Minutes

Texas Bond Review Board

Planning Session

Tuesday, January 14, 2020, 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, January 14, 2020 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Brady Franks, Chair and Alternate for Governor Greg Abbott; Joaquin Guadarrama, 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. No votes would be taken. A quorum was present.

1. **Texas State Affordable Housing Corporation Collateralized Revenue Bonds (Hamilton Valley Rural Development Portfolio) Series 2020**

Representatives present were Janie Taylor, Executive Vice President, TSAHC; David Danenfelzer, Senior Director of Development Finance, TSAHC; and Timothy Nelson, Municipal Advisor, Hilltop Securities.

TSAHC is seeking approval to issue its Texas State Affordable Housing Corporation Collateralized Revenue Bonds (Hamilton Valley Rural Development Portfolio) Series 2020 in a maximum par amount and maximum total proceeds amount of $39,120,000 including premiums, if any.

The proceeds of the bonds will be used for the acquisition and rehabilitation of 22 separate sites totaling 757 units. Planned repairs include, but are not limited to, replacement of kitchen counters and cabinets, new appliances, new flooring, and replacement of HVAC systems.No tenants are expected to be displaced due to income disqualification after the rehabilitation is complete.

TSAHC will issue the bonds pursuant to Chapter 2306, Subchapter Y, Sections 2306.553, 2306.555 and 2306.565 of the Texas Government Code, as amended.

The TSAHC Board approved the final bond resolution at its meeting on October 16, 2019.

The Private Activity Bond (PAB) reservation was issued on January 13, 2020.

The TDHCA Board is expected to approve the housing tax credits at its Board meeting held on January 16, 2020.

The national office of the United States Department of Agriculture (USDA) Rural Development approved the USDA 538 loans individually for the 22 properties between August 21, 2019 and September 24, 2019.

The borrower will use the proceeds from the Series 2020 bonds for site purchase and rehabilitation which is expected to last approximately 12-24 months. The bonds will be sold through a negotiated sale and structured as short-term, self-supporting, tax-exempt, fixed-rate debt with an estimated interest rate not to exceed 2.15%. The Series 2020 bonds will have an initial mandatory tender date of February 1, 2022, at which time they must be redeemed or remarketed if more time is needed for construction.

This transaction involves a USDA Guaranteed Rural Rental Housing Program Section 538 loan and an existing USDA Section 515 loan that will be assumed by the partnership.

Once the rehabilitation is complete on the properties, the proceeds from the Section 538 loan will be used to pay off the bonds. The Section 538 mortgage loan is anticipated to carry a 4.60% interest rate with a 40-year term and amortization.

TSAHC is acting as a conduit issuer and as such the issuance 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.

The total cost of issuance is $909,306 or roughly $23.24 per bond.

Five TEFRA Hearings were held. One that had the most substantial attendance was Tomball where approximately 30 people attended, and no one spoke at the meeting.

Moody’s has assigned a rating of AAA to the bonds on October 14, 2019.

David Danenfelzer answered questions from the Board.

1. **Texas Public Finance Authority Revenue Commercial Paper Notes (Texas Facilities Commission Projects) Series 2016A (Taxable) and Series 2016B (Tax Exempt)**

Representatives present were John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; John Barton, Senior Financial Analyst, TPFA; John Raff, Deputy Executive Director of Facilities Design and Construction, TFC; and Diane Jackson, Chief Financial Officer, TFC.

TPFA is seeking approval to increase the current capacity of its State of Texas Revenue Commercial Paper Program (Texas Facilities Commission Project) Series 2016A (Taxable) and 2016B (Tax-Exempt) to an amount not to exceed $1,242,855,581.

Proceeds of the commercial paper (CP) notes (Notes) will be used to fund 1) building and parking garage in north Austin, Phase II; 2) utility infrastructure, office buildings and parking garages in the capitol complex, Phase II; and 3) the payment of costs of issuance and any administrative costs.

TPFA will issue the Notes pursuant to House Bill 1, 86th Legislature, Regular Session, Article I Section A pages I-43, Rider 16 page I-46, Chapters 1232, 1371, and 2166 Texas Government Code as amended, and Part X, Title 34, Texas Administrative Code.

TFC adopted a resolution on August 15, 2019 requesting bond financing in the amount of $475,185,581 for Phase II new construction in the Capitol Complex and the North Austin Campus. On August 28, 2019 TFC submitted to TPFA a request for financing.

On January 9, 2020, the TPFA Board approved a resolution amending its 2016AB CP resolution and increasing the total authorized amount.

Pursuant to Texas Administrative Code, the issuance of the Notes, or the project or projects need Bond Review Board approval.

The 2020-21 General Appropriations Act does not require written approval by the Legislative Budget Board for this financing.

The Notes will be sold periodically as TFC requires funds. Bond counsel will analyze each commercial paper tranche to determine the portion that may be issued under the tax-exempt program.

The Notes are supported by lease appropriations made to agencies for lease payments. As such, the Notes are payable only from certain pledged security, which consists primarily of rent payments made pursuant to a lease agreement between the Authority and the Lessee Agency. Neither the full faith and credit nor the taxing power of the State of Texas will be pledged to the payment of principal, premiums, if any, or interest on the Notes.

Historically, all outstanding as well as authorized but unissued CP Notes for the TFC Capital Complex and North Austin Complex projects have been included in the state’s Constitutional Debt Limit (CDL).

John Raff answered questions from the Board.

1. **EXEMPT – Grand Parkway Transportation Corporation Grand Parkway System Toll Revenue Bonds, Series 2020 (issued in one or more series of Taxable and Tax-Exempt Obligations)**

This transaction was approved on the BRB EXEMPT track on Monday, January 6, 2020.

1. **EXEMPT – Texas Transportation Commission Central Texas Turnpike System Revenue Refunding Bonds, Series 2020 (issued in one or more series, either Taxable or Tax-Exempt or Both)**

This transaction was approved on the BRB EXEMPT track on Wednesday, January 8, 2020.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Thursday, January 23, 2020 at 10am 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**

* Staff posted the final version of the Fiscal Year 2019 Local Government Annual Report to the agency website on Friday, January 10, 2020.
* So far for fiscal year 2020, staff has received a total of 822 local government debt issues that need to be processed. This is an increase of 48% from the total number of issues received during this time last year.
* The 2019 Private Activity Bond (PAB) program is reconciled and closed. Approximately, $2.48 billion will be allocated as carry forward from 2019. Of that amount, just under $1.80 billion is for single-family reservations.
* For calendar year 2020, the state has just over $3.04 billion to allocate. With the new legislation taking effect (Senate Bill 1474, 86th Legislature), staff has already reserved just under $1.50 billion of 2020 PAB authority.
* Staff has been asked by Senator Lucio’s office to be available for interim charges regarding potential PAB legislation. BRB staff has been invited to speak at the Intergovernmental Relations Public Hearing Tuesday, January 28, 2020 in Brownsville.
* On January 30, 2020 staff will be panelists for the webinar “Demystifying the Bond Lotto Process”.
* Staff has begun working on the February 2020 Debt Affordability Study. Staff plans to send a draft copy of the report to the Board for review by Monday, February 3, 2020. The final version of the report will be posted to the agency website by Friday, February 14, 2020.
* The next Texas Public Finance Seminar is scheduled for Tuesday, February 18, 2020 in the Legislative Conference Center. Jerry Kyle from Orrick will be giving a presentation on the continuing disclosure requirements of state debt issuers.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:20 a.m.