Minutes

Texas Bond Review Board

Board Meeting

Thursday, July 18, 2019, 10:00 a.m.

Capitol Extension, Room E2.026

1100 Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a Board Meeting at 10:00 a.m., Thursday, July 18, 2019 in the Capitol Extension Room E2.026 in Austin, Texas. Present were Bobby Wilkinson, Chair and Alternate for Governor Greg Abbott; Bryan Mathew, Alternate for Lieutenant Governor Dan Patrick; Amanda Lopez, Alternate for Speaker Dennis Bonnen; and Piper Montemayor, Alternate for Comptroller Glenn Hegar. Also, in attendance were Leslie Brock and Rosalind Hunt with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Bobby Wilkinson, as Chair, called the meeting to order at 10:00 a.m. A quorum was present.

1. **Approval of Minutes**

UPON MOTION BY Piper montemayor AND SECOND BY Bryan Mathew, THE TEXAS BOND REVIEW BOARD APPROVED THE MINUTES FOR THE maY 14, 2019 Planning Session and The MAY 23, 2019 Board Meeting.

1. **Public Comment**

There was no public comment.

1. **Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A (Taxable) and Series B (Tax-Exempt)**

Representatives present were: Lee Deviney, Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Wayne Roberts, Chief Executive Officer, CPRIT; and Kriste Doyle, Deputy Executive Officer and General Counsel, CPRIT.

UPON MOTION BY bryan mathew AND SECOND BY bobby wilkinson, and a no vote by piper montemayor, THE TEXAS BOND REVIEW BOARD APPROVED the Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A (Taxable) and Series B (Tax-Exempt) in a maximum aggregate amount of $250,000,000 during fiscal year 2020 including the costs of issuance and related administrative costs, if any, as outlined in the application dated July 1, 2019 and supplements through July 16, 2019.

1. **Discussion and possible action regarding changes to Title 34 Texas Administrative Code, Part 9, Chapter 181 Bond Review Board Rules, including publication of amendments to 34 TAC §§ 181.1, 181.2, 181.3, 181.4, 181.5, 181.9, and 181.10 in the Texas Register for public comment**

UPON MOTION BY piper montemayor AND SECOND BY bryan mathew, THE TEXAS BOND REVIEW BOARD approved the Bond Review Board’s publication of the proposed changes to Title 34 Texas Administrative Code, Part 9, Chapter Part 181, Sections 181.1, 181.2, 181.3, 181.4, 181.5, 181.9, and 181.10 for public comment in the Texas Register, and authorize staff to prepare preamble language to meet the Administrative Procedure Act notice requirements to accompany the proposed rule changes.

1. **Discussion and possible action regarding changes to Title 34 Texas Administrative Code, Part 9, Chapter 190 Allocation of State’s Limit on Certain Private Activity Bonds, including publication of amendments to 34 TAC §§ 190.1, 190.2, 190.3, 190.4, 190.5, 190.6, and 190.7 in the Texas Register for public comment**

UPON MOTION BY Bryan Mathew AND SECOND BY piper montemayor, THE TEXAS BOND REVIEW BOARD APPROVED the Bond Review Board’s publication of the proposed changes to Title 34 Texas Administrative Code, Part 9, Chapter Part 190, Sections 190.1, 190.2, 190.3, 190.4, 190.5, 190.6, and 190.7 for public comment in the Texas Register, and authorize staff to prepare preamble language to meet the Administrative Procedure Act notice requirements to accompany the proposed rule changes.

1. **EXEMPT – Texas Transportation Commission Toll Revenue Second Tier Note (Midtown Express Managed Lanes Project) Series 2019**

This transaction was submitted on the BRB EXEMPT track and has been called in for formal review.

Representatives present were James Bass, Executive Director, TxDOT; Jennifer Wright, Project Finance and Debt Director; TxDOT; Jim Bateman, Associate General Counsel, TxDOT; and Carol Polumbo, Managing Partner, McCall Parkhurst & Horton, LLP.

The Midtown Express Managed Lanes Project (approximately 28 miles consisting of SH 183, SH 114 and Loop 12, the “Project”) is located near the center of the Dallas-Fort Worth metropolitan area. The Texas Transportation Commission is seeking approval to execute a Second Tier TIFIA Loan Agreement with the United States Department of Transportation (USDOT) in a total par amount and maximum total proceeds amount at closing of $275,000,000 with a maximum estimated highest loan balance of $340,900,000. Per the terms of the TIFIA Loan Agreement, if revenues of the Project underperform, the Commission can defer certain loan repayments.

Proceeds of the TIFIA Loan will be used to reimburse the State Highway Fund (SHF) in the amount of $275 million for costs of the Midtown Express Project. The total amount spent on the Project (including right-of-way) is $1.322 billion, of that approximately $568 million in SHF funding has been spent.

If the Commission does not utilize TIFIA, it will mean canceling/postponing other planned projects in a like amount that are currently in the queue based on its expectation of the TIFIA reimbursement.

The TIFIA Loan Agreement will be executed pursuant to authority granted in Chapter 228, Texas Transportation Code and Chapter 1371, Texas Government Code. On September 27, 2018, the Commission adopted a minute order authorizing the TIFIA loan financing including approval of a Trust Agreement.

The TIFIA Loan will be a revenue-supported, taxable, fixed-rate loan/note with a final maturity date of February 15, 2054. The modeled interest rate in the cash flows provided as part of this application is 3.45%; however, the current TIFIA loan rate is approximately 80 basis points lower.

The Texas Transportation Commission will be the borrower of the TIFIA Loan. The TIFIA obligations will be issued without recourse to the Commission, TxDOT, or the state of Texas and shall be payable by the Commission solely from revenues generated from the Midtown Express Managed Lanes Project.

The ratings for this transaction are from Moody’s Baa1 and Fitch BBB. The total costs of issuance are estimated to be $1,341,800 or $4.88 per bond.

According to TxDOT staff, the Project is already producing monthly revenue that, when annualized, exceeds CDM Smith’s projection. To date, approximately $10 million in toll revenues have been collected and deposited into a subaccount of the state highway fund.

James Bass and Jennifer Wright answered questions from the Board.

1. **Date for Next Board Meeting**

The next planning session is scheduled for Tuesday, September 10, 2019. The next Board Meeting is scheduled for Thursday, September 19, 2019. Staff will work to secure a room for the meetings.

1. **Report from the Executive Director**

* Staff is on schedule with processing local debt transactions received from the AG’s office.
* BRB staff has been invited to speak at the Texas Affiliation of Affordable Housing Providers (TAAHP) Annual Conference being held July 23-25.
* The BRB contributes to the State Debt Bond Appendix A. Staff submitted updates to the Comptroller’s office this week to be published in the August 2019 publication of the Bond Appendix.

1. **Adjourn**

There being no further business, the Board Meetingwas adjourned at 10:33 a.m.