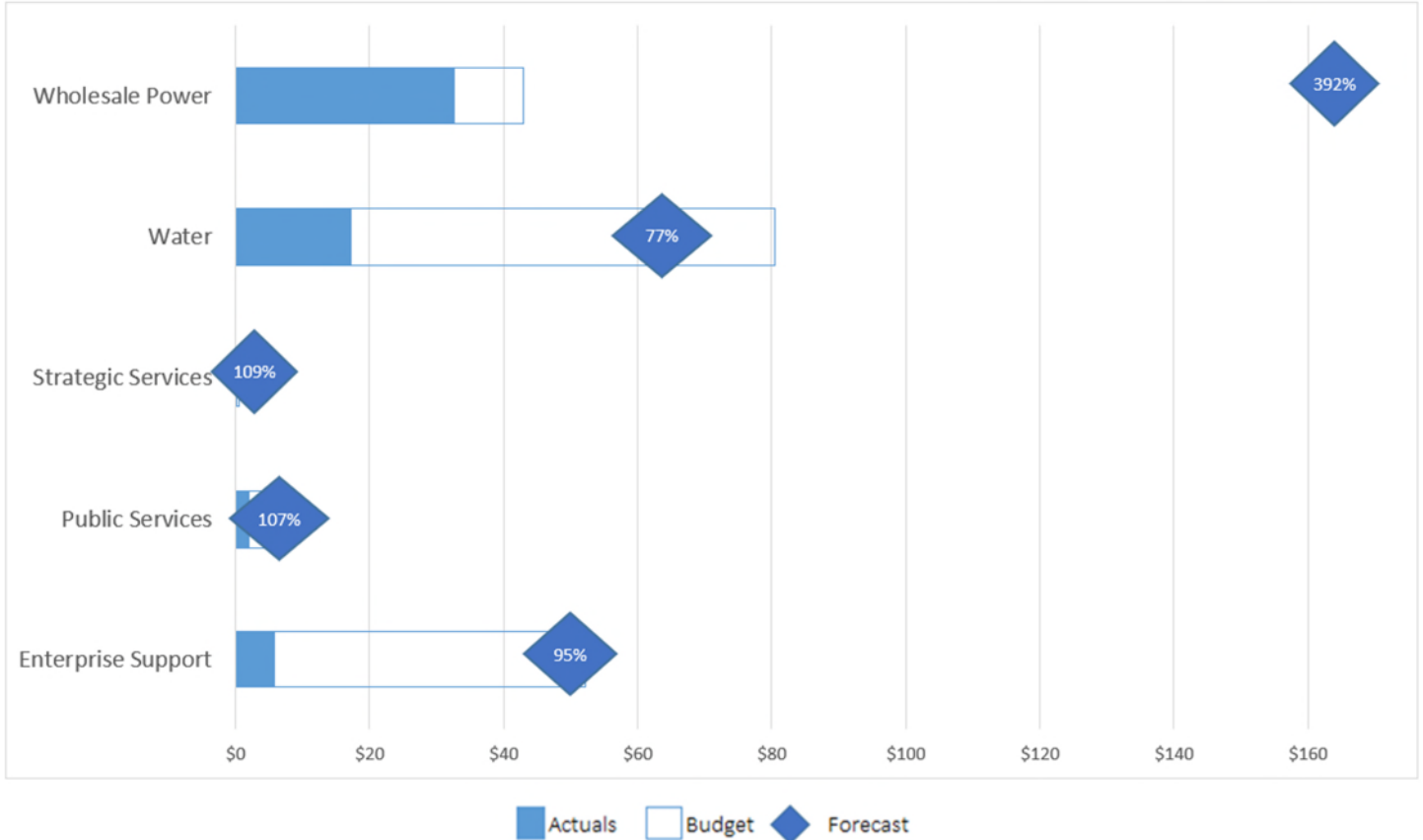
- Higher-than-budgeted billing units, interest income and other revenues, partially offset by higher-than-budgeted nonfuel expenses, primarily drove Wholesale Power's year-to-date performance. Higher-than-budgeted billing units and other revenues as well as lower-than-budgeted nonfuel expenses, primarily drove the year-end forecast.
- Higher-than-budgeted interest income, cost of service and other revenues as well as lower-than-budgeted expenses primarily drove Transmission's year-to-date performance. Higher-than-budgeted cost of service revenue and lower-than-budgeted expenses primarily drove Transmission's year-end forecast.
- Higher-than-budgeted river management and agricultural division revenues along with lower-than-budgeted river management and agricultural division expenses primarily drove Water's year-to-date performance and year-end forecast.
- The timing of radio sales and services billings primarily drove Strategic Services' year-to-date performance. Higher-than-budgeted fiber expenses drove the year-end forecast.
- Lower-than-budgeted park expenses, partially offset by lower-than-budgeted park revenues, primarily drove Public Services' year-to-date performance. Public Services' year-end forecast is on target.
- The debt service coverage ratio is forecast to be higher than budget mainly due to higher-than-budgeted net revenues from Transmission and Wholesale Power.

# Lower Colorado River Authority

Dec. 31, 2022

(Dollars in Millions)

## Capital Forecast



### Key takeaways:

- LCRA currently is projecting capital spending for FY 2023 will be \$104 million more than the capital plan budget of \$180.6 million.
- The primary driver for the current FY 2023 variance is due to a new Wholesale Power project.
- The primary driver for the current FY 2023 variance for Public Services is a forecast increase in fiscal year spending for the Matagorda Bay Nature Park Improvements project.
- Staff anticipates seeking LCRA Board approval to increase the LCRA capital plan budget later this fiscal year.

### General manager project approvals:

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the general manager to approve any capital project with a lifetime budget not to exceed \$1.5 million, according to LCRA Board Policy 301 – Finance. Additionally, the LCRA Board delegated authority to the general manager to approve additional funding for capital projects expected to exceed their lifetime budgets by 10% and \$300,000.

