Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 13, 2018, 10:00 a.m.

Capitol Extension, Room E2.026

1400 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, 2018 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Bobby Wilkinson, 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 and David Gordon with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Rob Latsha, Interim Executive Director, called the meeting to order at 10:02 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 Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (The Preserve at Hunters Crossing), Series 2018**

Representatives present were: Teresa Morales, Program Administrator, TDHCA; Brent Stewart, Director of Real Estate Analysis, TDHCA; Barton Withrow, Senior Vice President, George K. Baum & Co.; and Elizabeth Bowes, Partner, Bracewell.

The Department submitted an application to issue its Multifamily Housing Governmental Lender Note (The Preserve at Hunters Crossing), Series 2018 (the Note) in a maximum par and total proceeds amount not to exceed $13,000,000 including premiums if any.

The proceeds of the Note will be used for site acquisition and new construction of The Preserve at Hunters Crossing. Situated on 11.985 acres, the new construction consists of 14 two-story garden style residential buildings providing 140 units, with a stand-alone clubhouse and pool.

The Note will be issued pursuant to Chapter 1371 and Chapter 2306 of the Texas Government Code. The Private Activity Bond (PAB) Certificate of Reservation was issued to TDHCA on March 9, 2018 and expires August 6, 2018. The final Bond Resolution is anticipated to be approved by the TDHCA Board on March 22, 2018.

The Note will be privately placed as unrated, tax-exempt fixed rate bonds (termed a governmental lender note) in the amount of $13,000,000 that will be purchased by Citi Community Capital (Citi) through its Tax-Exempt Back-to-Back Loan Program. Citi will serve as the construction and permanent lender.

TDHCA is acting as a conduit issuer for this transaction and as such the Note does 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. The Note is a special limited obligation payable from revenues earned from the mortgage loan, earnings derived from amounts on deposit in an investment agreement and payments from the credit provider.

The total estimated cost is expected to be $732,250 or $56.33 per bond. The loan financing structure is similar to that used for the TDHCA Gateway at Hutchins transaction approved by the BRB in August 2016.

The department conducted a public hearing for the property on January 30, 2018. There were 42 people in attendance, three indicated support, 30 were opposed, and nine were considered neutral. TDHCA received a letter of support from the City of Bastrop mayor and another letter of support from a member of the community as well as 51 letters of opposition.

Teresa Morales answered questions from the Board.

1. **Texas Department of Agriculture Purchase of Large Capacity Weight Truck Through the Texas Public Finance Authority Master Lease Purchase Program**

Representatives present were: Leslie Smith, Senior Director for Agriculture Consumer Protection, TDA; Stuart Strnad, Director of Consumer Product Protection, TDA; April Bacon, Administrator for Financial Compliance, Procurement and HUB, TDA; and Philip Wright, Administrator for Consumer Product Protection Division, TDA.

Texas Department of Agriculture (TDA) is seeking approval to enter into a lease-purchase agreement in an amount not to exceed $300,000 to finance the purchase of a weight truck through Texas Public Finance Authority’s (TPFA) Master Lease Purchase Program (MLPP).

Texas Government Code, Section 1232 authorizes TPFA to finance the purchase of equipment for state agencies and institutions of higher education.

Article VI, Rider 6 pg. VI-5 of the SB 1 General Appropriations Act (GAA) for the 2018-19 biennium authorizes the purchase of the weight truck.

The Commissioner of Agriculture signed a resolution on February 26, 2018 authorizing the purchase of equipment through the TPFA MLPP.

The TPFA MLPP Master Resolution between TDA and TPFA is expected to be executed the week of March 12, 2018.

TPFA Board approval is not required for MLPP financings.

The purchase amount of $300,000 for the weight truck will be financed through the TPFA’s MLPP with an 18-year term. The expected useful life of the equipment is 18 years. Assuming an interest rate of 5.0% and an administrative fee of 1.0%, the total payment including principal, interest and administrative expenses is estimated to be $488,717.

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 the lessee state agency or institution of higher education in an amount sufficient to pay the principal and interest on the Notes that mature or become due during the fiscal year.

Stuart Strnad answered questions from the Board.

1. **Texas Department of Agriculture Purchase of Liquid Chromatograph / Tandem Mass Spectrometer Through the Texas Public Finance Authority Master Lease Purchase Program**

Representatives present were: Leslie Smith, Senior Director for Agriculture Consumer Protection, TDA; Stuart Strnad, Director of Consumer Product Protection, TDA; April Bacon, Administrator for Financial Compliance, Procurement and HUB, TDA; and Philip Wright, Administrator for Consumer Product Protection Division, TDA.

Texas Department of Agriculture (TDA) is seeking approval to enter into a lease-purchase agreement in an amount not to exceed $320,000 to finance the purchase of a Triple Quadrupole LC-MS mass spectrometer (LC-MS/MS) through Texas Public Finance Authority’s (TPFA) Master Lease Purchase Program (MLPP).

Proceeds will be used to purchase the LC-MS/MS for TDA’s Pesticide Lab in College Station, Texas.

Texas Government Code, Section 1232 authorizes TPFA to finance the purchase of equipment for state agencies and institutions of higher education.

Article VI, Rider 6 pg. VI-5 of the SB 1 General Appropriations Act (GAA) for the 2018-19 biennium authorizes the purchase of the LC-MS/MS.

