



# Board Agenda

Wednesday, April 12, 2017  
Canyon of the Eagles  
16942 Ranch Road 2341  
Burnet, Texas 78611

## Action Items

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2. Authorize the Fifty-First and the Fifty-Second Supplemental Resolutions to the Master Resolution to Create the LCRA Revenue Revolving Notes, Series D and E, and Authorize Related Agreements ..... 6

## Legal Notice

Although this is the expected agenda, the Board may discuss or take action on any item listed in the legal notice, which may include some items not currently on the Board agenda. Legal notices are available on the Texas Secretary of State website 72 hours prior to the meeting at [www.sos.state.tx.us/open](http://www.sos.state.tx.us/open).

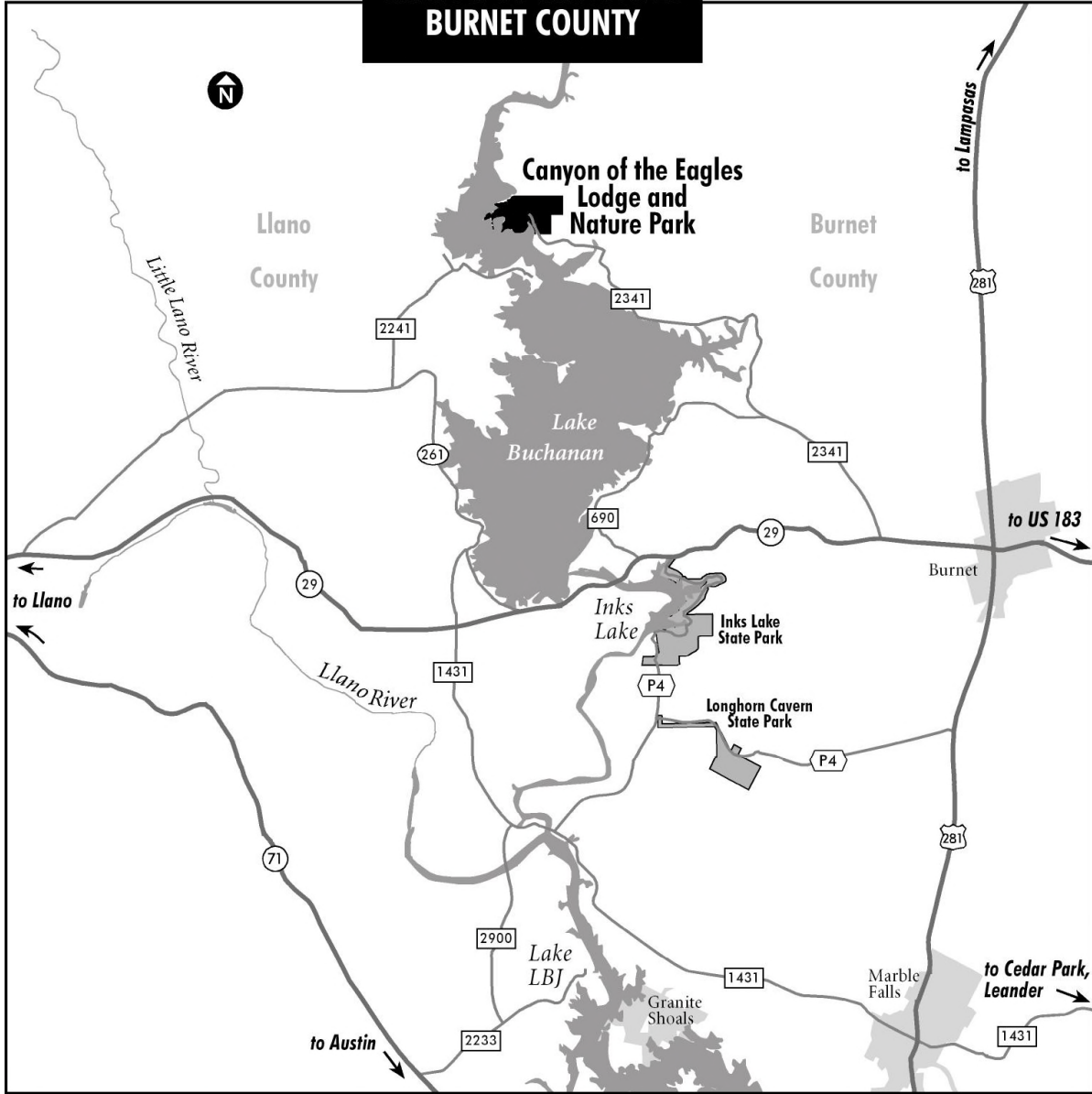
## Executive Session

The Board may go into executive session for deliberation on the matters listed in the legal notice posted pursuant to Chapter 551 of the Texas Government Code.

The Board may take final action on any of the executive session matters upon reconvening in open session pursuant to Chapter 551 of the Texas Government Code. The Board may act in executive session on competitive electric matters pursuant to Section 551.086 of the Texas Government Code.

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**CANYON OF THE EAGLES  
BURNET COUNTY**



## **FOR ACTION**

# **1. Authorize the FY 2017 Extraordinary LCRA Optional Purchase Price Payment from LCRA TSC**

### **Proposed Motion**

Adopt the attached resolution making determinations regarding the payment from LCRA Transmission Services Corporation (LCRA TSC) of an Extraordinary LCRA Optional Purchase Price Payment (ELOPPP) for fiscal year 2017 and, when such payment is made, reserve those funds in the LCRA Strategic Reserve.

### **Board Consideration**

Section 4.02 of the LCRA-LCRA TSC Electric Transmission Facilities Contract (the Contractual Commitment) requires the LCRA Board of Directors to determine if an ELOPPP payment is due for any given fiscal year and to determine the amount of any ELOPPP payment at least 30 days before approving LCRA TSC's annual budget for the next fiscal year.