The general manager approved one new budget reset this quarter:

- Matagorda Bay Nature Park Improvements from \$6.9 million to \$8.4 million.

The general manager did not approve any new projects this quarter.

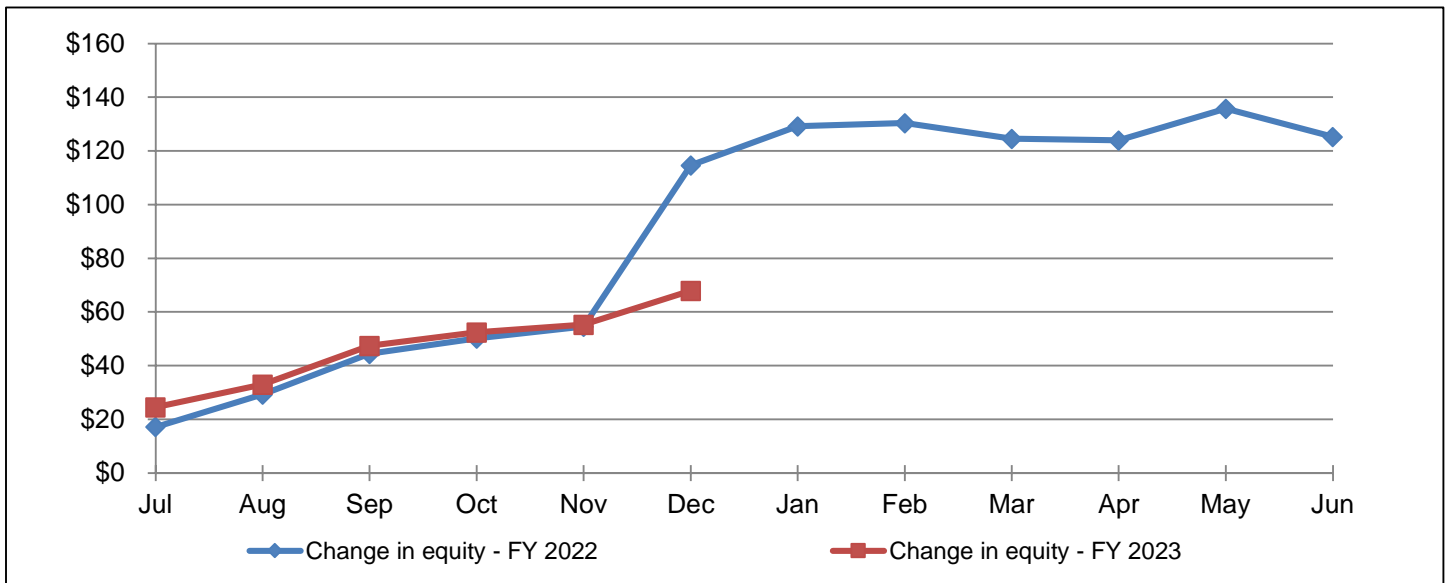
# Lower Colorado River Authority

Dec. 31, 2022  
(Dollars in Millions)

## Board Metrics

Board Metric	Description	Compliant
<b>Equity Ratio</b>	LCRA will attempt to maintain a long-term average 30% equity ratio. At no time will the equity ratio fall below 20% without specific Board approval in the business plan.	✓
<b>Debt Service Reserves</b>	LCRA will covenant debt service reserves in the amount of six months of average annual debt service requirements on outstanding debt.  Debt service reserves may be collected through nonfuel rates or met with proceeds from additional debt or through the use of a surety to mitigate rate impacts.	✓
<b>Operating Reserves</b>	LCRA will target three months of average operating and maintenance expense for the purposes of operating liquidity and maintaining reserves for liquidity of two to three months. Compliance will be evaluated at the end of each fiscal year. These reserves will be collected through nonfuel rates.  If at any time the operating reserves are projected to fall below the minimum two months established by this policy, the Board will promptly implement a plan, to be recommended by staff, to increase rates, reduce costs or otherwise cause there to be sufficient revenues to replenish the operating reserves to such target levels within 12 months.	✓

### Income Statement Trends Cumulative Fiscal Year to Date



**Key takeaway:**

- Net income decreased year over year primarily due to a decrease in other nonoperating income related to the gain on sale of capital assets in FY 2022.

# Lower Colorado River Authority

**Dec. 31, 2022**

*(Dollars in Millions)*

## Condensed Balance Sheets

	Dec. 31, 2022	Dec. 31, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 325.9	\$ 424.5
Current assets	518.5	462.3
Total current assets	844.4	886.8
Capital assets	5,719.8	5,351.4
Long-term assets	1,056.5	932.0
Total long-term assets	6,776.3	6,283.4
Total Assets	\$ 7,620.7	\$ 7,170.2
<b>Liabilities</b>		
Bonds, notes and loans payable	\$ 701.1	\$ 528.1
Current liabilities	290.8	218.3
Total current liabilities	991.9	746.4
Bonds, notes and loans payable	4,081.8	3,988.8
Pension liability	119.8	168.2
Long-term liabilities	495.6	413.8
Total long-term liabilities	4,697.2	4,570.8
<b>Equity</b>		
Total equity	1,931.6	1,853.0
Total Liabilities and Equity	\$ 7,620.7	\$ 7,170.2

**Key takeaway:**

- Assets and liabilities are trending higher compared with December 2021 due to construction activities related to the capital plan.

