Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 12, 2013, 10:00 a.m.

R. E. Johnson Building, Central Conference Room

1501 N. Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, March 13, 2013 in the R.E. Johnson Building, Central Conference Room in Austin, Texas. Present were Ed Robertson, Chair and Alternate for Governor Rick Perry; Kenneth Besserman, Alternate for Comptroller Susan Combs; Jamie Dudensing, Alternate for Lieutenant Governor David Dewhurst; and Frank Battle, Alternate for Speaker Joe Straus. Also in attendance were Stephanie Leibe 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 10:07 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 Water Development Board Debt Reclassification from Not-Self Supporting to Self Supporting for the State Participation Program Bonds Series 2010C**

The TWDB representative present was Piper Montemayor, Debt Portfolio Manager.

The TWDB seeks to reclassify its State of Texas Water Financial Assistance Refunding Bonds Series 2010C under the SPP, of which $35,080,000 in par amount is outstanding, from not self-supporting to self-supporting debt.

The subject reclassification is permitted pursuant to Texas Constitution, Article III, Section 49-j which allows for debt included in the CDL calculation to be removed if: (1) the bonds or agreements are backed by insurance or another form of guarantee that ensures payment from a source other than general revenue; or (2) the issuer demonstrates to the satisfaction of the BRB or its successor designated by law that the bonds no longer require payment from general revenue and the BRB so certifies to the Legislative Budget Board or its successor designated by law.

On February 1, 2013 Melanie Callahan, Executive Administrator of the TWDB certified that the currently outstanding SPP Series 2010C debt is self-supporting.

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

1. **Texas Department of Housing and Community Affairs The Waters at Willow Run Multifamily Housing Revenue Bonds Series 2013**

Representatives present were: Teresa Morales, Multifamily Housing Specialist, TDHCA; Cameron Dorsey, Director of Multifamily Housing, TDHCA; Elizabeth Bowes, Bond Counsel, Bracewell & Guiliani; Gary Machak and Barton Withrow, Financial Advisor, George K. Baum and Co.; Dan Dill, Merchant Capital; Michael Nguyen, Atlantic Housing Foundation; Nicole Flores, City Real Estate Advisors.

The Department submitted an application to issue its Multifamily Housing Revenue Bonds (The Waters at Willow Run Apartments) Series 2013 in maximum par and total proceeds amount of $16,000,000 including premiums if any. The total cost for the Willow Run Apartments project is estimated to be $26,497,700 to be funded from a combination of sources including proceeds of tax-exempt bonds, housing tax credits and a taxable Federal Housing Administration (FHA) mortgage loan.

Because the Borrower may seek a 50% property tax abatement upon completion of the project, the transaction does not qualify for exempt approval under the BRB rules.

The bonds will be issued pursuant to Chapter 1371 and Chapter 2306 of the Texas Government Code. The Private Activity Bond reservation was issued to TDHCA on February 14, 2013 and expires on July 14, 2013.

The Borrower is a Texas nonprofit, 501(c)(3) corporation and entitled to a 50% tax abatement under Section 11.1825 of the Texas Property Code. At this time, the Borrower has not decided to apply for the abatement.

The TDHCA Board approved the Willow Run project with conditions at its February 21, 2013 Board meeting.

The Borrower will use proceeds from the bonds for site purchase, construction and lease-up. The bonds will be refunded no later than June 15, 2019 by an FHA-insured, permanent mortgage loan originated by Centerline Capital Group and underwritten by Merchant Capital LLC with a 40–year maturity and a 4% taxable rate. The total FHA mortgage loan of $18,787,700 will refund the $14,500,000 in tax-exempt bonds and provide additional taxable proceeds of $4,287,700 to cover construction cost overruns. The Borrower will also receive approximately $6,645,909in tax-credit equity.

TDHCA is acting as a conduit issuer for this transaction and as such the bonds do not constitute an obligation, debt or liability of the state of Texas, or a pledge or loan of faith, credit or taxing power of the state of Texas.

HUD commitment for the FHA mortgage loan is expected to be received around April 11, 2013.

1. **Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Refunding Bonds, 2013 Series A (Taxable)**

Representatives present were: Timothy Nelson, Director of Bond Finance, TDHCA; Elizabeth Bowes, Bond Counsel, Bracewell & Guiliani; Gary Machak, Financial Advisor, George K. Baum and Co.; Peter Weiss, Senior Manager of the Investment Banking Syndicate, J.P. Morgan.

