Minutes

Texas Bond Review Board

Planning Session

Tuesday, July 11, 2023, 10:00 a.m.

Capitol Extension, Room E2.028

And Videoconference Meeting

1100 Congress Ave.

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, July 11, 2023, in Room E2.028 of the Capitol Extension and via videoconference as authorized under Texas Government Code section 551.127. Present were Sarah Hicks, 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 Glen Imes 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 10:01 a.m. A quorum was present. He announced that this meeting will be held by videoconference call pursuant to Texas Government Code section 551.127. This meeting may include participation from one or more Bond Review Board members by remote videoconference. In accordance with the Texas Open Meetings Act, Bond Review Board members participating by videoconference shall be considered as being present for all purposes in the meeting. No votes would be taken.

1. **Texas Department of Housing and Community Affairs Multifamily Housing Governmental Note (The Crossing at Clear Creek) Series 2023**

Representative present was Teresa Morales, Director of Multifamily Bonds, TDHCA.

The Department submitted an application to issue its tax-exempt Multifamily Housing Government Note (The Crossing at Clear Creek) Series 2023 with a maximum par amount and a maximum total proceeds amount not to exceed $45,000,000 including premiums, if any.

The note will be issued pursuant to Chapter 2306 of the Texas Government Code.

The Private Activity Bond (PAB) certificate of reservation was issued to TDHCA via a carryforward designation on January 4, 2023, and expires on December 31, 2025.

The TDHCA Board approved the final resolution for the issuance of the note at its July 6, 2023, Board meeting.

The note will be sold through a private placement sale as unrated, tax-exempt, revenue, self-supporting, fixed-rate debt with a 16-year term, and amortization of 40 years.

TDHCA is acting as a conduit issuer for this transaction and as such the note does not constitute an obligation, debt, or liability of the state of Texas, or a pledge or loan of faith, credit, or taxing power of the state of Texas.

Total cost of issuance is expected to be $838,130 or $18.63 per $1,000 bond.

Teresa Morales addressed the Board and answered questions.

1. **Texas Department of Housing and Community Affairs Multifamily Housing Governmental Note (The Terrace at Highland Hills) Series 2023**

Representative present was Teresa Morales, Director of Multifamily Bonds, TDHCA.

The Department has submitted an application to issue its tax-exempt Multifamily Housing Governmental Note (The Terrace at Highland Hills) Series 2023 with a maximum par amount and a maximum total proceeds amount not to exceed $50,000,000 including premiums, if any.

The proceeds of the note will be used to construct The Terrace at Highland Hills, a new 300-unit affordable multifamily residential rental development in Dallas, Texas.

Per the TDHCA underwriting report, the Property will be constructed in Flood Zone X within the 500-year floodplain.

The note will be issued pursuant to Chapter 2306 of the Texas Government Code.

The Private Activity Bond (PAB) certificate of reservation was issued to TDHCA via a carryforward designation on January 4, 2023, and expires on December 31, 2025.

The TDHCA Board approved the final resolution for the issuance of the note at its July 6, 2023, Board meeting.

The note will be sold through a private placement sale as unrated, tax-exempt, revenue, self-supporting, fixed-rate debt with a 16-year term, and amortization of 40 years.

TDHCA is acting as a conduit issuer for this transaction and as such the note does not constitute an obligation, debt, or liability of the state of Texas, or a pledge or loan of faith, credit, or taxing power of the state of Texas. The note is a special limited obligation payable from revenues earned from the mortgage loan and earnings derived from amounts on deposit in an investment agreement.

Total cost of issuance is expected to be $901,500 or $18.03 per $1,000 bond.

Teresa Morales addressed the Board and answered questions.

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) for the issuance of commercial paper during fiscal year 2024**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Wayne Roberts, Executive Director, CPRIT; Heidi McConnel, CFO, CPRIT; and Kristen Doyle, General Counsel, CPRIT.

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.

The proceeds will be used to fund cancer prevention and research grants, pay operating costs as dictated by the 88th Legislature, and pay costs of issuance. At this time, CPRIT anticipates it will need total proceeds of approximately $300,000,000 to fund its operations and cancer prevention and research grants during fiscal year 2024.

TPFA will issue the notes pursuant to Article III, Section 67 of the Texas Constitution; Section 102.202 of the Texas Health and Safety Code; Chapters 1232 and 1371 of the Texas Government Code; and the General Appropriations Act, 88th Legislature, R.S., Art I, pp-17.

The CPRIT Oversight Committee approved the Request for Financing on May 17, 2023.

The TPFA Board approved the financing at its Board Meeting on July 6, 2023.

The Comptroller of Public Accounts currently provides liquidity for the CPRIT CP Program up to a maximum of $350 million.

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.

Lee Deviney addressed the Board and answered questions.