# Lower Colorado River Authority

Dec. 31, 2022

(Dollars in Millions)

## Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2023	2022
<b>Operating Revenues</b>		
Electric	\$ 726.3	\$ 559.7
Water and irrigation	18.4	13.2
Other	20.3	20.2
Total Operating Revenues	<u>765.0</u>	<u>593.1</u>
<b>Operating Expenses</b>		
Fuel and purchased power	292.9	166.9
Operations	170.9	154.5
Maintenance	36.2	20.3
Depreciation, depletion and amortization	106.4	97.7
Total Operating Expenses	<u>606.4</u>	<u>439.4</u>
Operating Income	<u>158.6</u>	<u>153.7</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest on debt	(70.1)	(67.9)
Other nonoperating revenues (expenses)	<u>(20.6)</u>	<u>28.8</u>
Total Nonoperating Revenues (Expenses)	<u>(90.7)</u>	<u>(39.1)</u>
Change in Equity	67.9	114.6
<b>Equity - Beginning of Period</b>	<u>1,863.7</u>	<u>1,738.4</u>
<b>Equity - End of Period</b>	<u>\$ 1,931.6</u>	<u>\$ 1,853.0</u>

# Lower Colorado River Authority

Dec. 31, 2022

(Dollars in Millions)

## Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2023	2022
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 773.0	\$ 575.2
Payments	(534.7)	(334.7)
Net cash provided by operating activities	238.3	240.5
<b>Cash Flows From Noncapital Financing Activities</b>	0.3	0.2
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	(326.3)	(135.7)
Other capital and financing activities	242.2	14.0
Net cash used in capital and financing activities	(84.1)	(121.7)
<b>Cash Flows From Investing Activities</b>		
Sale and maturity of investment securities	49.5	76.3
Purchase of investment securities	(179.2)	(231.3)
Note payments and interest received	1.0	(0.4)
Net cash used in investing activities	(128.7)	(155.4)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	25.8	(36.4)
<b>Cash and Cash Equivalents - Beginning of Period</b>	415.4	511.2
<b>Cash and Cash Equivalents - End of Period</b>	<u>\$ 441.2</u>	<u>\$ 474.8</u>

# Lower Colorado River Authority

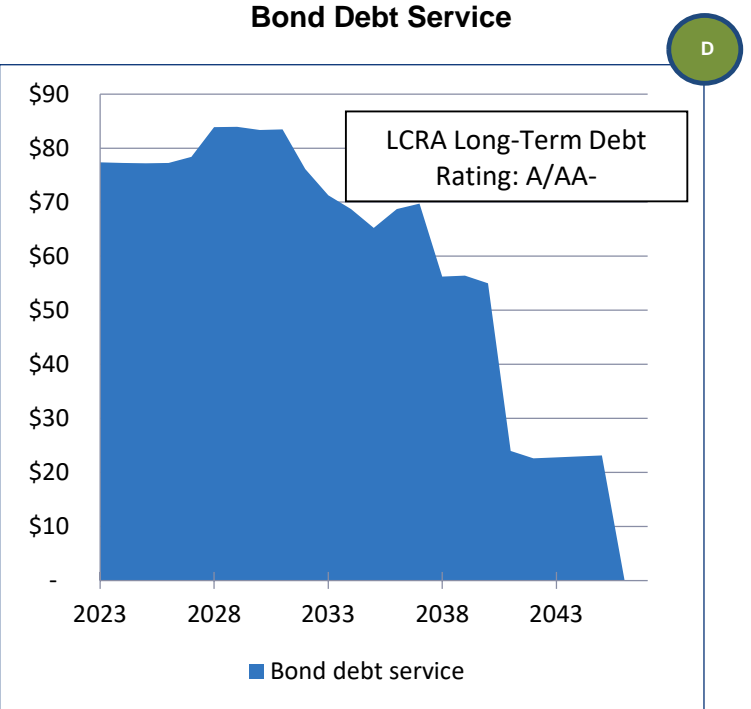
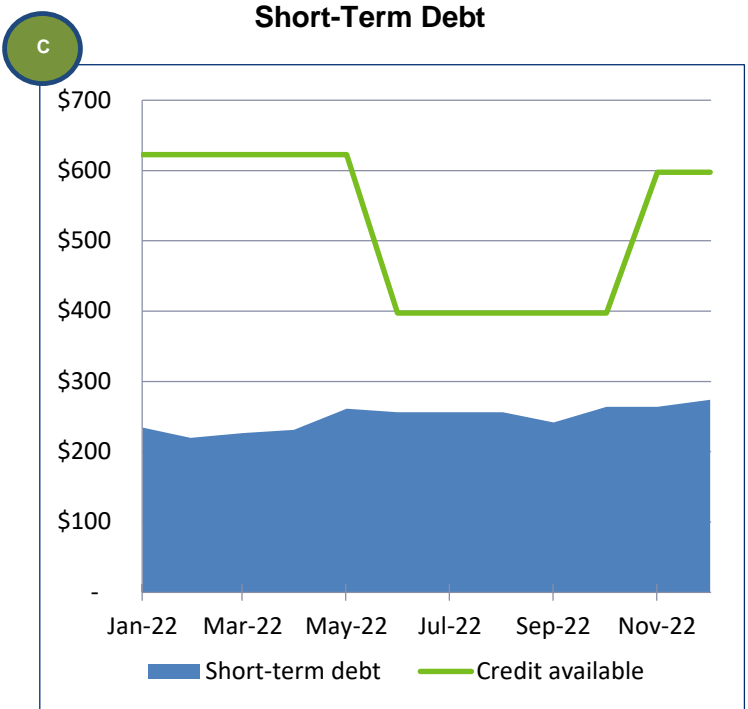
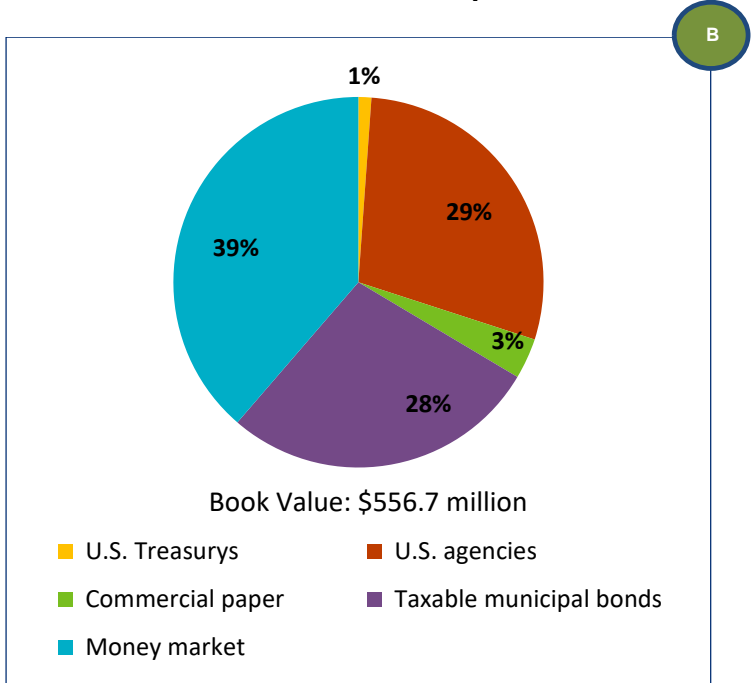
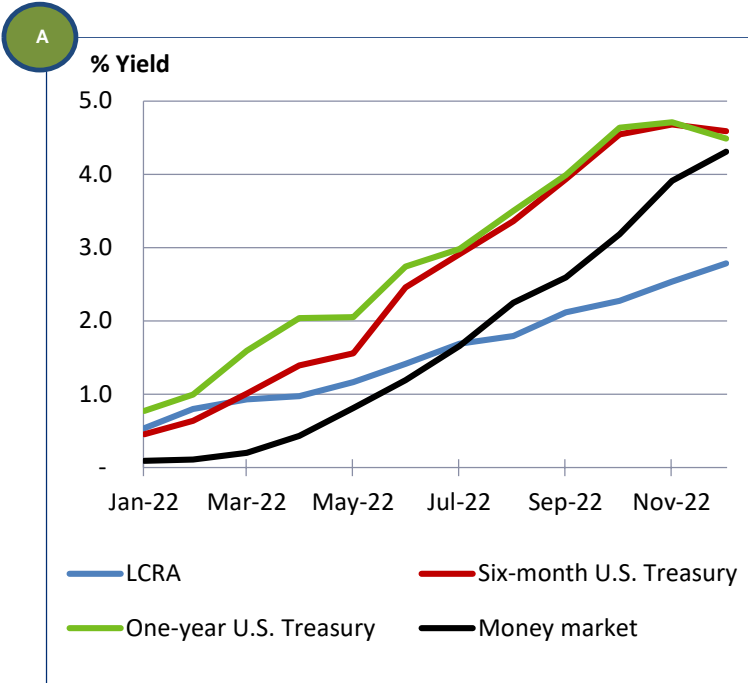
Dec. 31, 2022

