Minutes

Texas Bond Review Board

Planning Session

Tuesday, May 9, 2017, 10:00 a.m.

John H. Reagan Bldg. (JHR), Room 110

105 West 15th Street Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, May 9, 2017 in the John. H Reagan Building, Room 110 in Austin, Texas. Present were Steven Albright, 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 David Gordon with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Rob Latsha, Interim 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 Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds, Series 2017A (Tax-Exempt), Single Family Mortgage Revenue Refunding Bonds, Series 2017B (Taxable) and Single Family Mortgage Revenue Bonds, Series 2017C (Taxable)**

Representatives present were: Monica Galuski, Director of Bond Finance, TDHCA; Heather Hodnett, Manager of Single Family Finance, TDHCA; Ed Morris, Senior Bond Finance Analyst, TDHCA; John Tomme, Senior Bond Finance Analyst, TDHCA; Elizabeth Bowes, Bond Counsel, Bracewell LLP; Barton Withrow, Financial Advisor, George K. Baum; Gary Machak, Financial Advisor, George K. Baum.

TDHCA is seeking approval to issue its Single Family Mortgage Revenue Bonds 2017 Series A (Non-AMT), Single Family Mortgage Revenue Refunding Bonds 2017 Series B (Taxable) and Single Family Mortgage Revenue Bonds 2017 Series C (Taxable) in an aggregate par amount of $189,610,000 and maximum proceeds amount of $194,090,500 including premiums, if any.

The 2017 Series A non-AMT bonds will be used to provide funds to finance the purchase of tax-exempt eligible mortgage loans made to first time home buyers of low, very low and moderate income, who are acquiring moderately priced residences, to fund capitalized interest and to pay a portion of the costs of issuance.

The 2017 Series B taxable bonds will be used for a current refunding of all or a portion of the Department’s outstanding Single Family Mortgage Revenue Bonds Series 2007B and pay cost of issuance.

The 2017 Series C taxable bonds will be used to provide funds to finance the purchase of mortgage loans ineligible for tax-exempt financing made to first time home buyers of low, very low and moderate income, who are acquiring moderately priced residences, to fund capitalized interest and to pay a portion of the costs of issuance.

The Bonds will be issued under Chapter 1371, Chapter 2306 and Chapters 1207, Texas Government Code, as amended.

The final resolution was approved by the TDHCA Board at its meeting on April 27, 2017.

The Private Activity Bond reservation was made on May 8, 2017.

The 2017 Series A, B and C bonds will be sold as tax-exempt and taxable, self-supporting, fixed-rate debt in a negotiated sale with a term structure maturing September 1, 2047, September 1, 2037 and September 1, 2047, respectively. The average life is expected to be 10.7, 7.4 and 10.8 years, respectively.

The 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.

The cost of issuance is estimated to be approximately $942,843 or $7.00 per bond and the total underwriter’s spread is estimated to be $872,600 or $6.48 per bond for a total bond cost of $1,815,503 or $13.49 per bond.

Pursuant to Texas Government Code (TGC) Section 2306.142(m), TDHCA is requesting an annual waiver of TGC Section 2306.142(l). Historically, a waiver has been requested with each of the Department’s new money transactions based on TDHCA’s determination that it is unfeasible or will damage the financial condition of TDHCA to issue bonds with the restrictions contained in Section 2306.142(l) of the Texas Government Code.

Monica Galuski answered questions from the Board.

1. **Texas Department of Housing and Community Affairs Series 2017 Issuer Note**

This transaction has been withdrawn by the issuer.

1. **Exempt – Grand Parkway Transportation Corporation Grand Parkway System Revenue Obligations Series 2017 (in one or more series of Bonds, Notes or other Obligations)**

This transaction has been withdrawn by the issuer. TxDOT expects to submit a complete application in July.

1. **Exempt – Texas Water Development Board State of Texas General Obligation Bonds Water Financial Assistance and Refunding Bonds Series 2017A, Series 2017B (EDAP) and Series 2017C (Taxable)**

This transaction was submitted on the Exempt track and the 6-day review period is scheduled to expire on Friday May 12, 2017.

Representatives present were: Jeff Walker, Executive Administrator; Rebecca Trevino, Chief Financial Officer; Georgia Sanchez, Debt Portfolio Manager; Josh Traner, Financial Analyst.

The TWDB seeks approval to issue its State of Texas General Obligation Bonds Water Financial Assistance and Refunding Bonds Series 2017A, Series 2017B (EDAP) and Series 2017C (Taxable) in an aggregate par amount of $125,00,000 and a maximum proceeds amount of $127,181,878 including premiums, if any.

This transaction qualifies for exempt approval under Section 181.9(a)(4) of the BRB Rules because the Series 2017A and the Series 2017C bonds are determined to be self-supporting. The Series 2017B bonds will meet the 2% minimum NPV savings for a current refunding as required by rule 181.9(a)(6).

The bonds are general obligations of the State of Texas and are secured by the state’s full faith and credit.

Georgia Sanchez gave a brief overview of the transaction and answered questions from the Board.

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, May 18, 2017 in the Capitol Extension, Room E2.030.

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**
* The database upgrade project continues to move along on schedule.
* Local government processing is continuing on schedule. The agency expects to complete its February 28, 2017 reconciliation of local debt by mid-May.
* A Qualified Energy Conservation Bond application is under review and will be sent to the Governor’s Office and another QECB application has been sent to State Energy Conservation Office (SECO).
* Bond elections have been posted to the agency website and the agency has signed the Texas Open Data Portal contract.
* BRB staff met with Sen. Seliger Office Wednesday May 3rd.

1. **Adjourn**

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