Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 14, 2023, 10:00 a.m.

Room 402 Clements Building

And Videoconference Meeting

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 14, 2023, in Room 402 of the Clements Building and via videoconference as authorized under Texas Government Code section 551.127. Present were Sarah Hicks, 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 Glen Imes with the Office of the Attorney General, Bond Finance Office staff members, and others.

1. **Call to Order**

Rob Latsha, Executive Director, called the meeting to order at 10:05 a.m. A quorum was present. He announced that this meeting will be held by videoconference call pursuant to Texas Government Code section 551.127. This meeting may include participation from one or more Bond Review Board members by remote videoconference. In accordance with the Texas Open Meetings Act, Bond Review Board members participating by videoconference shall be considered as being present for all purposes in the meeting. No votes would be taken.

1. **Texas State Technical College Lease Purchase with the TSTC Foundation to finance the Texas State Technical College Industrial Training Center of Central Texas**

Representatives present were Chad Wooten, Interim Chief Financial Officer, TSTC; Jeni Gooden, Chief of Staff, TSTC; and Anju Motwani, Controller, TSTC.

TSTC is seeking approval to enter into a lease purchase agreement with the TSTC Foundation in an amount not to exceed $8,500,000 to finance the new construction costs of a Central Texas Industrial Training Center.

Total construction cost is expected to be approximately $16,900,000. The amount of $8,400,000 will be paid in cash at the onset of construction by McLennan County.

Proceeds of the lease purchase will be used to construct the Central Texas Industrial Training Center at Waco Industrial Foundation’s industrial zone. A 25,000 square foot Training Center, sitting on 15 acres, will house open, flexible lab spaces to meet the most urgent and evolving workforce needs of Waco area industrial employers.

The project is authorized under Chapter 55.11, Chapter 53.02(11), and Chapter 53.34 of the Texas Education Code, as amended.

Neither Texas Higher Education Coordinating Board nor Legislative Budget Board approval is required for this lease purchase agreement. Currently, TSTC staff is researching if Legislative Budget Board approval is specifically required for the purchase of IT equipment at the Training Center.

The TSTC Board approved the financing on February 9, 2023, via Minute Order 02-23(c).

The lease purchase and ground lease are expected to be signed by TSTC at closing in May 2023 after BRB approval.

This issuance is expected to be a self-supporting, tax-exempt, fixed rate, private placement, lease purchase agreement with the TSTC Foundation, with a 20-year term plus one year for construction, and a final maturity of October 1, 2043. The TSTC Foundation will obtain a $8,500,000 bank loan from American Bank N.A. for the new construction of a Central Texas Industrial Training Center.

Funds from the City of Waco grant, in the amount of $620,000 per year, will be used to make the annual principal and interest payments.

Assuming an interest rate of 3.902% and a yearly administrative fee of $17,000, the total annual principal and interest payments are expected to be approximately $637,000, after the interest only construction period. The total payment over the life of the loan including principal, interest, and administrative fees is estimated to be $12,740,055. TSTC has the option of purchasing the Training Center at any time by paying the full, outstanding amount of the bank loan to the Foundation.

The grant from the City of Waco will pay all lease payments. In the event the City of Waco terminates or defaults on the agreement, the System will fund the debt service payments from local funds. The deed of trust is being pledged as the collateral for the bank loan.

The lease purchase is payable from and secured solely by the pledged revenues of the System. The lease purchase is not a general obligation of the System, the state or any political subdivision of the state. The Board of Regents of the System has no taxing power and neither the credit nor the taxing power of the state or any political subdivision of the state is pledged as security for the lease purchase.

As of February 28, 2023, the principal balance owed by the TSTC System for all debt is $411,265,225, including RFS bonds and HEF bonds totaling $381,725,000 and $8,355,000, respectively. Lease Purchases with the TSTC Foundation total $20,841,247.

Chad Wooten addressed the Board and answered questions.

1. **Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Texas Agricultural Finance Authority Rural Economic Development Finance Program) Taxable Series 2023**

Representatives present were Lee Deviney, Executive Director, TPFA; Matt Berry, Financial Analyst, TPFA; and Bon Weir, Program Specialist, TAFA.

TPFA is seeking authorization to issue Commercial Paper (CP) Notes under its State of Texas General Obligation Commercial Paper Program (Texas Agriculture Finance Authority Rural Economic Development Finance Program), Taxable Series 2023 in a maximum amount of $200,000,000 outstanding at any time.

The proceeds will be used to provide financing assistance for the Rural Economic Development Finance Program, paying costs of issuance and administration of the program, and paying and refinancing outstanding Notes.

TPFA will issue the Notes pursuant to Article III, Section 49-f of the Texas Constitution; Chapters 58 and 59 of the Texas Agriculture Code; and Chapters 1232 and 1371 of the Texas Government Code.

The TAFA Board authorized a resolution for its Request for Financing on February 23, 2022.

The TAFA Board authorized a resolution certifying the determination that revenue bonds are not an economically advisable alternative on February 23, 2022.

The TAFA Request for Financing was approved by the TPFA Board at its May 12, 2022, board meeting.

The TPFA Board adopted a resolution authorizing the Taxable Series 2023 CP Program on January 12, 2023.

Legislative Budget Board approval is not required for the issuance of CP Notes for this project.

The TAFA CP program will issue taxable Notes to mature on dates chosen by TPFA.

The CP Notes are general obligations of the state. As such, the state’s full faith and credit are pledged to repayment of the Notes. The first monies coming into the State Treasury, not otherwise appropriated by the Constitution, are dedicated to pay debt service.

The anticipated closing date is scheduled for April 25, 2023, and Standard & Poor’s has an A-1+ rating for the CP program.

Under the Rural Economic Development Finance Program there are two individual loan programs: The Texas Rural Community Loan (TRC) and the Agricultural and Community Economic Development Loans (ACED).

The GO CP Notes are expected to be self-supporting and will not be included in the state’s Constitutional Debt Limit (CDL).

Lee Deviney and Bon Weir addressed the Board and answered questions.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for March 23, 2023, in Room 404 of the Clements Building.

1. **Items for Future Agendas**

Each Board member received an updated list of future agenda items.

1. **Report from the Executive Director**

* So far for fiscal year 2023, the BRB has received approximately 802 local debt issuances for processing. This is a decrease from the number received this time last year.
* Staff continues to process paperwork and fees related to Private Activity Bond 35-day filings. As of March 6, 2023, the program had provided a total of $1,422,213 in general revenue deposits and application fees.
* Staff appeared before the House Appropriations Subcommittee on Tuesday, February 21, 2023.
* Each Friday, staff will circulate bills introduced during the 88th Legislature. So far, staff has been requested to complete approximately 90 fiscal notes.
* Semi-annual state debt issuer letters were sent to state agencies and colleges and universities in February requesting mid-year debt information. That information is due back to the BRB by Wednesday, March 15th. Staff will begin reconciling state debt, as of February 28, 2023, when the reports are received.
* Martina Urrutia is a new financial analyst with the Bond Review Board.

1. **Adjourn**

There being no further business, the planning session was adjourned at 10:28 a.m.