(Dollars in Millions)

## Investments and Debt

### Investment Portfolio Yield

### Investment Portfolio Composition



### Key takeaways:

- The Federal Open Market Committee reiterated its intention to keep raising interest rates to combat inflation into 2023.
- Interest rates were raised seven times during 2022.
- The federal funds rate range is 4.25%-4.50%.
- New short-term debt facility for \$200 million closed in November 2022.

**FOR ACTION (CONSENT)**

### **3. Amendments to LCRA Board Policy 308 – Purchasing Contracts**

**Proposed Motion**

Approve amendments to LCRA Board Policy 308 – Purchasing Contracts as shown in Exhibit A.

**Board Consideration**

Board of Directors approval is required for any changes to LCRA Board policies.

**Budget Status and Fiscal Impact**

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

**Summary**

Staff recommends a change to Board Policy 308 to increase the threshold for Board approval of consulting contracts from \$100,000 to \$250,000, whether under the original contract or as a result of a change. The Board last adjusted these limits in February 2011. Staff further recommends changes to Board Policy 308 to change the current quarterly expenditure reporting requirement to an annual reporting requirement, and to change the reporting threshold from \$100,000 to \$250,000.

**Exhibit(s)**

A – Amendments to LCRA Board Policy 308 – Purchasing Contracts



## EXHIBIT A

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### LCRA BOARD POLICY

#### 308 – PURCHASING CONTRACTS

Jan. 18, 2023~~Dec. 15, 2020~~

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##### **308.10 PURPOSE**

This policy establishes requirements for contracts for the purchase of goods, services, construction and software. This policy does not apply to contracts authorized or addressed in Board Policy 603 – Energy Transactions; or Board Policy 207 – Legal Matters and Alternative Dispute Resolution; ~~it does not apply to;~~ contracts authorized and entered pursuant to Board Policy 301 – Finance or Board Policy 303 – Banking and Investments; and ~~it does not apply to~~ matters delegated by the LCRA Board of Directors to the LCRA Retirement Benefits Board of Trustees.

##### **308.20 POLICY**

It is the policy of LCRA that contracting for the purchase of goods, services, construction and software will take place in accordance with applicable legal requirements in a cost-effective, fair, competitive and inclusive manner.

##### **308.30 BOARD APPROVAL REQUIREMENTS**

Board approval is required for:

1. Any contract for consulting services with projected expenditures exceeding ~~\$100,000~~250,000, whether under the original contract or as a result of a change ~~order~~; and
2. Any contract for goods, services (excluding consulting services), construction or software with projected expenditures exceeding \$5 million, whether under the original contract or as a result of a change ~~order~~.

##### **308.40 PROCEDURES**

The general manager/CEO will ensure appropriate contracting procedures are developed and implemented.

### **308.50 REPORTING TO THE BOARD**

The GM/CEO will provide an ~~annual expenditure quarterly~~ report to the Board on all contracts subject to this policy ~~with projected expenditures~~ exceeding ~~\$100,000~~250,000.

