Minutes

Texas Bond Review Board

Planning Session

Tuesday, November 12, 2019, 10:00 a.m.

Capitol Extension, Room E2.026

1100 N. Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, November 12, 2019 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Brady Franks, Chair and Alternate for Governor Greg Abbott; Bryan Mathew, Alternate for Lieutenant Governor Dan Patrick; Amanda Lopez, Alternate for Speaker Dennis Bonnen; and Piper Montemayor, Alternate for Comptroller Glenn Hegar. Also, in attendance were Leslie Brock and David Gordon 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 10:00 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. With the exception of agenda item X and item XI, no votes would be taken. A quorum was present.

1. **Texas Department of Housing and Community Affairs Request for Annual Waiver of the Section 2306.142(l) Requirements pursuant to Texas Government Code 2306.142(m) for calendar year 2020**

Representatives present were Monica Galuski, Director of Bond Finance and Chief Investment Officer, Texas Department of Housing and Community Affairs (TDHCA); John Tomme, Senior Financial Analyst, TDHCA; Michelle Straley, Senior Financial Analyst, TDHCA; Elizabeth Bowes, Partner, Bracewell; and Barton Withrow, Stifel.

At its October 10, 2019 meeting, the TDHCA Board was presented with a report dated September 26, 2019 from its financial advisor, George K. Baum & Co., addressing the feasibility and potential economic impact to TDHCA of fulfilling the Texas Government Code (TGC) Section 2306.142(l) requirements.

Pursuant to TGC Section 2306.142(m), TDHCA is requesting the BRB approve an annual waiver of TGC Section 2306.142(l) through calendar year 2020.

TDHCA Single-Family Bonds are special, limited obligations of TDHCA, payable solely out of the revenues, receipts, and security pledged under the Single-Family Indenture. The Bonds do not constitute a general obligation of the state of Texas.

If the BRB waives the requirements of TGC Section 2306.142(l), this would allow TDHCA to submit any single-family application for BRB review on the exempt track. TDHCA plans to seek approval to issue additional single-family mortgage revenue bonds in January 2020.

Monica Galuski answered questions from the Board.

1. **Texas Public Finance Authority Commercial Paper Revenue Notes, Series 2019A and Series 2019B (Taxable)**

Representatives present were Lee Deviney, Executive Director, Texas Public Finance Authority (TPFA); and Kevin Van Oort, General Counsel, TPFA.

TPFA requests approval of the Bond Review Board to issue commercial paper (CP) notes from time to time, designated Commercial Paper Revenue Notes, Series 2019A and Taxable Series 2019B with an aggregate amount outstanding at any time of $300,000,000 for authorized Master Lease Purchase Program (MLPP) costs, together with related costs of issuance and other ancillary costs to be determined at the time of issuance.

TPFA will issue the CP notes pursuant to Chapters 1232 and 1371, Texas Government Code as amended and Part X, Title 34, Texas Administrative Code.

The TPFA Board approved a resolution on its November 8, 2019 meeting to authorize issuance of the Series 2019A and Series 2019B taxable CP notes. The Resolution amended the 2003 revenue commercial paper program to increase the program aggregate amount outstanding from $150,000,000 to $300,000,000 and added the taxable series of notes.

Lease purchases under the MLPP are financed with proceeds of commercial paper notes issued by TPFA. The CP notes are a special and limited obligation of the State of Texas, repaid solely from lease payments to TPFA from the lessee state agency in an amount sufficient to pay the principal and interest on the CP notes that mature or become due during the fiscal year.

As of August 31, 2019, total Series 2003 Revenue MLPP CP notes outstanding was $24,390,000.

Historically, all outstanding as well as authorized but unissued MLPP CP notes have been included in the state’s Constitutional Debt Limit (CDL). As of August 31, 2019, the draft CDL was calculated at 2.01 percent, including both outstanding and authorized but unissued debt.

Lee Deviney and Kevin Van Oort answered questions from the Board

1. **Texas Public Finance Authority Texas Department of Transportation Austin Campus Consolidation Project financed by the Texas Public Finance Authority Commercial Paper Revenue Notes, Series 2019A and Series 2019B (Taxable)**

Representatives present were Lee Deviney, Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; and Rich McMonagle, Chief Administrative Officer, TXDOT.

TPFA is seeking approval to issue State of Texas Commercial Paper Revenue Notes, Series 2019A and 2019B (Taxable) for the Texas Department of Transportation (TXDOT). TPFA is seeking approval for a maximum issuance of $326,000,000 as allowed by the appropriations of the 86th Legislature.

Proceeds of the commercial paper (CP) notes will be used to construct and equip the Austin campus consolidation project on land lawfully owned by TXDOT in southeast Austin for such purpose.

