Minutes

Texas Bond Review Board

Planning Session

Tuesday, July 9, 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, July 9, 2019 in the in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Sarah Hicks, 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 Rosalind Hunt with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Justin Groll, Director of Finance, 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 Series B (Tax-Exempt)**

Representatives present were Lee Deviney, Executive Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Wayne Roberts, Chief Executive Officer, CPRIT; and Heidi McConnell, Chief Operating Officer, CPRIT.

Texas Public Finance Authority (TPFA) is seeking authorization to issue Commercial Paper (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 during fiscal year 2020 including the costs of issuance and related administrative costs, if any.

The proceeds will be used to fund cancer prevention and research grants, pay operating costs as dictated by the 86th Legislature and pay costs of issuance. At this time, CPRIT anticipates it will need total proceeds of approximately $231,300,000 to fund its operations and cancer prevention and research grants during fiscal year 2020.

TPFA will issue the notes pursuant to Article III, Section 67 of the Texas Constitution; Chapter 102.202 of the Texas Health and Safety Code; Chapters 1232 and 1371 of the Texas Government Code; and the General Appropriations Act, 86th Legislature, R.S., Art I, pg I-14.

The CPRIT Oversight Committee approved the Request for Financing on May 15, 2019.

The TPFA Board is expected to approve the financing at its Board Meeting scheduled for Thursday, July 11, 2019.

The CP notes are general obligations of the state. As such, the state’s full faith and credit are pledged to repayment of the notes. The first monies coming into the State Treasury, not otherwise appropriated by the Constitution, are dedicated to pay debt service.

The Comptroller of Public Accounts currently provides liquidity for the CP Program up to a maximum of $250 million, plus 270 days. This agreement is in effect until August 31, 2019 with the option to renew for additional terms. It is anticipated that a two-year extension, continuing the current $250 million commitment amount will be executed later this month.

As of March 28, 2019, TPFA has issued a total of $1,669,700,000 in debt under CPRIT’s $3.0 billion in GO authority and has $1,330,300,000 remaining in unissued authority. TPFA currently has $1,390,695,000 in debt outstanding for CPRIT of which $77,725,000 is CP outstanding.

As not self-supporting GO debt, CPRIT debt is included in the state’s Constitutional Debt Limit (CDL). As of August 31, 2018, the CDL was calculated at 2.20 percent including both outstanding and authorized but unissued debt.

Lee Deviney answered questions from the Board.

1. **Recommended changes to Title 34 Texas Administrative Code, Part 9, Chapter 181 Bond Review Board Rules**

As it relates to state debt oversight, BRB staff proposes updates and clarifications to its administrative code rules in Texas Administrative Code Chapter 181, including revisions to the timeline for the submission of non-exempt state debt applications to the Bond Review Board for review. BRB staff and the AG’s office have worked together extensively to update these rules, and if approved at the Board meeting, these rule updates will be posted to the Tx Register for the 30-day comment period.

1. **Recommended changes to Title 34 Texas Administrative Code, Part 9, Chapter 190 Allocation of State’s Limit on Certain Private Activity Bonds**

As it relates to the state’s Private Activity Bond program, BRB staff proposes updates and clarifications to its administrative code rules in Texas Administrative Code Chapter 190 based on the passage of Senate Bill 1474 by the 86th Legislature. SB 1474 updates sections of Chapter 1372 of the Texas Government Code and is a comprehensive modernization of the PAB program.

1. **EXEMPT – Private Activity Bond Surface Transportation Corporation Senior Lien Revenue Bonds (NTE Mobility Partners Segments 3 LLC Segment 3C Project), Series 2019 in one or more series**

This transaction was submitted on the BRB EXEMPT track and the 6-day review period expired on Friday, July 5, 2019.

1. **EXEMPT – Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds 2019 Series A**

This transaction was submitted on the BRB EXEMPT track and the 6-day review period expired on Monday, July 8, 2019.

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, July 18, 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**
* Staff continues to process local government debt transactions received from the AG’s office on schedule. So far in fiscal year 2019 we have received approximately 1,201 issues which is an increase of 3.0% in total issues received from this time last year.
* BRB staff has been invited to speak at the Texas Affiliation of Affordable Housing Providers (TAAHP) Annual Conference being held July 23-25.
* Staff has issued 40 reservations during the 2019 Private Activity Bond (PAB) program year so far. This leaves $2.62 billion of 2019 volume cap available to issuers.
* Staff has begun to move forward in creating a new Access style PAB database to replace the old FileMaker Pro databases currently being used.
* The 86th Legislature authorized additional GO debt that will need to be approved by the voters at the November 5, 2019 general election. If approved by the voters, this debt will need to be included in the state’s Constitutional Debt Limit (CDL). This includes HJR 12 for an additional $3 billion in bonding authority to finance cancer research and SJR 79 for $200 million in evergreen bonding authority for the water board’s economically distressed areas program.
* Additionally, HB 1052 was passed authorizing the TWDB to use the state participation account of the water development fund to provide financial assistance for the development of certain facilities in an amount not to exceed $200 million. Altogether, these 3 bills would increase the CDL by 0.55% which would make it 2.76% using fiscal year 2018 assumptions.
1. **Adjourn**

There being no further business, the planning sessionwas adjourned at 10:13 a.m.