Minutes

Texas Bond Review Board

Planning Session

Tuesday, September 12, 2023, 10:00 a.m.

Capitol Extension, Room E2.028

And Videoconference Meeting

1100 Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, September 12, 2023, in Room E2.028 of the Capitol Extension and via videoconference as authorized under Texas Government Code section 551.127. Present were Austin Holder, 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 and Doug Bryant with the Office of the Attorney General, Bond Finance Office staff members, and others.

1. **Call to Order**

Rob Latsha, Executive Director, called the meeting to order at 10:02 a.m. A quorum was present. He announced that this meeting will be held by videoconference call pursuant to Texas Government Code section 551.127. This meeting may include participation from one or more Bond Review Board members by remote videoconference. In accordance with the Texas Open Meetings Act, Bond Review Board members participating by videoconference shall be considered as being present for all purposes in the meeting. No votes would be taken.

1. **Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Norman Commons) Series 2023**

Representative present was David Danenfelzer, Senior Director, TSAHC.

TSAHC is seeking approval for the issuance of its Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Norman Commons) Series 2023 in an aggregate maximum par amount and maximum total proceeds amount of $38,000,000 including premiums, if any.

The proposed acquisition and new construction of the Norman Commons project has a total budget of approximately $62,262,587.

In addition to the tax-exempt bonds, other sources of funds include 4% housing tax credits of $2,887,327, an Austin Housing Finance Corporation (HFC) deferred repayable cash flow loan of $8,861,676, a Capital Magnet Fund (CMF) grant of $2,500,000, a Foundations Communities Inc Sponsor Loan of $1,727,720, a deferred developer fee of $3,505,559, and a Federal Home Loan Bank of Dallas grant of $850,000.

The proceeds of the bonds will be used for the acquisition, construction, and equipping of a qualified residential rental project serving the general population to be known as Norman Commons. The proposed project qualifies for TSAHC’s service enriched targeted housing need because the units serving those at 30% AMFI and persons facing homelessness exceeds 10% of total project units.

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 September 19, 2023.

The PAB reservation was issued to TSAHC on August 11, 2023, and expires on February 7, 2024.

The bonds will be sold through a negotiated sale as self-supporting, short-term cash collateralized, tax-exempt, fixed-rate debt with an estimated interest rate of 6.10%, and an initial mandatory tender date of December 1, 2026. The bonds are rated Aaa by Moody’s.

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

The anticipated sale date is November 8, 2023, and the anticipated closing date is November 16, 2023.

The total cost of issuance is anticipated at $961,708 or $25.31 per $1,000 bond.

TSAHC received four letters of support for the Property, one from each of the following individuals: Travis County Judge Andy Brown, former City of Austin Mayor Steve Adler, State Senator Sarah Eckhardt, and State Representative Sheryl Cole. No letters of opposition were received.

David Danenfelzer addressed the Board and answered questions.

1. **Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Texas Agricultural Finance Authority Rural Economic Development Finance Program) Taxable Series 2023**

Representatives present were Lee Deviney, Executive Director, TPFA; and Bon Weir, Bond Financing Specialist, TDA.

TPFA is seeking authorization to issue Commercial Paper (CP) Notes under its State of Texas General Obligation Commercial Paper Program (Texas Agriculture Finance Authority Rural Economic Development Finance Program), Taxable Series 2023 (the CP Notes) in a maximum amount of $200,000,000.

The proceeds will be used to provide financing assistance for the Rural Economic Development Finance Program.

TPFA will issue the CP Notes pursuant to Article III, Section 49-f of the Texas Constitution; Chapters 58 and 59 of the Texas Agriculture Code; and Chapters 1232 and 1371 of the Texas Government Code.

The TAFA Board authorized resolutions for its Request for Financing and a resolution certifying the determination that revenue bonds are not an economically advisable alternative on February 23, 2022.

The TAFA Request for Financing was approved by the TPFA Board at its May 12, 2022, board meeting.

