Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 8, 2016, 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 8, 2016 in the Capitol Extension, Room E2.026 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, as Chair, called the meeting to order at 10:05 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. **Midwestern State University Lease Purchase Through the Texas Public Finance Authority Master Lease Purchase Program**

This application has been withdrawn by the issuer.

1. **Texas State Technical College System Constitutional Appropriation Bonds, Series 2016**

Representatives present were: Jonathan Hoekstra, Vice Chancellor and Chief Financial Officer, TSTC; Mike Reser, Chancellor, TSTC; Roger Miller, Vice Chancellor and Chief Government Affairs Officer, TSTC; Karen Waller, Vice President Strategic Initiatives, TSTC; Mary Williams, Financial Advisor, First Southwest Company; Ester Flores, Financial Advisor, First Southwest Company.

The Texas State Technical College System (TSTC) is seeking authority to issue its Constitutional Appropriation Bonds, Series 2016 (the Bonds) in a maximum par amount of $30,000,000 and maximum total proceeds amount of $30,652,471.30 including premiums, if any. The exact par amount will be determined by market conditions at the time of issuance. At this time the System expects to issue a par amount of approximately $23,520,000 and a premium of $4,231,169.70 for a total issuance of $27,751,169.70.

The proceeds will be used to acquire, purchase, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities, and related infrastructure at some or all of the System’s campuses.

TSTC will issue the Bonds pursuant to Article VII, Section 17 of the Texas Constitution; Chapter 62, Sections 62.001-62.027 of the Texas Education Code and Chapter 1371 of the Texas Government Code.

The TSTC Board approved the financing on February 11, 2016.

The bonds are special obligations of the Texas State Technical College System payable and secured solely by a first lien on and pledge of up to one-half of the annual appropriation to the System from the state treasury pursuant to Article 7, Section 17 of the Texas Constitution and Chapter 62, Texas Education Code.

Jonathan Hoekstra and Mary Williams answered questions from the Board.

1. **Texas State Technical College System Revenue Financing System Improvement and Refunding Bonds, Series 2016**

Representatives present were: Jonathan Hoekstra, Vice Chancellor and Chief Financial Officer, TSTC; Mike Reser, Chancellor, TSTC; Roger Miller, Vice Chancellor and Chief Government Affairs Officer, TSTC; Karen Waller, Vice President Strategic Initiatives, TSTC; Mary Williams, Financial Advisor, First Southwest Company; Ester Flores, Financial Advisor, First Southwest Company.

The System is seeking approval to issue its TSTC Revenue Financing System Improvement and Refunding Bonds, Series 2016 in a par amount not to exceed $64,740,000 and a maximum total proceeds amount of $67,524,824.75 including premiums, if any. The new money par amount is estimated to be $41,740,000, and the refunding money par amount is estimated to be $23,000,000.

Proceeds of the bonds will be used to (1) finance new money capital projects, (2) advance refund a portion of the Series 2008 and 2009 bonds for savings and (3) pay the cost of issuance.

The refunding bonds are expected to produce a cash present value savings of $1,058,922.42 and a Net Present Value (NPV) savings of 4.82%.

The projects are authorized under Chapter 55, Texas Education Code (particularly Sections 55.02, 55.13 and 55.17892 thereof), and Chapter 1207, Texas Education Code.

TRB authority in the amount of $41,740,000 was authorized by HB 100 during the 84th Legislature.

The bonds are payable from and secured solely by the Pledged Revenues of the System. The bonds are not general obligations of the Board, the System, the state or any political subdivision of the state.

Jonathan Hoekstra and Mary Williams answered questions from the Board.

1. **Texas Water Development Board State of Texas General Obligation Bonds, Water Financial Assistance Bonds, Series 2016A (Economically Distressed Areas Program)**

Representatives present were: Cindy Demers, Chief Financial Officer, TWDB; David Duran, Debt Management Team Lead, TWDB; Les Trobman, General Counsel, TWDB; Josh Traner, Financial Analyst, TWDB; Anne Burger-Entrekin, Financial Advisor, First Southwest Company.

The TWDB seeks approval to issue its State of Texas General Obligation Bonds Water Financial Assistance Bonds, Series 2016A (EDAP) in a maximum par and maximum proceeds amount of $50,000,000 including premiums, if any.

The Series 2016A bonds will be issued to fund certain projects within the EDAP program and to pay costs of issuance. Any shortfalls in funding the EDAP commitments will be funded with available cash from the EDAP program.

