Texas Bond Review Board

Planning Session

Tuesday, September 13, 2022, 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 13, 2022, in Room E2.028 of the Capitol Extension and via videoconference as authorized under Texas Government Code section 551.127. Present were Brady Franks, 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 Veena Mohan 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 10:01 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 will 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 Technical College System Revenue Financing System Improvement Bonds Series 2022A**

Representatives present were Mike Reeser, Chancellor and CEO, TSTC; Jonathan Hoekstra, Vice Chancellor and CFO, TSTC; Chad Wooten, Associate Vice Chancellor for Finance, TSTC; Madelynne Johnston, Finance Chief of Staff, TSTC; Mary Williams, Financial Advisor, Hilltop Securities; Jay Juarez, Bond Counsel, McCall Parkhurst & Horton; Tom Spurgeon, Bond Counsel, McCall Parkhurst & Horton; and Kim Edwards, Senior Underwriter, Piper Sandler.

The System is seeking approval to issue its TSTC System Revenue Financing System (RFS) Improvement Bonds, Series 2022A with a maximum par amount not to exceed $395,000,000 and a maximum total proceeds amount not to exceed $414,570,711 including premiums, if any.

Approximately $195,605,000 of the total par amount is designated as CCAP bonds, and $199,395,000 is designated as RFS (non-CCAP) bonds. See Appendix A for an estimated sources and uses of funds.

Proceeds of the bonds will be used to fund expansion projects at seven TSTC campuses, and to fund renovations at the Harlingen and Waco campuses. The seven campuses receiving expansions will be: East Williamson County, Fort Bend County, Waco, Harlingen, Marshall, Abilene, and North Texas.

Additionally, bond proceeds will be used to purchase land at the Fort Bend and North Texas Campuses.

The bonds are authorized under Chapter 55, Texas Education Code, as amended, particularly Section 55.02, Section 55.13(a), and Section 55.17991; and Chapter 1371, Texas Government Code.

The TSTC Board approved the Tenth Supplemental Resolution to the Master Resolution for the bond financing on August 18, 2022.

Texas Higher Education Coordinating Board (THECB) approval is not required for these projects.

Legislative Budget Board approval is not required for the issuance of the Series 2022A bonds.

The bonds will be issued in a negotiated sale as revenue, tax-exempt, fixed rate, self-supporting debt with a maximum 40-year term. Bonds issued for CCAP projects will have a term of 20 years, bonds issued to fund RFS construction will have a term of 30 years, and bonds issued to fund the purchase of land will have a term of 40 years.

The bonds are payable from and secured solely by the pledged revenues of the System. The bonds are not general obligations of the Board, the System, the state, or any political subdivision of the state. The Board of Regents of the System has no taxing power and neither the credit nor the taxing power of the state or any political subdivision of the state is pledged as security for the bonds.

The existing credit rating is A1 stable and A+ stable from Moody’s and Fitch, respectively. The rating for the Series 2022A bonds is yet to be determined. Total cost of issuance is expected to be $4,629,546 or $11.72 per bond.

TSTC expects to receive a final rating for the Series 2022A bonds during the week of September 19th prior to the BRB voting meeting scheduled for Thursday, September 22, 2022. Per TSTC staff, a ratings downgrade could be possible due to the balance sheet impact of the bonds.

Jonathan Hoekstra, Chad Wooten, and Mary Williams addressed the Board.

1. **Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (La Vista de Lopez Apartments) Series 2022**

Representatives present were David Danenfelzer, Senior Director, TSAHC; Robert Dransfield, Bond Counsel, Norton Rose Fulbright; and Blake Roberts, Financial Advisor, PFM Financial Advisors.

TSAHC is seeking approval for the issuance of its Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (La Vista de Lopez Apartments) Series 2022 in a maximum par amount and a maximum total proceeds amount of $11,000,000 including premiums, if any.

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 approved the final resolution for the bonds at its meeting on August 16, 2022.

The PAB reservation was issued to TSAHC on August 9, 2022 and expires on February 5, 2023.

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 self-supporting, short-term, tax-exempt, fixed-rate debt with an estimated interest rate of 4.00%, yield of 3.40%, and premium of $154,330. The average life is expected to be 2.511 years and initial mandatory tender date will be May 1, 2025. The bonds were rated Aaa by Moody’s and will have a maximum 3.5-year term and a maximum final maturity date of May 1, 2026. Construction of the project is expected to commence in December 2022 and be completed approximately 22 months later.

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.

Total cost of issuance is expected to be $349,750 or $31.80 per bond.

David Danenfelzer addressed the Board

1. **EXEMPT – Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds Series 2022 (Master Trust)**

This transaction was approved on the BRB exempt track on Monday, September 12, 2022.

1. **EXEMPT – Texas Natural Gas Securitization Finance Corporation Customer Rate Relief Bonds (Winter Storm Uri) Taxable Series 2022**

BRB staff is waiting to receive a complete application. Once complete, the application will be forwarded to the Board for the 6-day review period. TPFA staff continue their work this week on the transaction authorized by HB 1520 (87th RS).  TPFA staff anticipate providing an update on the transaction timeline at next BRB meeting.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Thursday, September 22, 2022, 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.

1. **Report from the Executive Director**

* So far for fiscal year 2022, the BRB has received approximately 1,769 local debt issuances for processing. This is a 21% decrease (371 transactions) from the amount of local debt issuances received during fiscal year 2021. Fiscal year 2021 was a record year for the number of transactions received for processing. Fiscal year 2020 had the second highest number of transactions received for processing at 1,898.
* So far, PAB fees collected for the 2022 program year total approximately $2.0 million. Last year was the greatest amount remitted to the state at just under $2.0 million.
* Staff made the 2023 program year application documents available on the BRB website. The application submission dates are between Oct 5th – Oct 20th to participate in the 2023 program year lottery.
* BRB staff is planning to hold the 2023 Lottery on Thursday, November 10, 2022, in Room 402 of the Clements Building. The meeting will also be accessible via Zoom.
* The 2024-25 Legislative Appropriations Request was posted to the agency’s website on Friday, July 29, 2022. BRB staff attended the budget hearing for our agency on Monday, August 29, 2022.
* The 2024-25 fiscal biennium Capital Expenditure Plan was posted to the agency’s website on September 1, 2022.
* Staff is working to modernize and reorganize the agency’s website. Staff is setting up the security features with the hosting engine.
* The BRB expects to have a meeting in October.
* We received notification that a university received a rating downgrade due to enrollment drop. That university may be subject to BRB approval going forward.

1. **Adjourn**

There being no further business, the planning session was adjourned at 10:30 a.m.