Minutes

Texas Bond Review Board

Planning Session

Friday August 17, 2012, 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., Friday August 17, 2012 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Ed Robertson, Chair and Alternate for Governor Rick Perry; Kenneth Besserman, Alternate for Comptroller Susan Combs; Frank Battle, Alternate for Lieutenant Governor David Dewhurst; and Andrew Blifford, Alternate for Speaker Joe Straus. Also in attendance were Stephanie Leibe with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Rob Latsha, Senior Financial Analyst of the BRB, 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 Public Finance Authority Texas Southern University Revenue Financing System Note, Series 2012**

Representatives present were: Robert Coalter, Executive Director, TPFA; Susan Durso, General Counsel, TPFA; Louis Edwards, Treasurer, TSU; Drew Masterson, Financial Advisor, First Southwest; and Barron Wallace, Bond Counsel, Bracewell Giuliani.

TPFA is seeking authorization to issue TSU Revenue Financing System and the Historically Black College and University Capital Financing Program Note, Series 2012 (the Note) in a maximum par and total proceeds amount not to exceed $55,000,000 including premiums, if any.

The proceeds of the Note will be used to build freshmen student housing facilities to be located on the east side of the TSU campus consisting of two buildings with approximately 389 freshman student suites and approximately 800 beds.

The TSU Board adopted a Resolution on June 22, 2012 authorizing the University to issue the Series 2012 Note to build campus student housing. The TPFA Board approved the request for financing at its meeting on August 2, 2012. The Texas Higher Education Coordinating Board approved the project on August 6, 2012.

The Note will be structured as a tax-exempt, fixed-rate, self-supporting obligation and will be privately placed with Rice Capital with a 20-year term maturing on May 1, 2032. The average life of the Note is expected to be 12.1 years.

The Note is payable from and secured solely by the pledged revenues of TSU’s Revenue Financing System.

The anticipated all-in TIC for the Note is 3.44%, approximately 124 bps below the interest rate projected without Program support. The lower rate provides a net debt-service savings of $14.76 million over the life of the issue.

Based on projected rental revenues from the new 800 bed facilities to be completed in 2014, the project will have a debt-service coverage ratio (DCR) of 1.00 for academic year 2014. The DCRs gradually increase each year through 2023. The DCRs are based solely on the revenues to be generated by the project, but the Note is cross-collateralized by a lien on all TSU’s RFS revenues.

Louis Edwards stated that TSU expects a modest increase in student enrollment of approximately 2% per year. Mr. Edwards continued by saying that after demolishing existing buildings that currently house students in order to accommodate the new 800 bed housing facility, TSU expects a net gain of approximately 500 beds.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

The next scheduled Board Meeting is on Friday August 24, 2012 in E2.026.

1. **Report from the Executive Director**

* Staff has a Legislative Budget Hearing scheduled for Tuesday Sept 4, 2012 at 2pm.
* Rob Latsha stated that the Private Activity Bond Program sub-ceilings collapsed on August 15, 2012, and $2.2 billion in PAB authority became available to all issuers. After some recent applications have been processed, approximately $1.9 billion will remain available.
* On August 13, 2012 the Office of the Governor designated $100.8 million in authority to the TOTAL Petrochemicals & Refining USA, Inc. Project leaving no Ike bonding authority remaining. Issuers have until January 1, 2013 to close their bonds.
* The November Board Meeting falls on Thanksgiving Day and will be moved to Monday November 26, 2012 unless rescheduled by the Board.

1. **Adjourn**

There being no further business to discuss, the planning session adjourned at 10:19 a.m.