The Series 2016A bonds will be issued pursuant to Article III, Sections 49-d-8 and 49-d-10, Texas Constitution, Subchapter L of Chapter 17, Texas Water Code and Chapter 1371 of the Texas Government Code.

The TWDB adopted the resolutions for the issuance of the bonds on March 3, 2016.

The TWDB expects to receive LBB approval on March 14, 2016.

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

Cindy Demers answered questions from the Board.

1. **Texas Department of Transportation State of Texas Highway Improvement General Obligation Bonds, Series 2016 (issued in one or more series)**

Representatives present were: Ben Asher, Interim CFO, TxDOT; Jennifer Wright, Program Manager, TxDOT; Paul Jack, Financial Advisor, Estrada Hinojosa & Co.; Carol Polumbo, Bond Counsel, McCall Parkhurst and Horton.

The Texas Transportation Commission is seeking approval to issue State Highway Improvement General Obligation Bonds in a maximum par of $1,657,520,000 and not to exceed amount of $1,708,978,719.86, including premiums, if any. The Department may issue the bonds in one or more series. The maximum par amount includes $215,515,000 of HIGO maturities expected to be refunded by fiscal 2022.

Proceeds from the bonds will be used to: 1) pay or reimburse the State Highway Fund for the costs of highway improvement projects, 2) to refund existing obligations and 3) to pay: a) the costs of administering the projects, and b) the cost of issuing the Bonds.

The refunding bonds are expected to produce a cash present value savings of $7,639,779.17 and a Net Present Value (NPV) savings of 3.00%.

The bonds are being issued pursuant to the authority granted to the Commission by Article III, Section 49-p of the Texas Constitution; Section 222.004, Texas Transportation Code, as amended; Chapter 1371, Texas Government Code, as amended; and pursuant to the Fourth Supplemental Resolution to the Master Resolution.

The Commission approved a Minute Order on January 28, 2016 authorizing the Department to issue the $1,442,008,139 in authority for highway improvement projects and refund outstanding bonds. The authority for the Commission to sell and deliver the Bonds expires at 5:00 p.m. C.S.T. on January 30, 2017.

The Commission has implemented the authority to guarantee the payment of parity debt by pledging the full faith and credit of the state to payment of the bonds. The bonds are general obligations of the state and are secured by the full faith and credit of the state.

Benjamin Asher and Jennifer Wright discussed the transaction and answered questions from the Board.

1. **Texas Private Activity Bond Surface Transportation Corporation Senior Lien Revenue Bonds, (Blueridge Transportation Group, LLC SH 288 Toll Lanes Project), Series 2016 (Tax-Exempt)**

Representatives present were: Ben Asher, Interim CFO, TxDOT; Rebecca Bronson, Office of General Counsel Lead Attorney, TxDOT; Sara Ulbrich, Program Manager, Project Finance & Debt Management Office, TxDOT; Heather Rosas, Financial Analyst, TxDOT; Paul Jack, Financial Advisor, Estrada Hinojosa & Co.; Carol Polumbo, Bond Counsel, McCall Parkhurst and Horton; François Wasselin, Senior Vice President, Project Development, ACS Infrastructure Development, Inc.; Amy Lloyd, Senior Vice President, Finance, ACS Infrastructure Development, Inc.; Eran Golan, Head of US Operations, Shikun & Binui Concessions USA, Inc.

Staff is waiting on additional information from the issuer.

Benjamin Asher, Carol Polumbo and Sara Ulbrich discussed the transaction and answered questions from the Board.

1. **EXEMPT – Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds, (Chisolm Trace and Cheyenne Village Apartments) Series 2016**

Representatives present were: Teresa Morales, Manager of Multifamily Finance, TDHCA; Brent Stewart, Director of Real Estate Analysis, TDHCA; Barton Withrow, Financial Advisor, George K. Baum; Elizabeth Bowes, Bond Counsel, Bracewell LLP.

The 6-day review period ends at the close of business on Thursday, March 10, 2016.

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. Thursday, March 17, 2016 in the Capitol Extension, Room E2.026.

1. **Items for Future Agendas**

Board members received an updated list of future agenda items.

1. **Report from the Executive Director**
   * The database upgrade project is moving along. The local conversion is 98% complete and work is underway on the state portion.
   * Local Government Processing is current and on schedule to close out for February 28, 2016.
   * Work will begin on April 1, 2016 for the Capital Expenditure Plan.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 11:07 a.m.