1. **Texas Public Finance Authority Revenue Commercial Paper Program (Texas Facilities Commission Projects) Series 2016A (Taxable) and Series 2016B (Tax-Exempt) for the issuance of commercial paper during fiscal year 2024**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; and Thomas Brown, Budget Director, TFC.

TPFA is requesting approval for the issuance of CP notes, during fiscal year 2024, for its State of Texas Revenue Commercial Paper Program (Texas Facilities Commission Projects), Series 2016A (Taxable) and Series 2016B (Tax-Exempt) for the Capitol Complex and North Austin Campus.

At no time will the amount of CP outstanding exceed the liquidity commitment which is expected to be $200,000,000.

Proceeds of the CP notes (the Notes) will be used to fund previously approved Phase I project costs and previously approved Phase II project costs for buildings and parking garages in the North Austin Complex as well as utility infrastructure, office buildings, and parking garages in the Capitol Complex.

TPFA will issue the Notes pursuant to House Bill 1, 84th Legislature, Regular Session, Article I page I-45, Rider 19; Senate Bill 1, 85th Legislature, Regular Session, Article I page I-47, Rider 16; House Bill 1, 86th Legislature, Regular Session, Article I page I-43; Senate Bill 1, 87th Legislature, Regular Session, Article I page I-47, Rider 16; House Bill 1, 88th Legislature, Regular Session, Article I page I-49, Rider 16; Chapters 1232, 1371, and 2166 Texas Government Code, as amended; and Part X, Title 34, Texas Administrative Code.

On January 9, 2020, the TPFA Board approved a resolution amending its Series 2016AB CP Program resolution and increasing the total authorized amount to include both Phase I and Phase II of the Project, and TPFA ratified its approval of the existing Series 2016AB CP Program on July 6, 2023.

Under the Program, the Notes will be sold periodically as variable rate, revenue, not self-supporting debt as TFC requires funds.

The Notes are supported by lease appropriations made to agencies for lease payments. As such, the Notes are payable only from certain pledged security, which consists primarily of rent payments made pursuant to a lease agreement between the Authority and the lessee agency. Neither the full faith and credit nor the taxing power of the State of Texas will be pledged to the payment of principal, premiums, if any, or interest on the Notes.

TFC Rider 19 appropriated proceeds from the sale of the Hobby Building in Austin, in addition to funds appropriated elsewhere, to fund the Capital Complex Phase 2 construction project. The sale has not been finalized as of the date of this application.

Lee Deviney and Thomas Brown addressed the Board and answered questions.

1. **Texas Public Finance Authority Health and Human Services Deferred Maintenance Project and Department of Motor Vehicles Camp Hubbard Renewal Project financed by the Texas Public Finance Authority Commercial Paper Revenue Notes Series 2019A and Series 2019B (Taxable) for the issuance of commercial paper during fiscal year 2024**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Gary Hamilton, Budget Director, HHSC; David Umscheid, Deputy Director, HHSC; and Glenna Bowman, CFO, DMV.

TPFA is requesting approval for the issuance of CP notes, during fiscal year 2024, for its State of Texas Commercial Paper Revenue Notes, Series 2019A and 2019B (Taxable) for the HHSC deferred maintenance projects authorized by the 86th Legislature and the 87th Legislature in the amounts of $208,816,277 and $23,689,160, respectively. Additionally, TPFA is requesting approval for the DMV Camp Hubbard Renewal Project, as authorized by the 88th Legislature in the amount of $143,000,000, to be included in the issuance of CP notes during fiscal year 2024.

As stated in TPFA’s application, the Authority is requesting approval of the HHSC project and the DMV project without a one-year expenditure limitation and without a restriction related to the current liquidity amount.

The TPFA Board adopted a resolution authorizing the Series 2019A and Series 2019B Taxable CP Program on November 8, 2019.

On November 21, 2019, the BRB approved the Series 2019A (Tax-Exempt) and 2019B (Taxable) Revenue CP Program to increase the program aggregate amount outstanding at any one time to $200,000,000.

Legislative Budget Board approval is not required for the issuance of CP notes for this project.

The Authority’s Board approved the Request for Financing for the 88th Legislature Authorization of the DMV project at its July 6, 2023, meeting.

Lease purchases under the MLPP are financed with proceeds of CP notes issued by TPFA. The CP notes are a special and limited obligation of the State of Texas, repaid solely from lease payments to TPFA from the lessee state agency in an amount sufficient to pay the principal and interest on the CP notes that mature or become due during the fiscal year.

Lee Deviney addressed the Board and answered questions.

1. **Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds Taxable Series 2023 (and such other series or subseries as may be designated)**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Wayne Roberts, Executive Director, CPRIT; Heidi McConnel, CFO, CPRIT; and Kristen Doyle, General Counsel, CPRIT.