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

The transfer to LCRA was contemplated in the FY 2017 business plan. The initiation of this transfer is being made after ensuring LCRA TSC will meet all financial commitments, including annual expenses for operations and maintenance, debt service, and any other payments required under its financial policies.

### **Summary**

As part of the formation of LCRA TSC and the transfer of LCRA's transmission assets to LCRA TSC, LCRA and LCRA TSC executed the Contractual Commitment to govern that transfer and to obligate LCRA TSC to pay a purchase price for those assets. As required by the Contractual Commitment, LCRA TSC has made, each year since its inception, purchase price payments equal to the LCRA debt service obligation associated with the assets transferred to LCRA TSC. Under Section 4.02 of the Contractual Commitment, the LCRA Board has sole discretion to determine each fiscal year if an annual ELOPPP is to be made to LCRA. This determination must be made at least 30 days prior to the LCRA Board's approval of LCRA TSC's annual budget for the following year. The amount of any ELOPPP is capped at 25 percent of the amount of LCRA TSC's Contractual Commitment purchase price payments and guarantee reimbursement payments and is only payable if all other financial commitments of LCRA TSC have been met, including debt, debt service, operations and maintenance, and coverage ratios and reserve funds required by LCRA TSC's financial policies.

Staff has determined that LCRA TSC has to date met, and is expected to meet, all financial obligations required by any agreement or the financial policies of LCRA TSC for FY 2017.

The amount to be transferred to LCRA will be reserved in the LCRA Strategic Reserve for use in accordance with Board Policy 301 – Finance.