### **308.60 DISPOSAL OF SURPLUS MATERIALS**

Materials no longer necessary, convenient or beneficial to LCRA may be sold, transferred or conveyed by the GM/CEO.

### **308.70 AUTHORITY**

Texas Government Code, Chapter 2254

Texas Water Code, sections 49.211-49.232

Texas Health and Safety Code, Section 361.426 (Vernon's Supp. 1992)

LCRA enabling legislation

LCRA bylaws, sections 3.02, 3.04, 6.01 and 6.02

30 Texas Administrative Code, Section 292.13(4)

**EFFECTIVE:** July 1, 2002. Amended June 5, 2007; May 20, 2009; Feb. 16, 2011; Sept. 21, 2016; ~~and Dec. 15, 2020;~~ and Jan. 18, 2023. Combined from Board Policy 209 – Purchasing effective April 1986. Amended March 19, 1987 (republished); Dec. 14, 1989; April 23, 1992; Feb. 18, 1993; Sept. 22, 1994; May 18, 1995; Oct. 20, 1999; and June 21, 2000; and Board Policy 204 – Contract Services effective Sept. 19, 1985. Republished June 23, 1988. Amended Dec. 12, 1991; May 20, 1993; Sept. 22, 1994; and March 22, 2000.

**FOR ACTION (CONSENT)**

## **4. Directors' Fees, Expenses**

**Proposed Motion**

Approve directors' fees and expense reports.

**Board Consideration**

LCRA Board Policy 105 – Directors' Fees and Expense Reimbursement and the LCRA bylaws require LCRA Board approval for directors' fees and expenses.

**Budget Status and Fiscal Impact**

Directors' fees and expenses are included in the budget in the business plan.

**Summary**

LCRA Board Policy 105 establishes guidelines for the payment of fees and reimbursement of the expenses that directors incur as they carry out their responsibilities as LCRA Board members.

**FOR ACTION (CONSENT)**

## **5. Minutes of Prior Meeting**

**Proposed Motion**

Approve the minutes of the Dec. 13, 2022, meeting.

**Board Consideration**

Section 2.04 of the LCRA bylaws requires the secretary to keep minutes of all meetings of the Board of Directors.

**Budget Status and Fiscal Impact**

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

**Summary**

Staff presents the minutes of each meeting to the Board for approval.

**Exhibit(s)**

A – Minutes of Dec. 13, 2022, meeting

## **EXHIBIT A**

Minutes Digest  
Dec. 13, 2022

- 22-74 Declaration of an approximately 7.46-acre tract of land, being a portion of LCRA's Rooth Lateral canal in Matagorda County, nonessential, and authorization for the general manager or his designee to sell the property to the adjoining landowner.
- 22-75 Appointment of Baker Tilly US, LLP, as LCRA's independent auditor to perform the external audits of the fiscal year 2023 financial statements of LCRA and its affiliated corporations.
- 22-76 Approval of directors' attendance at seminars or conferences for an additional conference in 2022.
- 22-77 Approval of directors' attendance at seminars or conferences for calendar year 2023.
- 22-78 Approval of the minutes of the Nov. 16, 2022, meeting.
- 22-79 Authorization of the expenditure of up to \$1 million from the Public Recreation and Conservation Land Acquisition Fund to go toward the purchase of the leasehold interest in Canyon of the Eagles Nature Park that the LCRA Board of Directors approved in March 2022.
- 22-80 Authorization of the additional expenditure of up to \$1.5 million from the Public Recreation and Conservation Land Acquisition Fund for the Matagorda Bay Nature Park Improvements project.
- 22-81 Adoption of a resolution approving the WSC Energy II Fiscal Year 2023 Amended Business Plan.
- 22-82 Authorization for the general manager or his designee to negotiate and execute the following contracts and contract changes: Contract No. 6160 (Grid Solutions (U.S.) LLC), Contract No. 6127 (CWC Right of Way Inc.) and Contract No. 6175 (Pannell Contracting LLC).

MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE  
LOWER COLORADO RIVER AUTHORITY  
Cedar Creek, Texas  
Dec. 13, 2022

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 3:02 p.m. Tuesday, Dec. 13, 2022, in the Wildflower Hall at McKinney Roughs Nature Park, 1884 State Highway 71 West, Cedar Creek, Bastrop County, Texas. The following directors were present, constituting a quorum:

Timothy Timmerman, Chair  
Stephen F. Cooper, Vice Chair  
Joseph M. "Joe" Crane, Secretary  
Michael L. "Mike" Allen  
Melissa K. Blanding  
Laura D. Figueroa  
Carol Freeman  
Raymond A. "Ray" Gill Jr.  
Thomas L. "Tom" Kelley  
Robert "Bobby" Lewis  
Thomas Michael Martine  
Margaret D. "Meg" Voelter  
Martha Leigh M. Whitten  
Nancy Eckert Yeary

Absent: Matthew L. "Matt" Arthur

Chair Timmerman convened the meeting at 3:02 p.m.

The Board heard public comments [Agenda Item 1]. Cindy Smiley, speaking on behalf of the Central Texas Water Coalition, expressed concerns that the current LCRA Water Management Plan may not be "sufficiently adaptive" to protect water supplies in the Highland Lakes and the basin in light of prolonged drought conditions.

General Manager Phil Wilson gave an update on safety, including tips for safe driving during the holidays. He gave an update on the recent LCRA Veterans Recognition Day event. Wilson also highlighted examples of LCRA employee giving and volunteering during the holidays.

The Board next took action on the consent agenda. Upon motion by Director Voelter, seconded by Director Yeary, the Board unanimously approved consent items 2, 3, 4, 5 and 6 by a vote of 14 to 0 as follows:

22-74 Declaration of an approximately 7.46-acre tract of land, being a portion of LCRA's Rooth Lateral canal in Matagorda County, nonessential (not necessary or

convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to sell the property to the adjoining landowner, as recommended by staff in Consent Item 2 [attached hereto as Exhibit A].

