Minutes

Texas Bond Review Board

Planning Session

Tuesday, July 13, 2021, 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, July 13, 2021, via videoconference as authorized under Texas Government Code section 551.127. Present were Sarah Hicks, Chair and Alternate for Governor Greg Abbott; Bryan Mathew, 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**

Justin Groll, Director of Finance, called the meeting to order at 10:00 a.m. A quorum was present. He announced that due to Governor Greg Abbott’s March 13, 2020, proclamation of a state of disaster affecting all counties in Texas due to the Coronavirus (COVID-19) and the Governor’s March 16, 2020, suspension of certain provisions of the Texas Open Meetings Act, this meeting will be held by video webinar, as authorized under Texas Government Code section 551.127. No votes would be taken.

1. **Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A (Taxable) and Series B (Tax-Exempt)**

Representatives present were John Barton, Senior Financial Analyst, TPFA; Wayne Roberts, Chief Executive Officer, CPRIT; and Heidi McConnell, Chief Operating Officer, CPRIT.

TPFA is seeking authorization to issue Commercial Paper (CP) notes under its State of Texas General Obligation Commercial Paper Program (Cancer Prevention and Research Institute of Texas), Series A (Taxable) and Series B (Tax-Exempt) (collectively, the CPRIT CP Program) in a maximum amount of $300,000,000 during fiscal year 2022, for authorized program costs, including the costs of issuance and related administrative costs, if any.

The proceeds will be used to fund cancer prevention and research grants, pay operating costs as dictated by the 87th Legislature, and pay costs of issuance. At this time, CPRIT anticipates it will need total proceeds of approximately $298,100,000 to fund its operations and cancer prevention and research grants during fiscal year 2022.

TPFA will issue the notes pursuant to Article III, Section 67 of the Texas Constitution; Section 102.202 of the Texas Health and Safety Code; Chapters 1232 and 1371 of the Texas Government Code; and the General Appropriations Act, 87th Legislature, R.S., Art I, pp-15.

The CPRIT Oversight Committee approved the Request for Financing on May 19, 2021.

The TPFA Board approved the financing at its Board Meeting on June 10, 2021.

The Comptroller of Public Accounts currently provides liquidity for the CPRIT CP Program up to a maximum of $350 million, plus 270 days interest at 10% per annum.

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.

CP issuances for operating and research expenditures and grants to non-governmental entities do not generally qualify for tax-exempt financing. Subject to the purpose for the grant and type of recipient, CPRIT expects to issue taxable CP; however, it is possible that some grant expenditures and grantees would qualify as tax-exempt issuances.

As of April 29, 2021, TPFA has issued a total of $2,098,900,000 in debt under CPRIT’s $6.0 billion in GO authority and has $3,901,100,000 remaining in unissued authority. TPFA currently has $1,691,300,000 in debt outstanding for CPRIT of which $202,900,000 is CP outstanding.

John Barton answered questions from the Board.

1. **Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021**

Representative present was David Danenfelzer, Senior Director, TSAHC.

TSAHC is seeking approval for the issuance of its Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021 in a maximum par amount and a maximum total proceeds amount of $27,000,000 including premiums, if any.

The proceeds of the bonds will be used for the acquisition, construction, and equipping of a new residential rental project known as Gardens of Balch Springs Apartments. Per TSAHC, the Property will include 200‐units of affordable housing targeting seniors of low and very-low income. The project meets TSAHC’s targeted housing need for senior and service enriched housing.

TSAHC will issue the bonds pursuant to Texas Government Code Subchapter Y, Sections 2306.553, 2306.555, and 2306.565, as amended.

The TSAHC Board is expected to approve the final resolution for the bonds at its meeting on July 21, 2021. This is the day before the BRB voting meeting on Thursday, July 22, 2021.

The PAB reservation was issued to TSAHC on March 29, 2021, and it expires on September 25, 2021.

The TDHCA Board has amended their policies, and 4% tax credit awards are now eligible for direct approval by staff if the transaction does not require a waiver of the Department’s rules.

The bonds will be sold through a negotiated sale as tax-exempt, revenue, self-supporting, fixed-rate debt with an estimated interest rate of 2.25% (not including servicing fee of 0.50% or guarantee fee of 0.86%). Moody’s rated the bonds Aaa. The all-in rate is expected to be approximately 3.61%.

The loan is expected to have a 20-year term, amortization of 35 years with a balloon payment, and an average life of 18.504 years. The transaction has been structured assuming a maturity date of September 1, 2041. For underwriting purposes, the Corporation used a rate of 4.20%. The construction period is expected to last approximately 24 months.

