Minutes

Texas Bond Review Board

Planning Session

Tuesday July 10, 2012, 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 July 10, 2012 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Ed Robertson, Chair and Alternate for Governor Rick Perry; Kenneth Besserman, Alternate for Comptroller Susan Combs; David Duran, Alternate for Lieutenant Governor David Dewhurst; and Andrew Blifford, Alternate for Speaker Joe Straus. Also in attendance were Stephanie Leibe with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Bob Kline, Executive Director of the BRB, called the meeting to order at 10:03 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 Water Development Board State of Texas Water Financial Assistance Bonds, Series 2012F (Economically Distressed Areas Program)**

Representatives present were: Piper Montemayor, Director Debt and Portfolio Management, TWDB; and Monica Galuski, Portfolio Analyst, TWDB.

The TWDB seeks approval to issue its State of Texas General Obligation Water Financial Assistance Bonds, Series 2012F (Economically Distressed Areas Program) with par and maximum proceeds including premiums, if any, not to exceed $34,061,406. The Series 2012F bonds may be issued in one or more series.

The proceeds will be used to finance water assistance projects through the EDAP by providing loans and grants to certain political subdivisions for water and water-related projects and to pay the costs of issuance. The bonds are general obligations of the State of Texas and are secured by the state’s full faith and credit.

The subject issuance will utilize the remaining EDAP authority and appropriations for the 2012-2013 biennium.

Piper explained that EDAP debt is 90 percent supported by GR and 10 percent supported by debt-service payments from the underlying loans; consequently, 90 percent of EDAP debt is included in the state’s Constitutional Debt Limit.

1. **Texas Public Finance Authority Texas Southern University Revenue Financing System Note, Series 2012**

This transaction is expected to come before the Board in an August Called Board Meeting.

1. **Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds and Refunding Bonds, Series 2012 (issued in one or more series)**

Representatives present were: Representatives present were: John Munoz, Deputy Director, Finance Division, TXDOT; Ben Asher, Director, Innovative/Debt Management Office, TXDOT; and Jennifer Wright, Analyst, Innovative Finance & Debt Management Office, TXDOT

The Texas Transportation Commission is seeking approval to issue State of Texas General Obligation Mobility Fund Bonds and Refunding Bonds in a maximum par amount of $2.6 billion of which $1.2 billion will be new money and $1.4 billion will be used for advance refundings. Maximum total proceeds will not to exceed $2.635 billion including premiums, if any.

Proceeds from the refunding bonds will be used to advance refund outstanding bonds and proceeds from the new bonds will be used to pay or reimburse the State Highway Fund or Mobility Fund for the costs of constructing, reconstructing, acquiring, and expanding certain state highways and providing participation by the state in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects including loans authorized by law as provided in Sections 201.943(a) and 22.103 of the Texas Transportation Code and pay costs of issuance.

The bonds are special obligations of the Texas Transportation Commission payable from and secured by a pledge of and a lien on the revenues in the Fund. Revenues dedicated to the Fund are included in the Texas Mobility Fund Revenue Certification which is to be provided by the Comptroller. The bonds are general obligations of the state and are secured by the full faith and credit of the state.

Although the Department has requested $1.4 billion in refunding bond authority, the actual amount will be determined by market conditions at the time of issuance. Currently the amount is expected to be in the $700 million range. To maximize the funds available for its projects in the near-term and maintain the required 1.10 coverage ratio, the proposed amortization schedules indicate that principal payments will not begin until late in the debt’s maturity schedule.

The Comptroller’s recent lower revenue estimate (Attachment D) has negatively impacted debt capacity available for future Mobility Fund issuances. As a result, TxDOT will utilize cash on hand to defease bonds in certain years in which debt capacity has decreased based on the most recent revenue estimate. These defeasances will provide TxDOT with the debt capacity needed to issue the proposed bonds under the 110% debt coverage requirement.

The Department expects a true interest cost (TIC) of approximately 4.08%. Although the current debt structure provided in the application includes the use of capital appreciation bonds, the Department does not anticipate using CABs because of their higher cost relative to current interest bonds.

1. **EXEMPT – Texas Water Development Board State of Texas General Obligation Bonds Water Financial Assistance Bonds, Series 2012G**

This transaction was approved on the exempt track on Monday July 9, 2012.

1. **EXEMPT – Texas Public Finance Authority Class 1 Revenue Notes (Texas Windstorm Insurance Association Program) Taxable Series 2012**

Representatives present were: Robert Coalter, Executive Director, TPFA; and Susan Durso, General Counsel, TPFA.

This transaction will be reviewed on the EXEMPT track. Mr. Coalter gave the Board a brief overview of the transaction. BRB staff expects to receive the completed paperwork from TPFA this week.

1. **EXEMPT – Texas Public Finance Authority Class 1 Revenue Refunding Bonds (Texas Windstorm Insurance Association Program) Taxable Series 2012**

Representatives present were: Robert Coalter, Executive Director, TPFA; and Susan Durso, General Counsel, TPFA.

This transaction will be reviewed on the EXEMPT track. Mr. Coalter gave the Board a brief overview of the transaction. BRB staff expects to receive the completed paperwork from TPFA this week.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

The next scheduled Board Meeting is on July 19, 2012 in E2.026.

1. **Items for Future Agendas**

An updated list detailing future bond transactions was handed out.

1. **Report from the Executive Director**

* Staff is expecting three transactions to be discussed in a Called Board Meeting in August. The first will be a multi-family transaction from the Texas State Affordable Housing Corporation. The second is a private placement for Texas Southern University for campus housing and the third is for the Texas Department of Insurance to finance IT improvements through a lease-purchase transaction.
* Heather Rosas updated the Board on Local Government debt processing. FY 2012 Refunding transactions received have increased significantly from FY 2011 which means more time will be spent on processing local debt transactions.
* Staff has submitted the strategic plan to the Legislative Budget Board and Governor’s Office of Budget and Planning/Policy and is working on the Legislative Appropriations Request which is due August 2, 2012.
* Staff’s work on the State Bond Database is progressing.
* Mike Morrissey has agreed to present at the next Brown Bag Luncheon to be held September 25, 2012

1. **Adjourn**

There being no further business to discuss, the planning session adjourned at 10:38 a.m.