22-75 Appointment of Baker Tilly US, LLP, as LCRA's independent auditor to perform the external audits of the fiscal year 2023 financial statements of LCRA and its affiliated corporations, as recommended by staff in Consent Item 3 [attached hereto as Exhibit B].

22-76 Approval of directors' attendance at seminars or conferences for an additional conference in 2022, as recommended in Consent Item 4 [attached hereto as Exhibit C].

22-77 Approval of directors' attendance at seminars or conferences for calendar year 2023, as recommended in Consent Item 5 [attached hereto as Exhibit D].

22-78 Approval of the minutes of the Nov. 16, 2022, meeting [Consent Item 6].

22-79 Vice President of Community Resources Margo Richards presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit E], that the Board authorize the expenditure of up to \$1 million from the Public Recreation and Conservation Land Acquisition Fund to go toward the purchase of the leasehold interest in Canyon of the Eagles Nature Park that the LCRA Board of Directors approved in March 2022. Upon motion by Director Crane, seconded by Director Yeary, the recommendation was unanimously approved by a vote of 14 to 0.

22-80 Vice President of Community Resources Margo Richards presented for consideration a staff recommendation, described in Agenda Item 8 [attached hereto as Exhibit F], that the Board authorize the additional expenditure of up to \$1.5 million from the Public Recreation and Conservation Land Acquisition Fund for the Matagorda Bay Nature Park Improvements project. Upon motion by Director Yeary, seconded by Director Martine, the recommendation was unanimously approved by a vote of 14 to 0.

22-81 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 9 [attached hereto as Exhibit G], that the Board adopt a resolution approving the WSC Energy II Fiscal Year 2023 Amended Business Plan. Upon motion by Director Whitten, seconded by Director Allen, the recommendation was unanimously approved by a vote of 14 to 0.

22-82 Vice President of Supply Chain Matt Chavez presented for consideration a staff recommendation, described in Agenda Item 10 [attached hereto as Exhibit H], that the Board authorize the general manager or his designee to negotiate and execute the following contracts and contract changes: Contract No. 6160 (Grid Solutions (U.S.) LLC), Contract No. 6127 (CWC Right of Way Inc.) and Contract No. 6175 (Pannell Contracting LLC). Upon motion by Director Lewis, seconded by Director Figueroa, the recommendation was unanimously approved by a vote of 14 to 0.

Chair Timmerman declared the meeting to be in executive session at 3:22 p.m., pursuant to sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code. Executive session ended, and Chair Timmerman declared the meeting to be in public session at 4:31 p.m.

There being no further business to come before the Board, Chair Timmerman adjourned the meeting at 4:31 p.m.

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Joseph M. Crane  
Secretary  
LCRA Board of Directors  
Approved: Jan. 18, 2023



## **FOR ACTION**

# **6. LCRA Interruptible Agricultural Water Contract Rules and Rates for Garwood, Gulf Coast and Lakeside Agricultural Divisions**

### **Proposed Motion**

Approve updated interruptible agricultural water contract rules and rates for the Garwood, Gulf Coast and Lakeside agricultural divisions.

### **Board Consideration**

Consistent with LCRA Board Policy 501 – Water Resources and Section 8503.011 of the Texas Special District Local Laws Code, the LCRA Board of Directors is required to approve water contract rules and rates.

### **Budget Status and Fiscal Impact**

The proposed contract rules and rates will have no impact on the fiscal year 2023 budget.

The proposed interruptible rates are based on full cost recovery of the physical delivery of water through LCRA's canal system for each division, with an adjustment to the Gulf Coast and Lakeside rates to mitigate the degree of rate increase in those divisions. The resulting rate increase for Gulf Coast and Lakeside is 7%. The rates for Gulf Coast and Lakeside include a portion of river management costs that represents the full share of river management costs attributed to these interruptible customers.

The full cost recovery rate for Garwood is consistent with the 1998 purchase agreement between LCRA and Garwood Irrigation Company.

### **Summary**

LCRA staff proposes updates to the interruptible agricultural water service contract rules and rates for the Garwood, Gulf Coast and Lakeside agricultural divisions.

Proposed changes include: a new charge for water that is ordered and subsequently canceled by the customer; specification of an allowable allocation of interruptible stored water for wildlife management during the first agricultural season; modification of the date by which a customer must have taken delivery of water in first season in order to be allocated interruptible stored water during second season; an increase in the number of days by which water is to be delivered to meet an order for rice or turf; applicability of minimum charges for both the first and second agricultural seasons at all divisions; updates to the triggers for high-water use surcharges; and updates to the water rates, including the use rates, surcharge rates, and minimum charge.

As in prior years, the proposed rates vary by division and reflect the unique costs associated with operating each division. The proposed surcharge rates for higher water use would continue to be tiered with rates that are 40%, 80% and 150% of the volumetric rate for the respective division. The proposed rates and surcharge triggers are shown as Exhibit A.

Following Board action on this item, staff will update the water contract forms for the agricultural divisions to reflect the approved changes consistent with Board policies and

rules. The proposed contract rules and rates were available for comment through the LCRA website, and LCRA in December 2022 met with interruptible water customers to discuss the upcoming crop year. A copy of the proposed contract rules have been submitted to the Board under separate cover.

**Presenter(s)**

Kelly D. Payne  
Vice President, Water Operations

**Exhibit(s)**

A – Proposed Calendar Year 2023 Interruptible Water Rates

**EXHIBIT A**

**Proposed Calendar Year 2023 Interruptible Water Rates  
(per acre-foot)**

Division	Rice/Turf and Supplemental	Excess Use Surcharge		
		Tier 1	Tier 2	Tier 3
Gulf Coast	\$74.30	\$29.72	\$59.44	\$111.45
Lakeside	\$74.30	\$29.72	\$59.44	\$111.45
Garwood – One lift	\$41.04	\$16.42	\$32.83	\$61.59
Garwood – Two lifts	\$48.64			

Gulf Coast and Lakeside divisions: Minimum charge of \$33.44 per acre-foot of interruptible stored water allocated under contract (45% of the interruptible water rate).