TPFA will issue the CP notes pursuant to House Bill 1, 86th Legislature, 2019, Regular Session, Article VII Rider 42, p VII-29 (2019); Chapters 1232 and 1371, Texas Government Code as amended and Part X, Title 34, Texas Administrative Code.

TXDOT adopted a resolution approving the Request for Financing on June 27, 2019.

On July 11, 2019, TPFA approved the TXDOT request for financing dated July 2, 2019. On November 1, 2019, TXDOT submitted an amendment to the project description contained in the prior request for financing.

The amount of $326,000,000 for the TXDOT Austin campus consolidation project will be financed through TPFA’s Master Lease Purchase Program (MLPP). Assuming an interest rate of 5% and an administrative fee of 1.0%, the total payments including principal, interest and administrative expenses are estimated to be $565,462,504.

Lease purchases under the MLPP are financed with proceeds of commercial paper notes issued by TPFA ("Notes"). The Notes are a special and limited obligation of the State of Texas, repaid from lease payments to TPFA from the lessee state agency in an amount sufficient to pay the principal and interest on the Notes that mature or become due during the fiscal year.

The 86th Legislature appropriated funds out of the state highway fund to pay debt service for TXDOT Austin campus for the 2020-2021 biennium.

Lee Deviney answered questions from the Board.

1. **Texas Public Finance Authority Health and Human Services Deferred Maintenance Project financed by the Texas Public Finance Authority Commercial Paper Revenue Notes, Series 2019A and Series 2019B (Taxable)**

Representatives present were Lee Deviney, Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; and David Umscheid, Interim Director of Maintenance and Construction, HHSC.

TPFA is seeking approval to issue State of Texas Commercial Paper Revenue Notes Series 2019A and 2019B (Taxable) for the Texas Health and Human Services Commission (HHSC). TPFA is seeking approval for a maximum issuance of $208,816,277 for deferred maintenance projects as allowed and appropriated by the 86th Legislature.

The proceeds from the commercial paper (CP) notes will be used by HHSC for repair and renovation at state hospitals and state supported living centers.

HHSC adopted a resolution approving a request for financing on October 30, 2019. The TPFA Board approved the HHSC request for financing and adopted a resolution authorizing the new series 2019 and 2019B Taxable CP Notes at its November 8, 2019 meeting.

The amount of $208,816,277 for the HHSC deferred maintenance projects will be financed through TPFA’s Master Lease Purchase Program (MLPP). Assuming an interest rate of 5% and an administrative fee of 1.0%, the total payments including principal, interest and administrative expenses are estimated to be $354,737,862.

Lee Deviney and David Umscheid answered questions from the Board.

1. **Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2019**

Representatives present were Janie Taylor, Executive Vice President, Texas State Affordable Housing Corporation (TSAHC); David Danenfelzer, Senior Director of Development Finance, TSAHC; Robert Dransfield, Bond Counsel, Norton Rose Fulbright; Timothy Nelson, Municipal Advisory, Hilltop Securities; and Neal Route, Senior Real Estate Developer Associate, Dominium Apartments.

TSAHC is seeking approval for the issuance of its Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2019 (the Note) in a maximum par amount and total proceeds amount of $40,000,000, including premiums, if any.

The total cost for the project is estimated to be $74,652,013. The project is expected to be funded from a combination of sources including proceeds from a tax-exempt Freddie Mac Targeted Affordable Housing loan, housing tax credits/owner equity, and a deferred developer fee.

Ventura at Fairgrounds Apartments (Fairgrounds or the Property), is a new construction of a 300-unit affordable multifamily housing development serving the general population to be located in Midland, Texas.

TSAHC will issue the Note 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 Note at its November 15, 2018 Board meeting.

The Private Activity Bond reservation was issued to TSAHC on August 20, 2019 and expires on January 17, 2020.

The TDHCA Board approved the housing tax credits at its Board meeting scheduled on September 5, 2019.

The Note will be privately placed as unrated, tax-exempt, self-supporting, fixed-rate debt with an estimated interest rate of 4.29%, 15-year term, average life of 16.457 years, amortization of 35 years with a balloon payment and a final maturity date of December 1, 2037.

TSAHC is acting as a conduit issuer and as such the Note does 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.

At close of business on Thursday November 7, 2019, an updated sources and uses of funds was submitted by the borrower. The new sources and uses states a total cost of $74,652,014 a total increase of $8,139,628 since TDHCA’s approval in September. This includes an increase in the construction costs of approximately $6.9 million. TSAHC has stated the project will also qualify for additional tax credit equity due to the increased eligible basis ($1.022 million), has received a cash contribution from the contractor ($1.6 million) and has increased the deferred developer fees by $3.9 million.

David Danenfelzer and Neal Route answered questions from the Board.