TPFA seeks approval to issue its State of Texas General Obligation and Refunding Bonds, Taxable Series 2023 (and such other series or subseries as may be designated) in a maximum par amount of $366,300,000 and a maximum total proceeds amount of $370,659,779.55 including premiums, if any.

Bond proceeds will be used for refunding all or a portion of the outstanding General Obligation Commercial Paper Notes CPRIT Series A (Taxable) Notes.

TPFA will issue the bonds pursuant to Article III, Section 67 of the Texas Constitution; Chapters 1207, 1232, and 1371 of the Texas Government Code, as amended and Chapter 102 of the Texas Health and Safety Code, as amended.

The TPFA Board approved the bond resolution at its Board Meeting on Thursday, July 6, 2023.

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

The bonds are expected to have an average life of 10.388 years and an all-in true interest cost (TIC) of 5.57%.

The total cost of issuance is expected to be $2,373,000 or $6.48 per $1,000 bond.

Lee Deviney addressed the Board and answered questions.

1. **Texas Private Activity Bond Surface Transportation Corporation Senior Lien Revenue Bonds (NTE Mobility Partners LLC North Tarrant Express Project) Series 2023 Senior Bonds (in one or more series)**

Representatives present were Jennifer Wright, Project Finance & Debt Director, TxDOT; Jessica Kohlrenken, Associate General Counsel, TxDOT; Paul Jack, Financial Advisor, Estrada Hinojosa; and Hasan Mack, Bond Counsel, McCall Parkhurst & Horton.

This transaction was originally submitted on the BRB Exempt track and was called in for formal review on June 9, 2023.

PABSTC submitted an Exempt Issuer State Debt Notice of Intent to issue its Senior Lien Revenue Bonds (NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project), Series 2023 (in one or more series) in a maximum par amount and maximum total proceeds amount of $500,000,000 including premiums, if any.

The proceeds of the Series 2023 bonds will be used to (i) finance all or a portion of the Mandatory Capacity Improvement, (ii) fund reserves and capitalized interest, if any, to the extent authorized by state and federal law, (iii) fund certain major maintenance (Renewal Work) required pursuant to the terms of the CDA, and (iv) pay all or a portion of the costs of issuance of the bonds.

State law, including Subchapters A-C of Chapter 431 of the Texas Transportation Code, authorizes PABSTC to issue the conduit debt.

On December 13, 2022, TTC approved a minute order authorizing the PABSTC to promote, finance, and develop the NTE Expansion Project.

On January 12, 2023, NTE Mobility Partners LLC submitted an application to the U.S. Department of Transportation (DOT) requesting an allocation of private activity bond authority for the North Tarrant Express (NTE) Segments 1&2.

On May 15, 2023, PABSTC approved a resolution authorizing the issuance of the Series 2023 bonds.

Under Scenario 1, the Series 2023A PABs are expected to have a final maturity of December 31, 2058, average life of 32.39 years and an estimated all-in TIC of 5.44%.

Summary of Scenario 1: Series 2023A Long Term PABs, Par Call in 2029, Final Maturity 2058

Amortizing with Level Debt Service 2052-2058.

Under Scenario 2, the Series 2023B bonds are expected to have a final maturity of December 31, 2058, average life of 32.37 years and an estimated all-in TIC of 5.01%.

Summary of Scenario 2: Series 2023B Hard Put Bonds, Hard Put around year 6 to 10 (preliminary, assumed in 2031 for the debt service projections), Par Call 2 years before the Hard Put (assumed in 2029 for the debt service projections), Final Maturity 2058, Results assume a takeout of the Series 2023 hard put bonds in 2031 with 5.4% par current interest bonds amortizing from 2052 to 2058.

Total cost of issuance is expected to be $7,332,000 or $14.66 per $1,000 bond.

As of February 28, 2023, PABSTC had total debt outstanding of $2,947,940,000.

Jennifer Wright addressed the Board and answered questions.

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

The BRB is proposing a new administrative code rule within Texas Administrative Code, Part 9, Chapter 181 based on the passage of House Bill 1038 by the 88th Legislature. House Bill 1038 amends Chapter 1231 of the Texas Government Code by adding Section 1231.064 related to a biennial report on state lending and credit support programs.

This new rule aims to grant the Board the authority to gather relevant information from state agencies or political subdivisions regarding credit support programs and lending programs within the state to enable the Board to prepare a biennial report due by December 31st of each even-numbered year as mandated by Section 1231.064 of the Texas Government Code.

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

The BRB proposes updates and clarifications to its administrative code rules in Texas Administrative Code (TAC) Chapter 190 based on the passage of House Bill 1766 and House Bill 2071 by the 88th Legislature.

House Bill 1766 extends the limited state ceiling by restricting the amount of allocation designated at closing to a residential rental project if the program is oversubscribed for a program year.

