Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 10, 2015, 10:00 a.m.

Clements Building, Room 103

300 W. 15th Street

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, March 10, 2015 in the Clements Building, Room 103 in Austin, Texas. Present were Ky Ash, Chair and Alternate for Governor Greg Abbott; Joaquin Guadarrama, Alternate for Lieutenant Governor Dan Patrick; and Piper Montemayor, Alternate for Comptroller Glenn Hegar. Also in attendance were Leslie Brock with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Bob Kline, Executive Director, called the meeting to order at 10:26 a.m. He announced that this was a planning meeting of Board staff to receive and discuss information relative to the applications before the Board. No votes would be taken. A quorum was present**.**

1. **Texas Southern University Lease Purchase Through the Texas Public Finance Authority Master Lease Purchase Program**

Representatives present were: Louis Edwards, Associate Vice President of Treasury and Budget, TSU.

TSU is seeking approval to enter into a lease-purchase agreement in an amount not to exceed $420,228 to finance the purchase of a new console dispatch system through the Texas Public Finance Authority’s (TPFA) Master Lease Purchase Program (MLPP).

TSU will use the MLPP proceeds to purchase a console dispatch system to replace the older system used by the Texas Southern University police department.

Texas Government Code, Section 1232 authorizes TPFA to issue revenue bonds to finance the equipment of state agencies.

TSU passed a resolution authorizing the use of the MLPP on February 20, 2015.

TPFA Board approval is not required for MLPP transactions.

Lease purchases under the MLPP are financed with proceeds of commercial paper notes issued by TPFA ("Notes"). The Notes are a special and limited obligation of the State of Texas, repaid from lease payments to TPFA from appropriations to the lessee agency.

Louis Edwards and Lee Deviney answered questions from the Board.

1. **Texas Water Development Board State of Texas General Obligation Water Financial Assistance Bonds, Series 2015E (Economically Distressed Area Program), 2015F and 2015G (Taxable)**

Representatives present were: Amanda Landry, Chief Financial Officer, TWDB; Les Trobman, General Counsel, TWDB; David Duran, Debt Management, TWDB; Jeff Walker, Program Area, TWDB; Jo Dawn Bomar, Program Area, TWDB; Rick Fox, Financial Advisor, First Southwest Co.; Clay Binford, Bond Counsel, Norton Rose Fulbright.

The TWDB seeks approval to issue its State of Texas General Obligation Bonds Water Financial Assistance Bonds Series 2015E (EDAP), Series 2015F and Series 2015G (Taxable) in an aggregate par amount of $108,250,000 and maximum proceeds amount of $108,775,000 including premiums, if any.

The total par amount to be issued is $96,570,000 and the total transaction size will be approximately $107,873,738.45

The Series 2015E bonds will be issued to fund certain projects within the EDAP program and to pay costs of issuance.

The Series 2015F bonds will be issued to fund state match requirements within the Water Financial Assistance Fund (WFA) for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund and to pay costs of issuance.

The Series 2015G taxable bonds will be issued to fund certain taxable projects within the Water Financial Assistance Fund and to pay costs of issuance.

The Series 2015E bonds will be issued pursuant to Article III, Sections 49-d-8 and 49-d-10, Texas Constitution, Subchapter L of Chapter 17 of the Texas Water Code.

The Series 2015F and Series 2015G bonds will be issued pursuant to Article III, Sections 49-d-8 and 49-d-9, Texas Constitution, Subchapter L of Chapter 17 of the Texas Water Code.

The TWDB adopted the resolutions for the issuance of the Series 2015E, Series 2015F, and Series 2015G bonds on February 25, 2015.

The TWDB sent a letter to the LBB on March 4, 2015 requesting its approval of the Series 2015E (EDAP) issuance.

The bonds are general obligations of the State of Texas and are secured by the state’s full faith and credit.

Total direct bond related costs are estimated to be $3.46 per bond. Total underwriter’s spread is expected to be $5.54 per bond for a total cost of $9.00 per bond.

Amanda Landry answered questions from the Board.

1. **EXEMPT - Texas Water Development Board State of Texas General Obligation Water Financial Assistance Bonds Series 2015D**

Representatives present were: Amanda Landry, Chief Financial Officer, TWDB; Les Trobman, General Counsel, TWDB; David Duran, Debt Management, TWDB; Jeff Walker, Program Area, TWDB; Jo Dawn Bomar, Program Area, TWDB; Paul Jack, Financial Advisor, Estrada Hinojosa & Co.; Barron Wallace, Bond Counsel, Bracewell & Giuliani LLP; Jim Travis, LCRA.

TWDB has submitted this transaction on the exempt track. It is still under review and has not been submitted to the Board.

1. **Texas Public Finance Authority State of Texas General Obligation Bonds (Texas Military Value Revolving Loan Program), Series 2007A-1**

Representatives present were: Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Terry Zrubek, OOG; Melissa Avelino, OOG; Keith Graf, Director, TMPC; Chris Allen, Financial Advisor, First Southwest Co; Bart Fowler, Bond Counsel, McCall Parkhurst & Horton; Clay Binford, Bond Counsel, Norton Rose Fulbright; Stephanie Leibe, Bond Counsel, Norton Rose Fulbright.

The Texas Public Finance Authority (TPFA) seeks approval to substitute certain projects for its State of Texas General Obligation Bonds (Texas Military Value Revolving Loan Projects) Tax-Exempt, Series 2007A-1, in a remaining amount of unspent proceeds not to exceed $5,090,000.