TSAHC is acting as a conduit issuer and as such the bonds 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.

TDHCA has not released its underwriting report. TDHCA staff informed TSAHC that delays in releasing the underwriting report are due to the statutory award deadlines and corresponding underwriting requirements in the 9% housing tax credit program.

David Danenfelzer answered questions from the Board.

1. **EXEMPT – Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds 2021 Series A (Social Bonds) and Refunding Bonds 2021 Series B (Taxable)**

Representative present was Monica Galuski, Director of Bond Finance, TDHCA.

This transaction was submitted on the BRB EXEMPT track, and the 6-day review period will expire on Friday, July 16, 2021.

TDHCA is seeking approval to issue its Single Family Mortgage Revenue Bonds Series 2021A (Social Bonds) in a maximum par amount of $150,000,000 and a maximum total proceeds amount of $162,000,000 including premiums, if any. TDHCA is also seeking approval to issue its Single Family Mortgage Revenue Refunding Bonds Series 2021B (Taxable) in a maximum par amount and maximum total proceeds amount of $24,830,000 including premiums, if any.

Proceeds of the Series 2021A bonds will be used to purchase Ginnie Mae mortgage-backed securities (MBS) backed by tax-exempt eligible mortgage loans, to pay all or a portion of the costs of issuance related to the Bonds, and to finance a portion of the down payment assistance, lender compensation, and second loan servicing fees related to the underlying mortgage loans.

The 2021B Bonds will be fixed rate, pass through bonds issued on a taxable basis. Total proceeds will not exceed $24,830,000 and will be used to refund the Department’s 2004 Series B Single Family Variable Rate Mortgage Revenue Refunding Bonds and 2004 Series D Single Family Variable Rate Mortgage Revenue Bonds.

Refunding the Series 2004B and 2004D bonds is expected to generate a net present value (NPV) cash savings of $1,408,570 and $977,625, respectively, and generate an NPV savings percent of 9.58% and 9.66%, respectively.

The Bonds will be issued under Chapter 2306, Chapter 1371 and Chapter 1207, Texas Government Code, as amended.

The final bond resolution was approved by the TDHCA Board at its July 8, 2021, meeting.

The PAB reservation was issued to TDHCA on July 7, 2021, and it expires on February 2, 2022.

Monica Galuski answered questions from the Board.

1. **Recommended changes to Title 34 Texas Administrative Code, Part 9, Chapter 181 Bond Review Board Rules**

As it relates to the state debt oversight process, BRB staff proposes updates and clarifications to its administrative code rules specifically allowing for the electronic submission of non-exempt state debt application materials, state debt final reports, and state debt issuer semi-annual reports. Adopting these changes would give the Bond Review Board flexibility to require either hard copies or electronic copies of this information and would further agency efforts to improve its electronic communication practices and reduce paper usage.

1. **Recommended changes to Title 34 Texas Administrative Code, Part 9, Chapter 190 Allocation of State’s Limit on Certain Private Activity Bonds**

As it relates to the state’s Private Activity Bond program, BRB staff proposes updates and clarifications to its administrative code rules allowing for the submission of either a hard copy or electronic copy of the PAB application materials and granting authorization for and guidance on the use of electronic signatures.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Thursday, July 22, 2021, at 10am in Room 402 of the Clements Building.

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**
   * The BRB has received approximately 1,775 local debt issuances for processing during fiscal year 2021. This is a 14% increase (221 transactions) from the amount of local debt issuances received during this time last year. At this pace, we are on track to exceed the 1,897 total issues received during fiscal year 2020, which at that time was the most we had ever received in one fiscal year.
   * The 87th Legislature passed HB 2219 authorizing the Texas Transportation Commission (TTC) to issue new Texas Mobility Fund (TMF) obligations, before January 1, 2027, in an amount equal to 60% of the outstanding principal amount of TMF obligations existing on May 1, 2021. Based on current estimates, the amount authorized to be issued could be as much as $3 billion.
   * SB 1984, related to the BRB’s administration of private activity bond carryforward, passed during the regular session.
   * Additionally, the 87th Legislature passed SB 1465 authorizing the continued operation of the Texas Leverage Fund Program under the new name of the Texas Small and Rural Community Success Fund Program and authorized the issuance of revenue bonds to provide funding for economic development purposes.
   * The 87th Legislature passed HB 1522 authoring the transfer of Midwestern State University to the Texas Tech University System.
   * In August, staff will reach out to state agencies and universities regarding debt outstanding as of August 31, 2021, for the Fiscal Year 2021 State Debt Annual Report.
2. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:23 a.m.