Minutes

Texas Bond Review Board

Planning Session

Tuesday, September 10, 2013, 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, September 10, 2013 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; Hasan Mack, 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**

Bob Kline, Executive Director, called the meeting to order at 10:04 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 Transportation Commission State Highway Fund First Tier Revenue And Revenue Refunding Bonds (to be issued in one or more series)**

Representatives present were: Ben Asher, Innovative Financing/Debt Mgmt Officer, TxDOT; Jennifer Wright, Analyst, TxDOT; Jerry Kyle, Bond Counsel, Andrews Kurth; Paul Jack, Financial Advisor, Estrada Hinojosa.

The Commission is seeking approval to issue State Highway Fund First Tier Revenue and Revenue Refunding Bonds, in one or more series, in an aggregate par amount not to exceed $2,566,197,126 and a total maximum proceeds amount not to exceed $2,724,436,638 including premiums, if any.

The total requested par amount consists of up to $1,400,667,126 in remaining new money authority and $1,165,530,000 to advance refund outstanding bonds. The Commission currently expects to issue $1,399,430,000 in par amount for the new money portion and $1,147,790,000 in par amount for the refunding portion and based its COI per $1,000 accordingly.

Proceeds from the new money bonds will be used to finance state highway improvement projects and pay associated costs of issuance. Proceeds from the refunding bonds will be used to advance refund outstanding debt and pay associated costs of issuance. At present no TxDOT projects have been allocated funds from this financing.

1. **Discussion of the Texas Mobility Fund Interest Rate Management Agreement Termination**

Representatives present were: Ben Asher, Innovative Financing/Debt Mgmt Officer, TxDOT; Jennifer Wright, Analyst, TxDOT; Jerry Kyle, Bond Counsel, Andrews Kurth; Paul Jack, Financial Advisor, Estrada Hinojosa.

The Texas Department of Transportation (TxDOT) entered into three constant maturity swaps on October 5, 2006, each maturing on September 1, 2027. Under the original terms, TxDOT paid the tax-exempt SIFMA index (a weekly index) and received 69.42% of the 10-year LIBOR swap rate, with both rates reset weekly. The three counterparties had varying notional amounts with JP Morgan holding the largest for $200 million and Goldman Sachs and Morgan Stanley each with $100 million.

TxDOT was able to terminate each swap at a positive fair value and eliminate counterparty credit risk and economic risk associated with the agreements.

1. **Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes, Series 2008 (Texas Department of Public Safety and Texas Department of Criminal Justice)**

Representatives present were : Robert Coalter, Executive Director, TPFA; Cheryl MacBride, Deputy Director for Services, DPS; Denise Hudson, Assistant Director, Finance and CFO, DPS; Robin Cappello, Deputy Assistant Director, Agency Infrastructure Support, DPS; Tavia Wendlandt, Manager, Operations, DPS; Duncan Fox, Assistant General Counsel, DPS; Jerry McGinty, Chief Financial Officer, TDCJ.

TPFA is seeking approval to issue CP notes under the 2008 Program to finance capital expenses related to deferred maintenance projects and repairs and renovations for the Department of Public Safety (DPS) and the Texas Department of Criminal Justice (TDCJ) in a total amount of $65,000,000 plus the costs of issuance and related administrative costs, if any. TPFA currently plans to issue $15,000,000 for DPS and $50,000,000 for TDCJ.

The notes will be used to finance various repair and renovation projects at DPS and TDCJ.

The governing Boards for DPS and TDCJ approved a resolution authorizing TPFA to issue short-term obligations to finance the cost of various projects on August 15, 2013 and August 23, 2013, respectively.

TPFA’s Board approved the financing for DPS and TDCJ on September 5, 2012.

The General Appropriations Act for the 2014-2015 biennium requires Legislative Budget Board (LBB) approval for projects financed out of general obligation proceeds prior to the issuance of the debt. LBB approval for the TDCJ projects was received on August 12, 2013. DPS submitted its request for LBB approval on August 16, 2013 and approval is pending.

1. **Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Mission Del Rio Homes) Series 2005**

This item will be discussed at the planning session to be held on Thursday, September 19th. An electronic copy of the application summary will be sent this week.

1. **Discussion of the Texas Department of Housing and Community Affairs Multifamily Restructuring Transaction (Homes at Pecan Grove)**

This item will be discussed at the planning session to be held on Thursday, September 19th.

1. **Discussion of the Texas State Affordable Housing Corporation Single Family Program Rating Downgrades**

Representatives present were: Tim Almquist, Single Family Compliance Manager, TSAHC; Robin Miller, Financial Advisor with First Southwest.

Mr. Almquist and Mr. Miller provided an overview of the factors that lead to the downgrade of three TSAHC bond issues.

1. **Memorandum of Understanding between the Bond Review Board and Comptroller of Public Accounts**

Representatives present were: Kenneth Besserman, Assistant General Counsel-Agency Affiars, CPA.

Kenneth provided a summary of the information sharing agreement between BRB and the CPA.

1. **Executive Session pursuant to Section 551.074, Texas Government Code to deliberate with respect to the duties, evaluation, and compensation of the Executive Director**

At 10:46 a.m. the Board entered into Executive Session under the authority of Section 551.074 of the Texas Government Code to discuss the performance evaluation of the Executive Director.

The Board reconvened in an open meeting at 10:54 am.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

There will be a Planning Session scheduled for 10 am, Thursday, September 19, 2013 in the Capitol Extension Room E2.026 followed by a Board Meeting.

1. **Items for Future Agendas**

An updated list detailing future bond transactions was handed out.

1. **Report from the Executive Director**

* Staff completed the Local Government Annual Report while temporary staff worked on alleviating the backlog of local government processing.
* Denise Kane and Leonard Kammer were hired as Accounting Technician II. Both were previously temporary employees that were hired to help with processing local government debt data.
* Staff received an Information Technology Assessment Report from DIR. The next step is to determine the budget needed to implement the recommendations.
* Next week staff is expected to commence work on the state Annual Report.
* Justin Groll provided an update on future local government initiatives and the Agency’s use of temporary staff to alleviate the backlog of local government data processing.

1. **Adjourn**

There being no further business to discuss, the planning session adjourned at 11:07 am.