Texas Military Preparedness Commission and the City of Corpus Christi wish to substitute certain projects which will be financed with the unspent loan proceeds attributable to the Series 2007A-1 Bonds.

The original projects and loans to finance them were approved by the Bond Review Board on January 26, 2007.

The Commission approved a motion to re-purpose unused Texas Military Value Revolving Loan funding to new projects on December 4, 2014.

The notes are general obligations of the state. As such, the state’s full faith and credit are pledged to the repayment of the bonds.

Lee Deviney and Keith Graf gave an overview of the transaction to the Board.

1. **Texas Public Finance Authority Revenue Refunding Bonds, Series 2015A, 2015B, 2015C, 2015D, and 2015E, in one or more tax-exempt and taxable subseries**

Representatives present were: Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Chris Allen, Financial Advisor, First Southwest Co; Carol Polumbo, Disclosure Counsel, McCall Parkhurst & Horton; Hasan Mack, Disclosure Counsel, McCall Parkhurst & Horton; Stephanie Leibe, Bond Counsel, Norton Rose Fulbright.

TPFA seeks approval to issue its State of Texas Revenue Refunding Bonds, Series 2015A (TFC), 2015B (TMD), 2015C (TSPB), 2015D (TPWD), and 2015E (DSHS) (in one or more series or subseries) with an aggregate par and maximum proceeds amount of $87,515,000 including premiums, if any. The Series 2015A Bonds including Subseries 2015A-1 (Taxable) will be issued with maximum proceeds of $37,605,000. The Series 2015B Bonds will be issued with maximum proceeds of $9,505,000. The Series 2015C will be issued with maximum proceeds of $20,735,000. The Series 2015D will be issued with maximum proceeds of $12,270,000. The Series 2015E will be issued with maximum proceeds of $7,400,000.

The proceeds of the Series 2015 bonds will be used: (i) to refund certain outstanding revenue bonds issued by the Authority and (ii) to pay the cost of issuance of the bonds.

TPFA will issue debt pursuant to Chapters 1207, 1232, 1371, 1401 and 1403 of the Texas Government Code.

TPFA Board approved a request for financing for this refunding at its meeting January 8, 2015.

TPFA Board adopted the final bond resolution at its meeting on March 5, 2015.

The bonds are special obligations of the Authority payable only from certain pledged security, primarily lease payments made pursuant to a lease agreement between the Authority and the agencies. The obligation to make lease payments is dependent upon legislative appropriations. Neither the full faith and credit nor the taxing power of the state or any agency, political corporation or political subdivision of the state is obligated to pay debt service on the bonds.

The total direct bond related costs are expected to be $4.23 per bond and the total cost of issuance is expected to be $10.21 per bond.

The refunding will generate a net PV cash savings of $5,703,455 and a NPV savings of 6.73%.

Lee Deviney answered questions from the Board.

Chris Allen addressed the Board regarding cost of issuance.

1. **Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2015, in one or more tax-exempt and taxable series or subseries**

Representatives present were: Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Jorge Rodriguez, Financial Advisor, First Southwest Co; Carol Polumbo, Disclosure Counsel, McCall Parkhurst & Horton; Hasan Mack, Disclosure Counsel, McCall Parkhurst & Horton; Stephanie Leibe, Bond Counsel, Norton Rose Fulbright.

TPFA seeks approval to issue its State of Texas General Obligation Refunding Bonds, Series 2015A and State of Texas General Obligation Park Development Refunding Bonds, Series 2015B (in one or more series or subseries) with an aggregate par of $147,965,000 and maximum proceeds including premiums, if any, not to exceed $163,000,000.

The proceeds of the Series 2015A bonds will be used to advance refund a portion of the outstanding GO bonds Series 2006A, 2006B, 2007 and 2008A and pay cost of issuance. The proceeds of the Series 2015B bonds will be used to current refund all of the outstanding GO Park Development Bonds Series 2004 and pay cost of issuance. The Series 2015A and Series 2015B refunding together are expected to produce a cash present value savings of $11,018,502 and a Net Present Value (NPV) savings of 7.45%.

The 2015A bonds will be issued pursuant to Article III, Sections 49-l, 50-f, 50-g, 50-h of the Texas Constitution, Chapters 1207, 1232, 1371, 1401 and 1403 of the Texas Government Code, as amended. The 2015B bonds will be issued pursuant to Chapters 1207, 1232, and 1371 Texas Government Code, as amended and Texas Constitution Art III, Sections 49-e; Chapters 21 Texas Parks & Wildlife Code, as amended.

TPFA Board adopted the final bond resolution at its meeting on March 5, 2015.

The bonds are general obligations of the state.

Total direct bonds related costs are estimated to be $2.91 per bond. Total underwriter’s spread is expected to be $6.00 per bond for a total cost of $8.91 per bond.

Lee Deviney and Kevin Van Oort answered questions from the Board.

1. **Public Comment**

Bech Bruun, a board member of the Texas Water Development Board, made comments to the Board about the Texas Water Development Board Water Financial Assistance Bonds Series 2015D transaction.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Thursday, March 19, 2015 at 10:00 a.m. in the Clements Building Room 103.

1. **Items for Future Agendas**

Board members received an updated list of future agenda items.

1. **Report from the Executive Director**
* Rob Latsha spoke about pending legislation relating to Capital Appreciation bonds.
* The database upgrade project is continuing. Staff is working on data cleanup to facilitate data conversion.
* Rob Latsha spoke about the Private Activity Bond program and CDFA webinar.
* The Local Annual report will be available on the BRB website later in the week.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 11:13 a.m.