Garwood division: Minimum charge of \$25 per acre of rice under contract.

Minimum charges at all divisions are applicable to both the first and second season contracts.

- Application Fee: \$100 per contract.
- Irrigation Coordinator Cost Recovery Fee: \$75 per hour.
- Canceled Order Surcharge: \$5 per acre applicable to the individual field for which water was ordered.
- Early Drainage Surcharge: \$10 per acre.
- Groundwater Delivery Fee: \$30 per day for first structure; \$15 per day for each additional structure.

Surcharge tiers based on water use in acre-feet per acre exceeding triggers are below:

Division, Crop/Purpose, Season	Excess Use Surcharge Triggers		
	Tier 1	Tier 2	Tier 3
Gulf Coast Rice, First Season	3.5	4.0	4.25
Lakeside Rice, First Season	3.25	3.75	4.0
Garwood Rice, First Season	3.25	3.75	4.0
Gulf Coast Rice, Second Season	2.5	2.75	3.0
Lakeside Rice, Second Season	2.0	2.25	3.0
Garwood Rice, Second Season	2.0	2.25	3.0
All Divisions Turf, First Season	1.75	2.25	3.75
All Divisions Turf, Second Season	1.0	1.25	2.25
All Divisions Supplemental, Total of First Plus Second Seasons	2.5	3.0	4.0

**FOR ACTION**

**7. Approve the LCRA Transmission Services Corporation Transmission Contract Refunding Revenue Bonds Issuance and Forty-First Supplemental Resolution**

**Proposed Motion**

Staff recommends the Board of Directors adopt and approve the Forty-First Supplemental Resolution (Forty-First Supplement) to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (Controlling Resolution) authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project) in one or more series (a Series of Bonds) in an aggregate amount not to exceed \$950 million for the following purposes: (i) current refunding of certain 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) currently refund certain long-term Transmission Contract Debt (bonds); (iii) funding a debt service reserve fund for a Series of Bonds; and (iv) 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, if required, an escrow agreement, a paying agent/registrar agreement, a preliminary and final official statement, and a Transmission Contract Revenue Debt Installment Payment Agreement Supplement related to the Series of Bonds (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 particular Series of 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 Series of Bonds;
  - c. Establish the terms of each Series of Bonds as provided in the Forty-First Supplement (including issuing such bonds in one or more separate Series of Bonds, issuing the Series of Bonds as tax-exempt or taxable, principal amounts and maturity schedules, interest rates, redemption provisions, and terms of any reserve funds); and
  - d. Approve the terms of the sale of each Series of Bonds to an underwriting team and execute a bonds purchase agreement for such Series of Bonds.

## **Board Consideration**

Section 8503.004(p) 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 2023 LCRA TSC business plan anticipates the refunding of LCRA TSC Series 2013A bonds and 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 2023 LCRA TSC business plan anticipates the issuance of about \$400 million of short-term obligations to fund LCRA TSC's ongoing capital plan in FY 2023.

## **Summary**

With this action, the Board will approve one or more Series of Bonds issued for the purpose of current refunding of certain LCRA TSC commercial paper, revolving notes and bonds in an amount not to exceed \$950 million, establishing a debt service reserve fund for a particular Series of Bonds, and paying for the issuance costs related to such bonds. The Board also will approve the execution of documents necessary for the sale of each Series of Bonds further described below.

## **Background**

The Forty-First Supplement is a supplemental resolution to the Controlling Resolution adopted by the Board in 2001 and readopted in 2003. The Forty-First Supplement authorizes the Bonds to be issued in one or more Series of 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 each such Series of Bonds (including obligations to be refunded, maturity, amortization, interest rates, redemption provisions, etc.) according to parameters set forth in the Forty-First Supplement. State law authorized the Forty-First Supplement to delegate authority to sell and deliver multiple Series of Bonds within the parameters set forth in such supplement at different times during a 12-month period. The Forty-First Supplement also requires an officer of LCRA TSC to agree to the specific terms of each Series of Bonds. The Controlling Resolution, the Forty-First Supplement, and the relevant pricing certificate of the LCRA officer and the LCRA TSC officer establishing the terms of the particular Series of Bonds together constitute the authorization of such Series of Bonds.

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

A bond purchase agreement is the contract among LCRA, LCRA TSC and the underwriters of the Series of Bonds that establishes the terms of the sale and delivery of such Series of Bonds from LCRA and LCRA TSC to such underwriters. This agreement provides for the conditions for closing on the Series of 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 Series of Bonds at closing.

The paying agent/registrars 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 parties under which such bank will act as the paying agent and registrar for the particular Series of Bonds. The bank will provide paying agent and transfer agent services, maintain registration books, and facilitate providing certain notices for the Series of Bonds, among other services.

A preliminary and final official statement is the document that provides disclosure to prospective investors regarding the terms of a Series of Bonds, security, risk factors, and financing and operating information of LCRA TSC.

### **Use of Proceeds**

Proceeds from each Series of Bonds will be used to refund certain LCRA TSC commercial paper notes, revolving notes and bonds, establish a debt service reserve fund for the particular Series of 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 (such as the LCRA TSC Series 2013A bonds) 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 in two Series of Bonds, the first in the spring of 2023 and the second in the summer of 2023, subject to the approving opinions of the Office of the Attorney General and bond counsel.

