Minutes

Texas Bond Review Board

Planning Session

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

John H Reagan State Office Building, Room 110

1400 N. Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, March 12, 2019 in the John H Reagan State Office Building, Room 110 in Austin, Texas. Present were Bobby Wilkinson, 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 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. Except for agenda item III, no votes would be taken. A quorum was present.

1. **Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program) Series 2019A (Non-AMT)**

Representatives present were David Long, President; TSAHC; Janie Taylor, Executive Vice President, TSAHC; Joniel Crim, Homeownership Programs Director, TSAHC; Robert D. Dransfield, Partner, Norton Rose Fulbright US LLP; and Timothy Earl Nelson, Managing Director, Hilltop Securities.

The Texas State Affordable Housing Corporation (TSAHC or the Corporation) is seeking approval to issue its Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program) Series 2019A (Non-AMT) in a maximum par amount of $40,000,000 and maximum total proceeds amount of $42,000,000 including premiums, if any. Based on current market conditions, the Corporation expects to issue the bonds with a par amount of $40,000,000 and total proceeds amount of $41,715,868 including premiums.

The Bonds will be issued under Subchapter Y of Chapter 2306, Texas Government Code, as amended, including Section 2306.5621.

The TSAHC Board approved the transaction at its meeting on February 13, 2019.

The Series 2019A Bonds will be sold as tax-exempt, self-supporting, fixed-rate debt in a negotiated sale.

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

The bonds are anticipated to be rated Aa1 by Moody’s. The total cost of issuance including underwriters’ spread is expected to be approximately $629,694 or $15.74 per bond. This transaction qualifies for exempt approval under Section 181.9(a)(6) of the BRB Rules. However, the last new-money bond application submitted by TSAHC for approval occurred in January 2010. As a result, the Corporation has chosen to submit a non-exempt application for full review and is requesting approval at the BRB meeting scheduled for March 21, 2019.

Joniel Crim, Robert Dransfield, and Timothy Nelson answered questions from the Board.

1. **Interagency Agreement between the Texas Comptroller’s Office and Bond Review Board regarding Continuing Disclosures under SEC Rule 15(c)2-12 (discussion and possible action)**

Representatives present were Piper Montemayor, Public Finance Manager, Treasury Operations, Texas Comptroller of Public Accounts; and Fredric (Rick) Weber, Partner, Norton Rose Fulbright US LLP.

The Texas Bond Review Board (BRB) and the Texas Comptroller of Public Accounts (Comptroller) entered into a Continuing Disclosure Agreement (CDA), dated August 17, 1995 and amended January 25, 2010, for the benefit of State Agency issuers and holders of securities payable in whole or in part from the General Revenue Fund. The State is an obligated person with respect to such securities. The CDA enables State agencies to sell such securities in underwritten public offerings in accordance with the US Securities and Exchange Commission (SEC) Rule 15c2-12 (the Rule). The authority to enter into such agreement is provided in Texas Government Code, Chapter 771.

Texas has a decentralized debt issuance process with more than one agency issuing securities payable in whole or in part from general revenue. Rather than have multiple issuing agencies attempt to represent state activities under the Rule, the Comptroller as the central accounting and fiscal officer has, under the current CDA, undertaken to file information with respect to the State with the Municipal Securities Rulemaking Board.

On August 20, 2018, the SEC approved amendments to the Rule effective February 27, 2019. The proposed amended and restated interagency agreement between the BRB and CPA, the Amended and Restated Continuing Disclosure Agreement, would 1) amend the CDA to enable State agency securities payable from the General Revenue Fund to be offered in compliance with the amended Rule; and 2) impose on the Comptroller the obligation to provide prompt notice of any of the two new financial obligation events.

Piper Montemayor answered questions from the Board.

UPON MOTION BY BRYAN MATHEW AND SECOND BY BOBBY WILKINSON, THE TEXAS BOND REVIEW BOARD authorized the Executive Director to enter into and from time to time supplement an amended and restated interagency agreement with the Texas Comptroller of Public Accounts for the purpose of updating the Continuing Disclosure Agreement dated August 17, 1995, as previously amended, to accord with recently amended continuing disclosure requirements under SEC Rule 15c2-12.

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, March 21, 2019 in the John H Reagan State Office Building, Room 110.

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 continues to process local government debt transactions for fiscal year 2019. To date, 687 issues were received from the Attorney General’s office. This is a decrease of 12.4% from the 784 issues received from the AG’s office at this time last year.
* At least 5 bills from the 86th Legislative Session have been filed regarding Texas Government Code, Chapter 1372.
* The Debt Affordability Study was posted to the agency website in February. BRB staff sent out a letter to all state debt issuers requesting debt information. Once all letters are received in March staff will begin to reconcile all debt outstanding in the agency’s database as of the period ending February 28, 2019.
* So far, staff has been requested to prepare a total of 43 fiscal notes for bills filed from the 86th Legislative Session.

1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:15 a.m.