Minutes

Texas Bond Review Board

Planning Session

Tuesday, July 14, 2015, 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, July 14, 2015 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, Executive Director, called the meeting to order at 10:06 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 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**

Representatives present were: Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Wayne Roberts, Chief Executive Officer, CPRIT; Heidi McConnell, Chief Operating Officer, CPRIT.

TPFA is seeking authorization to issue 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) in a maximum amount of $300,000,000 during fiscal year 2016 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 84th Legislature and pay costs of issuance.

TPFA will issue the notes pursuant to Article III, Section 67 of the Texas Constitution; Chapters 1232 and 1371 of the Texas Government Code; Section 102.202 of the Texas Health and Safety Code; GAA Article I, p. I-13 to I-16.

The CPRIT Oversight Committee approved the Request for Financing on May 20, 2015.

The TPFA Board approved the financing on June 11, 2015.

The notes are general obligations of the state.

As of June 1, 2014 the Comptroller has increased its liquidity agreement with TPFA from $200 million to $300 million for the CPRIT CP program. This agreement is in effect until August 31, 2015 with the option to renew for additional terms.

Lee Deviney answered questions from the Board regarding liquidity and Wayne Roberts spoke about the projects that are currently receiving funding from CPRIT.

1. **EXEMPT - Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (KIPP Austin Public Schools Inc.) Taxable Series 2015Z (Qualified Zone Academy Bonds)**

Representatives present were: Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Robert Jocius, Project Manager, TPFA; Anand Kesavan, Chief Financial Officer, KAPS; Drew Masterson, Financial Advisor, First Southwest Company; Tom Sage, Bond Counsel, Andrews Kurth LLP; Dr. Lisa Dawn-Fisher, Chief School Finance Officer, TEA.

This application was called in for a full review during the Planning Session. The Corporation is seeking approval to issue its Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (KIPP Austin Public Schools, Inc.) Taxable Series 2015Z (Qualified Zone Academy Bonds) in a total par and maximum proceeds amount of $25,377,000 including premiums, if any.

Approximately $19.7 million of the proceeds of the Series 2015Z (QZABs) bonds will be used to renovate and repair the 189,000 square foot facility at the North Campus location to house grades K – 12. Approximately $5.7 million of the proceeds will be used for renovations at the East Campus location. All construction and building renovation is expected to be completed in August 2016.

The Corporation will issue the bonds pursuant to the Texas Education Code, Section 53.351. TPFA will provide administrative support to the Corporation pursuant to an agreement between it and the Corporation.

The Board of Trustees of KAPS approved a resolution authorizing the bond issuance at its Board meeting on March 9, 2015.

The Corporation approved a resolution authorizing the bond issuance at its Board meeting on May 20, 2015. TPFA Board approval is not required.

The subject issuance will be guaranteed by the state’s Bond Guarantee Program of the Permanent School Fund (PSF) pursuant to TEC Chapter 12, Subchapter D and TEC Chapter 45, Subchapter C.

The Bonds are special and limited obligations of the Corporation and are payable solely from revenues to be derived by the Loan Agreement to be issued under the Master Trust Indenture and the Security Agreement. The Bonds are not obligations of the state or any entity other than the borrower, but the payment of the bonds is guaranteed under the Bond Guarantee Program of the PSF of the State of Texas.

Lee Deviney addressed the Board regarding the Charter School Finance Corporation and answered questions.

Lisa Dawn-Fisher addressed the Board about the current environment for charter schools and their impact on the permanent school fund.

Anand Kesavan answered questions from the Board regarding KAPS debt management practices and the structure of the proposed bond financing.

1. **EXEMPT - Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Good Samaritan Towers) Series 2015**

Representatives present were: Teresa Morales, Acting Director of Multifamily Finance, TDHCA; Brent Stewart, Director of Real Estate Analysis, TDHCA; Elizabeth Bowes, Bond Counsel, Bracewell & Giuliani LLP; Barton Withrow, Financial Advisor, George K. Baum & Company; Sarah Andre, Consultant for the borrower.

This application has been submitted on the Exempt track. The TDHCA Board is expected to approve the transaction at its July 16th Board Meeting.

Teresa Morales gave an overview of the project to the Board and Brent Stewart answered questions regarding underwriting of the transaction.

1. **Public Comment**

There was no public comment

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Thursday, July 23, 2015 at 10:00 a.m. 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 Bond Review Board continues to work on the database upgrade project. The agency is currently working with DIR to source vendors to continue the project.
* The Bond Review Board has added two new staff members to help process local government transactions. Local government processing is expected to be completed by October.
* Rob Latsha spoke about the upcoming collapse in the Private Activity Bond program and pending QECB applications.
* Staff is currently working on upgrading the agency’s website.
* Staff will begin work on the State Debt Annual Report in September.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 11:05 a.m.