**Presenter(s)**

Richard Williams  
Chief Financial Officer

**Exhibit(s)**

A – Board Resolution Extraordinary LCRA Optional Purchase Price Payment

## **EXHIBIT A**

### **RESOLUTION**

WHEREAS, the Lower Colorado River Authority (LCRA) and the LCRA Transmission Services Corporation (LCRA TSC) entered into the certain Electric Transmission Facilities Contract (the Contractual Commitment) as of Oct. 1, 2001, as amended; and

WHEREAS, in the Contractual Commitment, LCRA TSC agreed, under certain circumstances, to make an annual payment to LCRA, which payments are referred to as the Extraordinary LCRA Optional Purchase Price Payment (ELOPPP); and

WHEREAS, the Contractual Commitment provides that the LCRA Board of Directors shall determine if an ELOPPP payment is due and payable for any fiscal year and the amount of such payment; and

WHEREAS, such determinations must be made at least 30 days prior to the Board's approval of LCRA TSC's annual budget for the following fiscal year; and

WHEREAS, such ELOPPP payment is permitted under the Final Order issued by the Public Utility Commission of Texas in Docket No. 25829 and the stipulation incorporated therein;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby determines that pursuant to Section 4.02 of the Contractual Commitment, an ELOPPP payment is due from LCRA TSC for FY 2017, and the amount of the ELOPPP payment due and payable by LCRA TSC in FY 2017 is \$6.4 million.

## FOR ACTION

# **2. Authorize the Fifty-First and the Fifty-Second Supplemental Resolutions to the Master Resolution to Create the LCRA Revenue Revolving Notes, Series D and E, and Authorize Related Agreements**

### **Proposed Motion**

Staff recommends the Board of Directors adopt and approve: 1) the Fifty-First Supplemental Resolution to the Master Resolution establishing the LCRA Financing Program (the Master Resolution) that authorizes the LCRA Revenue Revolving Notes, Series D (Series D Notes) and 2) the Fifty-Second Supplemental Resolution to the Master Resolution that authorizes the LCRA Revenue Revolving Notes, Series E (Series E Notes). Staff also seeks authorization of the general manager or his designee to negotiate and execute related documents, including note purchase agreements with JPMorgan Chase Bank, N.A. (the Series D Agreement) and Bank of America, N.A. (the Series E Agreement), setting forth the terms and conditions governing the issuance of the debt directly to those banks in amounts up to \$100 million for Series D Notes and up to \$75 million for Series E Notes. This agenda item requires the approval of at least 12 members of the Board.

### **Board Consideration**

Supplemental resolutions to the Master Resolution requires Board approval. The creation of the Series D Notes and Series E Notes programs 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 that the new credit facilities 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. These new programs will provide additional financing flexibility, create more diversity in bank exposure and lower carrying costs. Staff anticipates that 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 that the Board approve the Fifty-First and the Fifty-Second Supplemental Resolutions and authorize the general manager or his designee to negotiate and execute the related Series D Agreement and Series E Agreement, paying agent agreements and other related documents.

*Background.* LCRA currently has a \$175 million commercial paper program under the Series A program with JPMorgan Chase Bank, N.A., that expires on May 8, 2017. Staff recommends not renewing that credit facility and allowing the Series A program to become dormant, while developing the new private placement programs for the Series D Notes and Series E Notes.

Series D Notes and Series E Notes will allow LCRA to sell short-term debt directly to JPMorgan Chase Bank (up to \$100 million) and to Bank of America (up to \$75 million), respectively, under two separate agreements until May 2020. LCRA will fund project costs in a similar manner to the existing commercial paper programs. However, the direct purchase facilities with the banks will provide 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 facilities will allow LCRA to choose between taxable or tax-exempt debt, the variable interest rate, and period to effectively manage the debt. Credit terms and fees are similar to the existing commercial paper credit facilities.

The Series D Notes and Series E Notes will be issued on parity with LCRA revenue bonds and other short-term debt pursuant to the Master Resolution and in compliance with the variable debt limitations in LCRA Board Policy 301 – Finance (25 percent 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; \$60 million private revolving notes program supported by a note purchase agreement with U.S. Bank, N.A.; and a letter of credit with Wells Fargo Bank, N.A. to provide credit to the Electric Reliability Council of Texas. Similar to LCRA's other short-term debt, both Series D Notes and Series E Notes will be secured by a pledge of LCRA revenues and may be refunded with long-term debt when it is advantageous.

**Presenter(s)**

Richard Williams  
Chief Financial Officer

Jim Travis  
Treasurer

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