House Bill 1766 creates a new first priority classification and shifts the subsequent existing priority classifications down by one increment.

House Bill 2071 includes documentation requirements related to residential rental projects of public facility corporation (PFC) issuers residing within the area of operation of the sponsor.

1. **EXEMPT – Texas Department of Housing and Community Affairs Multifamily Housing Revenue Notes (Aspen Park) Series 2023**

Representative present was Teresa Morales, Director of Multifamily Bonds, TDHCA.

The 6-day review period for this application will end at the close of business on Friday, June 2, 2023.

The Department submitted an application to issue its Multifamily Housing Revenue Notes (Aspen Park) Series 2023 (the Notes) in a maximum par amount and a maximum total proceeds amount not to exceed $24,000,000 including premiums.

The proceeds of the Notes will be used for the acquisition and rehabilitation of an existing qualified residential rental project known as Aspen Park located in Houston.

The Notes will be issued pursuant to Chapter 2306 and Chapter 1371 of the Texas Government Code.

The TDHCA Board approved the final resolution for the issuance of the Notes at its July 6, 2023, Board meeting.

The Private Activity Bond (PAB) certificate of reservation was issued to TDHCA on June 29, 2023, in the amount of $24,000,000 and expires on December 26, 2023.

The Department will issue the Notes as tax-exempt, fixed rate multifamily notes in an amount not to exceed $24,000,000.

As Note proceeds are drawn and spent on project costs, equal deposits from the construction loan will be made to the collateral fund to keep the account balanced such that the Notes are fully cash collateralized at all times during construction.

Total cost of issuance is expected to be $1,224,470 or $51.02 per $1,000 bond.

1. **EXEMPT – Texas Grand Parkway Transportation Corporation Grand Parkway System Subordinate Tier Toll Revenue Refunding Put Bonds Series 2023 (TELA Supported)**

Representatives present were Heather Hardaway; TxDOT Portfolio Project Manager; Jennifer Wright, TxDOT’s Project Finance and Debt Director; Paul Jack, GPTC’s Financial Advisor, Estrada Hinojosa & Co; and Carol Polumbo, GPTC’s Bond Counsel, McCall Parkhurst & Horton.

The 6-day review period for this application will end at the close of business on Monday, July 17, 2023.

GPTC is seeking approval to execute Subordinate Tier Toll Revenue Refunding Put Bonds Series 2023 (TELA Supported) in a maximum par amount and a maximum proceeds amount not to exceed $300,000,000 including premiums, if any.

A portion of the proceeds of the Series 2023 refunding bonds, together with certain other funds of GPTC, will be used for (i) a current refunding of all outstanding Series 2013A bonds (from Segments D-G) to achieve debt service savings, and to refund all of the outstanding Series 2016 bonds (from Segments D-G) and Series 2018B put bonds (from Segments H and I) for restructuring purposes and (ii) pay the costs of issuance.

The bonds will be issued under Subchapters A-C of Chapter 431 of the Texas Transportation Code, as amended, the Business Organization Code related to non-profit corporations including Chapter 22 thereof, and Chapter 1371 Texas Government Code, as amended.

On February 23, 2023, the GPTC Board adopted the Tenth Supplemental Trust Agreement authorizing the issuance of the Series 2023 refunding bonds.

On June 29, 2023, TTC approved the First Amendment to the Amended and Restated Toll Equity Loan Agreement to enable the issuance of the GPTC refunding bonds.

The Series 2023 refunding bonds will be sold as negotiated, revenue, self-supporting, tax-exempt, variable rate bonds in put bond mode. The all-in True Interest Cost (TIC) is estimated at 3.56% and the average life is estimated at 24.12 years.

The 2023 refunding bonds will be issued by Grand Parkway Transportation Corporation without recourse to TTC, TxDOT, or the state of Texas and shall be payable by GPTC solely from payments received from the Grand Parkway System.

Total cost of issuance is expected to be $2,650,450 or $8.83 per $1,000 bond.

Heather Hardaway addressed the Board and answered questions.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

A Board Meeting is scheduled for Thursday, July 20, 2023, at 10am in Room E2.028 of the Capitol Extension.

1. **Items for Future Agendas**

Each Board member received an updated list of future agenda items.

1. **Report from the Executive Director**

* So far for fiscal year 2023, the BRB has received approximately 1,262 local debt issuances for processing. This is a decrease from the number received this time last year.
* As of July 10, 2023, the Private Activity Bond program had provided a total of $1,828,063 in general revenue deposits and application fees.
* Staff is invited to speak about the Private Activity Bond Program at the 2023 Texas Housing Conference hosted by the Texas Affiliation of Affordable Housing Providers July 24th – 26th in Austin, Texas.

1. **Adjourn**

There being no further business, the planning session was adjourned at 10:55 a.m.