TDHCA is seeking approval for its Single Family Mortgage Revenue Refunding Bonds, 2013 Series A (Taxable) in a total par and maximum proceeds amount of $44,160,000 including premiums, if any.

The 2013A bonds will be used for a current refunding of all outstanding Single Family Mortgage Revenue Bonds, 2002 Series A, Single Family Mortgage Revenue Refunding Bonds, 2002 Series B, and Single Family Mortgage Revenue Refunding Bonds, 2002 Series C.

TDHCA anticipates the refunding will generate a net present value (NPV) savings of approximately 17.6%.

The Bonds are special, limited obligations of TDHCA, payable solely out of the revenues, receipts, and security pledged under the Indenture. The Bonds do not constitute a general obligation of the state of Texas.

1. **Texas State Technical College Waco Lease Purchase (Furniture, Fixtures and Equipment for East Williamson County Higher Education Center at Hutto)**

Representatives present were: Gary Hendricks, Vice Chancellor for Financial and Administrative Services, TSTC System; David Kefnovec, Vice President for Financial Services, TSTC Waco; Rob Wolaver, Executive Vice President, TSTC Waco.

TSTC is seeking approval to finance the total cost of $2,200,000 for furniture, fixtures and equipment for the East Williamson County Higher Education Center (Multi-Institution Teaching Center (MITC)) located in Hutto, through the Texas Public Finance Authority’s (TPFA) Master Lease Purchase Program (MLPP).

The TSTC Board approved the financing on February 7, 2013.

1. **EXEMPT - Texas Higher Education Coordinating Board State of Texas (General Obligation Bonds) College Student Loan Bonds and State of Texas (General Obligation Bonds) College Student Loan Refunding Bonds, in one or more series**

Representatives present were: Patrick Krishock, Senior Financial Analyst, THECB; Dan Weaver, Assistant Commissioner Business and Support Services, THECB; Carol Polumbo, Bond Counsel, McCall, Parkhurst & Horton LLP.

This transaction was sent to the Board on Wednesday, March 6, 2013 and is scheduled for exempt approval at the close of business on Wednesday, March 13, 2013 unless called in for full review.

1. **EXEMPT - Grand Parkway Transportation Corporation Grand Parkway System Revenue Obligations (in one or more Series of Bonds, Notes or other Obligations)**

Representatives present were: Benjamin Asher, Innovative Financing/Debt Management Officer, TxDOT; John Munoz, Deputy Director, Innovative Financing/Debt Management Office; TxDOT; Rebecca Bronson, Associate General Counsel, TxDOT.

Staff is in the process of reviewing the Grand Parkway NOI received on December 27. Benjamin Asher gave a brief update on the status of this transaction.

1. **Executive Session pursuant to Section 551.074, Texas Government Code to deliberate with respect to the duties, evaluation, and compensation of the Executive Director**

At 11:32 a.m. the Board entered into Executive Session under the authority of Section 551.074 of the Texas Government Code to discuss the performance evaluation of the Executive Director.

The Board reconvened in an open meeting at 11:42 a.m.

1. **Public Comment**

Scott Swain, Mike Howe, Laura Ludwig, and Emily Berver are concerned citizens who spoke in opposition to the construction of a multifamily housing development to be called the Waters at Willow Run Apartments discussed as item III above.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for March 21, 2013 in the R.E. Johnson Conference Center.

1. **Items for Future Agendas**

An updated list detailing future bond transactions was handed out.

1. **Report from the Executive Director**

* Staff handed out an updated list of legislation affecting the Bond Review Board. Of particular interest are HB 14, SB 14, HB1805, and SB 636 all relating to transparency.
* Staff has completed 56 fiscal note requests to date.
* Staff received its first Qualified Energy Conservation Bond application of $3.9 million for an Energy Savings Performance Contract for Hampshire Fannett ISD.
* Staff has currently received 748 local government bond issues which is a 10% increase from this time last year.
* John Barton’s last day was Friday March 8, 2013. He has accepted a position with the Texas Public Finance Authority. Staff has posted for a Financial Analyst position on the agency website.

1. **Adjourn**

There being no further business to discuss, the planning session adjourned at 11:46 p.m.