### **Presenter(s)**

Jim Travis  
Chief Financial Officer

## **8. Authorize a Note Purchase Agreement Related to the LCRA Revenue Revolving Notes, Series D and Taxable Series D, and Authorize Related Agreements**

### **Proposed Motion**

Staff recommends the Board of Directors approve the resolution authorizing a note purchase agreement related to LCRA Revenue Revolving Notes, Series D and Taxable Series D (the Series D Notes), by amending and extending the existing note purchase agreement with JPMorgan Chase Bank, N.A. (JPMorgan Chase Bank) or through a new agreement with another financial institution if acceptable terms cannot be reached with JPMorgan Chase Bank (in each case, the Series D Agreement), and authorizing the general manager, chief financial officer or treasurer to negotiate and execute the Series D Agreement. Staff also seeks authorization for the general manager or his designee to negotiate and execute related documents. This agenda item requires the approval of at least 12 members of the Board.

### **Board Consideration**

The extension of a credit facility supporting the Series D Notes requires Board authorization and complies with the covenants of the Master Resolution and with LCRA Board Policy 301 – Finance. Section 8503.004(p) of the Texas Special Districts Local Laws Code (LCRA Act) authorizes the Board to issue debt under certain conditions, including the requirement that 12 members must approve this action.

### **Budget Status and Fiscal Impact**

Staff anticipates the Series D Agreement will allow LCRA to issue private bank debt either on a tax-exempt or taxable basis to finance eligible projects and delay the issuance of long-term bonds, which have higher interest rates in the current market. Staff anticipates LCRA will experience lower debt service costs until long-term bonds are issued. The proposed fees for this new facility are in line with current market pricing.

### **Summary**

Staff recommends the Board approve the resolution and authorize the general manager, chief financial officer or treasurer to negotiate and execute the Series D Agreement and authorize the general manager or his designee to negotiate and execute any other related documents.

LCRA currently has a \$100 million private placement program for the Series D Notes with JPMorgan Chase Bank. Staff recommends amending that agreement to extend it for another three years and provide advantageous updated fees, among other amendments, provided acceptable terms are negotiated with JPMorgan Chase Bank or

authorizing a new agreement with another financial institution under similar terms if acceptable terms cannot be negotiated with JPMorgan Chase Bank.

Series D Notes will continue to allow LCRA to sell short-term debt directly to JPMorgan Chase Bank (or another financial institution) under the Series D Agreement (up to \$100 million) until March 2026. The direct purchase facility provides an alternative structure that eliminates marketing and remarketing risk that can occur with a public market commercial paper program. This private debt facility structure does not require public credit ratings to be issued and maintained. The credit facility allows LCRA to choose between taxable or tax-exempt debt, the variable interest rate, and period to effectively manage the debt.

The Series D Notes will be issued on parity with LCRA revenue bonds and notes pursuant to the Master Resolution and in compliance with the variable debt limitations in LCRA Board Policy 301 – Finance (25% of total capitalization). LCRA's other short-term debt programs include: \$150 million commercial paper program supported by a letter of credit with State Street Bank and Trust Company; \$160 million private revolving notes program supported by a note purchase agreement with U.S. Bank N.A.; \$200 million private revolving notes program supported by a note purchase agreement with PNC Bank, N.A. of America; and two letters of credit with Barclays Bank PLC and Wells Fargo Bank N.A. to provide credit to the Electric Reliability Council of Texas. Similar to LCRA's other short-term debt, Series D Notes will be secured by a pledge of LCRA revenues and may be refunded with long-term debt when it is advantageous.

**Presenter(s)**

Jim Travis  
Chief Financial Officer



## **FOR ACTION**

# **9. Contracts and Contract Changes**

### **Proposed Motion**

Authorize the general manager or his designee to negotiate and execute the following contracts and contract changes as described in the attached exhibit(s).

### **Board Consideration**

LCRA Board Policy 308 – Purchasing Contracts requires Board of Directors approval for:

- Any contract for consulting services with projected expenditures exceeding \$100,000, whether under the original contract or as a result of a change order; and
- Any contract for goods, services (excluding consulting services), construction or software with projected expenditures exceeding \$5 million, whether under the original contract or as a result of a change order.

### **Budget Status and Fiscal Impact**

Board of Directors approval of contracts and contract changes does not create a commitment to spend funds. All commitments made under these contracts will be for budgeted items contained in separately authorized operations and capital budgets or pre-spending requirements as outlined in LCRA Transmission Services Corporation Board Policy T301 – Finance.

### **Summary**

Each month the Board approves the contracts and contract changes in accordance with LCRA Board Policy 308 – Purchasing Contracts.

### **Presenter(s)**

Matt Chavez  
Vice President, Supply Chain

### **Exhibit(s)**

A – New Contracts  
B – Contract Changes

**EXHIBIT A**

<b>New Contracts</b>
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**Contract Number:** 6179

**Supplier Name:** Survey and Mapping, LLC

**Contract Amount:** \$7.5 million

**Description:** This master contract provides professional surveying and mapping services used enterprisewide for title, gradient boundary and permit surveys. The term of the contract is for one year, with annual options to extend up to a total of five years. Historical contract expenditures for this category of spend were \$5.3 million under the existing five-year contracts. Total projected contract expenditures are forecast to increase from prior years due to the continued growth of LCRA TSC's capital plan.

**EXHIBIT B**

<p style="text-align: center;"><b>Contract Changes</b></p>
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**Contract Number:** 4811

**Supplier Name:** USA Wire & Cable, Inc.

**Current Approved Contract Amount:** \$17 million

**Requested Change:** \$9 million

**New Contract Amount:** \$26 million

**Description:** This master contract originally was approved by the LCRA Board in May 2018 to provide power and control wire and cable primarily used by LCRA TSC. Over the past few years, USA Wire & Cable has supported LCRA in mitigating supply disruptions, including adding significant amounts of vendor-managed inventory to help ensure the availability of supplies. Based on the value provided by the increased inventory support and favorable terms in LCRA's existing contract, staff is recommending amending the term of the contract to allow for two additional annual extensions for a total of seven years. Staff is requesting Board approval to add an additional \$9 million to support increased demands related to the LCRA TSC capital plan and to cover an additional two years.