The TPFA Board adopted a resolution authorizing the Taxable Series 2023 CP Program on January 12, 2023.

Pursuant to Texas Administrative Code (TAC) 181.3(f), the issuance of the CP, or the project or projects need Bond Review Board approval.

Legislative Budget Board approval is not required for the issuance of CP Notes for this project.

The CP Notes are general obligations of the state. As such, the state’s full faith and credit are pledged to repayment of the CP Notes. The first monies coming into the State Treasury, not otherwise appropriated by the Constitution, are dedicated to paying debt service.

TPFA will issue taxable CP Notes on behalf of the TAFA program to mature on dates chosen by TPFA at the time of each sale; however, no maturity shall exceed 270 days.

A request has been submitted to the Comptroller of Public Accounts to provide liquidity for the CP program, up to a commitment of $40 million.

The anticipated fee for liquidity will be 12 basis points on the amount of CP Notes outstanding and 8 basis points on the remaining amount of the liquidity commitment. The actual liquidity fee is dependent upon the par amount of CP Notes issued and outstanding.

The credit rating for the CP Notes is A-1+.

Under the Rural Economic Development Finance Program there are two individual loan programs: The Texas Rural Community Loan (TRC) and the Agricultural and Community Economic Development Loans (ACED).

For loans in the TRC program, TAFA will be originating the loans directly. All credit adjudication activities will be performed by TAFA, with support from TDA, pursuant to Credit Policies formally established by the TAFA Board. Loans originated through the TRC would be secured by 4A and/or 4B economic development sales tax revenues. Generally, as the loans would be made to municipalities, the borrowers would be investment grade. Loans are anticipated to range from $50,000 to $5 million. Per TAFA staff, statute limits total loan(s) in aggregate to any single borrower to a maximum of $5 million.

For the ACED program, loans will more likely be collateralized by property, equipment and/or other collateral as approved by the participating bank and meeting reasonable loan to value thresholds. In the event of a default, the bank will be responsible for foreclosure and liquidation, with TAFA receiving a proportional interest (consistent with its proportional loan position) in all recoveries.

Lee Deviney and Bon Weir addressed the Board and answered questions.

1. **EXEMPT – Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds Series 2023A (Master Trust) and Taxable Series 2023B (Master Trust)**

The 6-day review period for this application ended on Friday, September 8, 2023, and the application was approved.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

A Board Meeting is scheduled for Thursday, September 21, 2023, at 10am in Room E2.028 of the Capitol Extension.

1. **Items for Future Agendas**

Each Board member received an updated list of future agenda items. The Board may receive a request to hold a Called Board Meeting during the month of October.

1. **Report from the Executive Director**

* The BRB received approximately 1,538 local debt issuances for processing during fiscal year 2023. In October, staff will begin the local closeout process and finalize the data for publication in December on the BRB websites and annual reports.
* As of fiscal year-end 2023, the Private Activity Bond program had provided a total of $2.1 million in general revenue deposits and application fees. Looking back to fiscal year 2000, this amount of fees is the most collected by the BRB for the PAB program in one fiscal year.
* The 30-day comment period for the BRB’s proposed new rule in Texas Administrative Code, Chapter 181, Section 181.11 and amendments to Texas Administrative Code, Chapter 190 will expire on approximately September 15, 2023. So far, BRB staff has not received any comments.
* BRB staff is tentatively scheduling the 2024 program year Private Activity Bond lottery for Wednesday, November 8th at 10am. We plan to hold the meeting in Room 402 of the Clements Building and via videoconference.
* State debt annual reports for fiscal year-end 2023 are due to BRB staff on Friday, September 15th. Staff will begin reconciling state debt outstanding and include this information on the agency’s website and in the annual debt report by December 1st.
* BRB staff is designing a new online portal for data entry. This online portal will allow state and local debt issuers to provide debt issuance information, via web-based forms, to the BRB.

1. **Adjourn**

There being no further business, the planning session was adjourned at 10:38 a.m.