Minutes

Texas Bond Review Board

Planning Session

Tuesday, June 21, 2016, 10:00 a.m.

Capitol Extension, Room E2.026

1400 N. Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, June 21, 2016 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Ky Ash, Chair and Alternate for Governor Greg Abbott; Joaquin Guadarrama, Alternate for Lieutenant Governor Dan Patrick; Andrew Blifford, Alternate for Speaker Joe Straus; and Piper Montemayor, Alternate for Comptroller Glenn Hegar. Also in attendance were Leslie Brock with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Rob Latsha, as Chair, 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 Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A (Taxable) and B (Tax-Exempt)**

Representatives present were: Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; John Barton, Senior Financial Analyst, TPFA; Wayne Roberts, Chief Executive Officer CPRIT; Kristen Doyle, Deputy Executive Officer and General Counsel, CPRIT; Heidi McConnell, Chief Operating Officer, CPRIT.

TPFA is seeking authorization to issue CP notes under its State of Texas General Obligation Commercial Paper Program (Cancer Prevention and Research Institute of Texas), Series A (Taxable) and Series B (Tax-Exempt) (collectively, the CPRIT CP Program) in a maximum amount of $300,000,000.

The proceeds will be used to fund cancer prevention and research grants, pay operating costs as dictated by the 84th Legislature and pay costs of issuance.

TPFA will issue the notes pursuant to Article III, Section 67 of the Texas Constitution; Chapters 1232 and 1371 of the Texas Government Code; Section 102.202 of the Texas Health and Safety Code; GAA Article I, p. I-13 to I-16.

The CPRIT Oversight Committee approved the Request for Financing on May 18, 2016.

The TPFA Board approved the financing on June 6, 2016.

The notes are general obligations of the state. As such, the state’s full faith and credit are pledged to repayment of the notes.

The Comptroller’s liquidity agreement is in effect until August 31, 2016 with the option to renew for additional terms. The fee for liquidity is 12 basis points on the amount of notes outstanding and 8 basis points on the remaining amount of the liquidity commitment.

As not self-supporting GO debt, CPRIT debt is included in the Constitutional Debt Limit.

Lee Deviney answered questions from the Board.

Wayne Roberts gave an overview of CPRIT Projects and answered questions from the Board.

1. **Texas Public Finance Authority Texas Southern University Revenue Financing System bonds, Series 2016**

Representatives present were: Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; John Barton, Senior Financial Analyst, TPFA; Louis Edwards, Associate Vice President of Treasury & Budget, TSU; Chris Allen, Financial Advisor, First Southwest Company; Ben Howell, Bond Counsel, Winstead PC.

The Texas Public Finance Authority is seeking approval to issue its Texas Southern University Revenue Financing System Bonds, Series 2016 in a par amount not to exceed $60,000,000 and a maximum total proceeds amount of $62,944,116.70 including premiums, if any.

Proceeds of the bonds will be used to (1) acquire, purchase, construct, improve, renovate, enlarge or equip property and facilities, including roads and related infrastructure for the Robert J. Terry Library (RJT or the Library) on the University’s Campus in Houston, Texas, and (2) pay the cost of issuance.

The Library will consist of a new structure with approximately 137,000 gross square feet of space.

The projects are authorized under Chapter 55, Texas Education Code (particularly Sections 55.13(c) and 55.17891 thereof), and Chapters 1232 and 1371, Texas Education Code.

The TSU Board of Regents approved a request for financing at its meeting on October 16, 2015.

TPFA’s Board approved the request for financing at its December 10, 2015 meeting.

TPFA’s Board approved a resolution authorizing the issuance of the Bonds on June 6, 2016.

The TSU Board of Regents is expected to approve the bond resolution on June 24, 2016.

The bonds will be issued in a negotiated sale as tax-exempt, fixed-rate securities with a 20-year term. The bonds are expected to have an average life of 11.5 years and a true interest cost of 4.65%.

The bonds are payable from and secured solely by the Pledged Revenues of the University.

The total cost of issuance including credit enhancement, bond insurance and surety policy is estimated to be approximately $2.9 million or $49.05 per bond.

TSU will have no remaining TRB authority after the issuance of the Series 2016 bonds.

TSU is currently rated Baa3 and BBB by Moody’s and Fitch, respectively.

To make the bonds more marketable, TSU will purchase bond insurance with an estimated cost of $1.85 million in order to receive a higher enhanced rating.

Additionally, the bonds will have a debt service reserve fund (DSRF) to provide investors with safeguards against fluctuations in anticipated revenue.

In order to preserve bond proceeds for use in the project fund, TSU anticipates purchasing a surety bond policy at an estimated cost of 600 bps of maximum annual debt service to substitute making a deposit into a DSRF.

TRBs are classified as self-supporting revenue debt and not included in the calculation of the Constitutional Debt Limit; however, legislative appropriations from general revenue for TRB debt service negatively impact the state’s debt capacity.

Lee Deviney answered questions from the Board.

Louis Edwards answered questions from the Board.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

The next scheduled Planning Session is on Tuesday, July 12, 2016 in the Capitol Extension, Room E2.026 and the next scheduled Board Meeting is on Thursday, July 21, 2016 in the Capitol Extension, Room E2.026.

1. **Report from the Executive Director**

* Thedatabase upgrade project is continuing along on schedule. The refunding module has been completed.
* 2016 Local government processing is continuing along on schedule and is on pace with 2015.
* Staff received an inquiry regarding a possible QECB application to be submitted within the Private Activity Bond Program.
* Staff is continuing to work with state agencies and universities to satisfy the reporting requirements of the 2018-19 Capital Expenditure Plan.

1. **Adjourn**

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