The Commissioner of Agriculture signed a resolution on February 26, 2018 authorizing the purchase of equipment through the TPFA MLPP.

The TPFA MLPP Master Resolution between TDA and TPFA is expected to be executed the week of March 12, 2018.

TPFA Board approval is not required for MLPP financings.

The purchase amount of $320,000 for the LC-MS/MS will be financed through the TPFA’s MLPP with a 10-year term. The expected useful life of the equipment is 10 years. Assuming an interest rate of 5.0% and an administrative fee of 1.0%, the total payment including principal, interest and administrative expenses is estimated to be $427,098.

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 the lessee state agency or institution of higher education in an amount sufficient to pay the principal and interest on the Notes that mature or become due during the fiscal year.

Leslie Smith answered questions from the Board.

1. **EXEMPT – Texas Water Development Board State Revolving Fund Revenue Bonds, New Series 2018**

This transaction was submitted on the Exempt track and the 6-day review period is scheduled to expire on Monday, March 19, 2018.

Representatives present were: Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager, TWDB; and Anne Burger Entrekin, Regional Managing Director, Hilltop Securities Inc.

The TWDB seeks approval to issue its State Revolving Fund Revenue Bonds, New Series 2018 with a maximum par amount of $392,000,000 and maximum proceeds amount, including premium, if any, not to exceed $394,402,673.

The New Series 2018 bonds are being issued to: 1) provide funds to the Clean Water and Drinking Water State Revolving Fund Programs to finance the acquisition of political subdivision bonds, including state match requirements; and 2) to pay costs of issuance.

The New Series 2018 Bonds are being issued pursuant to the laws of the State of Texas, including specifically Subchapter J, Chapter 15 and Subchapter I of Chapter 17 of the Texas Water Code, as amended, and Chapter 1371, Texas Government Code, as amended.

On March 1, 2018, the TWDB adopted the Master Resolution exercising its authority to cross-collateralize the money and other assets of the CWSRF and DWSRF to secure payment of debt service of the State Revolving Fund (SRF) bonds, including the New Series 2018 Bonds.

On March 1, 2018, the TWDB adopted the resolution for the issuance of the New Series 2018 bonds.

Legislative Budget Board approval is not required for this transaction.

The bonds do not constitute indebtedness of the state and the state's credit is not pledged. The bonds will be special obligations of the TWDB, and the security pledged includes all political subdivision bonds purchased and to be purchased by the TWDB, loan repayments, certain other revenues, receipts and funds held within the State Revolving Fund.

The total estimated cost of issuance is expected to be $2,399,000 or $6.12 per bond. The Board’s most recent issuance of SRF new money bonds was the State Revolving Fund Subordinate Lien Revenue Bonds, Series 2009A issued in the amount of $224,975,000 on August 18, 2009. In July 2017 the Board redeemed $422.3 million of outstanding SRF debt. Total debt outstanding in the SRF program as of February 28, 2018 is $164,010,000.

Georgia Sanchez answered questions from the Board.

1. **EXEMPT – Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2018**

This transaction is on the BRB Exempt track and will be sent to the Board for 6-day review when a complete application is received.

Representatives present were: Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager, TWDB; and Anne Burger Entrekin, Regional Managing Director, Hilltop Securities Inc.

The TWDB seeks approval to issue its State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2018 in a maximum par amount of $906,910,000 and maximum proceeds amount of $911,791,764, including premiums, if any.

The Series 2018 bonds are being issued to provide funds to purchase or enter into political subdivision obligations, the proceeds of which will be used to finance State Water Plan projects within the State Water Implementation Revenue Fund for Texas (SWIRFT) and to pay costs of issuance. Specifically, the Series 2018 bonds will fund two political subdivision obligations: $800 million to North Texas Municipal Water District (NTMWD) for the Lower Bois D’Arc Creek Reservoir and Drinking Water Treatment Plant, and $106.9 million to the City of Houston for the Northeast Water Purification Plant Expansion.

The bonds will be issued pursuant to Article III, Sections 49-d-12 and 49-d-13, Texas Constitution, Subchapter H of Chapter 15 of the Texas Water Code.

The TWDB adopted the resolutions for the issuance of the Series 2018 bonds on March 1, 2018.

The bonds do not constitute indebtedness of the state and the state's credit is not pledged. The Series 2018 bonds are special, limited obligations of the Board payable from revenues earned from all political subdivision bonds purchased, earnings derived from amounts on deposit in an investment agreement and payments from the credit provider.

The total estimated cost of issuance is expected to be $4,881,095 or $5.38 per bond.

Georgia Sanchez answered questions from the Board.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for 10:00 a.m. on Thursday, March 22, 2018 in the Capitol Extension, Room E2.026.

1. **Items for Future Agendas**

A list of future agenda items was distributed to each member of the Board.

1. **Report from the Executive Director**

* Local debt transactions received from the Attorney General’s office has decreased by 10% from this time last year. Staff believes this is due to the elimination of advance refundings.
* The Private Activity Bond Program is continuing as expected.
* The February 2018 Debt Affordability Study was posted to the agency website on February 15, 2018. Staff is beginning to work on the state’s Capital Expenditure Plan which will be due by September 1, 2018.
* The next Texas Public Finance Seminar is scheduled for Tuesday, April 17th in the Legislative Conference Center. David Trice, Mark Shewmaker and Cassie Huggins from the Texas Education Agency will be available to give a presentation on the Texas Permanent School Fund.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:38 a.m.