1. **EXEMPT – Texas State Affordable Housing Corporation Collateralized Revenue Bonds (Hamilton Valley Rural Development Portfolio) Series 2019**

Representatives present were Janie Taylor, Executive Vice President, TSAHC; David Danenfelzer, Senior Director of Development Finance, TSAHC; Robert Dransfield, Bond Counsel, Norton Rose Fulbright; and Timothy Nelson, Municipal Advisory, Hilltop Securities.

This transaction was submitted on the exempt track and will be sent to the Board for the 6-day review period once the application is complete.

David Danenfelzer answered questions from the Board.

1. **EXEMPT – Texas Department of Housing and Community Affairs Multifamily Note (Ventura at Hickory Tree) Series 2019**

Representatives present were Teresa Morales, Director of Multifamily Bonds, TDHCA; and Elizabeth Bowes, Partner, Bracewell.

This transaction was submitted on the exempt track and will be sent to the Board for the 6-day review period once the application is complete.

Teresa Morales answered questions from the Board.

1. **EXEMPT – Texas Private Activity Bond Surface Transportation Corporation Senior Lien Revenue Refunding Bonds (NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project), Series 2019A (Non-AMT) and Taxable Series 2019B (in one or more series)**

Representative present was Jennifer Wright, Debt & Strategic Contracts Division, TXDOT.

This transaction was submitted on the exempt track and will be sent to the Board for the 6-day review period once the application is complete.

Jennifer Wright answered questions from the Board.

1. **Discussion and possible action of final rule adoption for Title 34 Texas Administrative Code, Part 9, Chapter 181 Bond Review Board Rules, §§ 181.1, 181.2, 181.3, 181.4, 181.5, 181.9, and 181.10**

The proposed rule changes were published in the August 9, 2019 publication of the Texas Register and the public comment period on the proposed amendments extended through midnight on Saturday, September 7, 2019.

Rob Latsha turned the proceedings over to Brady Franks for deliberation. There was no discussion by the Board.

UPON MOTION BY PIPER MONTEMAYOR AND SECOND BY BRYAN MATHEW, THE TEXAS BOND REVIEW BOARD approveD the proposed changes to Title 34 Texas Administrative Code, Part 9, Chapter Part 181, Sections 181.1, 181.2, 181.3, 181.4, 181.5, 181.9, and 181.10 for final adoption.

1. **Discussion and possible action of final rule adoption for Title 34 Texas Administrative Code, Part 9, Chapter 190 Allocation of State’s Limit on Certain Private Activity Bonds, §§ 190.1, 190.2, 190.3, 190.4, 190.5, 190.6, and 190.7**

The proposed rule changes were published in the August 9, 2019 publication of the Texas Register and the public comment period on the proposed amendments extended through midnight on Saturday, September 7, 2019.

Rob Latsha turned the proceedings over to Brady Franks for deliberation. There was no discussion by the Board.

UPON MOTION BY BRYAN MATHEW and SECOND BY PIPER Montemayor, the texas bond review board approved the proposed changes to Title 34 Texas Administrative Code, Part 9, Chapter Part 190, Sections 190.1, 190.2, 190.3, 190.4, 190.5, 190.6, and 190.7 for final adoption.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for 10:00 a.m. on Thursday, November 21, 2019 in the Capitol Extension, Room E2.026.

1. **Items for Future Agendas**

A list of future agenda items was distributed to each member of the Board.

1. **Report from the Executive Director**

* BRB staff has completed local government processing for fiscal year 2019 and received a total of 1,487 issues during fiscal year 2019 which is an increase of 6.7% from the 1,393 total issues received during fiscal year 2018.
* November 15th will be the last day staff may issue a reservation for the Private Activity Bond Program. The program will be oversubscribed by approximately $806 million. Staff is speaking at the Texas Association of Local Housing Finance Agencies (TALHFA) conference today and has been asked to present at a seminar for the Texas Affiliation of Affordable Housing Providers (TAAHP) regarding the lottery process.
* Staff has reconciled all state debt outstanding based on the State Debt Issuer Reports received back in October. Staff is preparing the agency’s State Debt Annual Report for FY 2019 and plans to send a draft to the Board by Thursday, November 21, 2019.
* Staff has been asked by Senator Lucio’s office to be available for interim charges regarding potential PAB legislation.
* The next Texas Public Finance Seminar is scheduled for Tuesday, December 3, 2019 in the Legislative Conference Center. Fitch ratings will give a presentation on its assessment of the state of Texas’ credit profile.
* The Federal Reserve Bank of New York in cooperation with the Treasury Department of the Office of Financial Research is proposing rules to publish a 3-day compounded average of the Secured Overnight Financing Rate (SOFR). The New York Federal Reserve Bank is accepting public comments until December 4, 2019.
* The Office of the Attorney General’s Administrative Law Division is presenting its Government Law and Liability Conference on December 12 – 13, 2019.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:54 a.m.