Texas Bond Review Board

Planning Session and Special Meeting

Thursday, July 14, 2022, 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., Thursday, July 14, 2022, in Room E2.028 of the Capitol Extension and via videoconference as authorized under Texas Government Code section 551.127. Present were Sallie Bentley, Chair and Alternate for Governor Greg Abbott; Joaquin Guadarrama, Alternate for Lieutenant Governor Dan Patrick; and Melissa Popkoff, Alternate for Comptroller Glenn Hegar. Also, in attendance were Leslie Brock and Veena Mohan 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 10:02 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 will 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. During this meeting the Board may take action on Item VI.

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 2023**

Representatives present were Lee Deviney, Executive Director, TPFA; Matt Berry, Financial Analyst, TPFA; Kelly Tappendorf, Financial Analyst, TPFA; and Kristen Doyle, Deputy Executive Officer, 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 during fiscal year 2023.

The proceeds will be used to fund cancer prevention and research grants, pay operating costs as dictated by the 87th Legislature, and pay costs of issuance. At this time, CPRIT anticipates it will need total proceeds of approximately $298,300,000 to fund its operations and cancer prevention and research grants during fiscal year 2023.

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, 87th Legislature, R.S., Art I, pp-15.

The CPRIT Oversight Committee approved the Request for Financing on May 18, 2022.

The TPFA Board approved the financing at its Board Meeting on July 7, 2022.

The CPRIT CP Program will issue taxable and tax-exempt notes to mature on dates chosen by TPFA at the time of each sale.

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

TPFA assumes a 20-year, level principal amortization of CP for purposes of preparing debt-service budgets.

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.

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 2023**

Representatives present were Lee Deviney, Executive Director, TPFA; Matt Berry, Financial Analyst, TPFA; Kelly Tappendorf, Financial Analyst, TPFA; Diane Jackson, Chief Financial Officer, TFC; and Jay Franklin, Project Manager, TFC.

TPFA is requesting approval for the issuance of CP notes, during fiscal year 2023, for its State of Texas Revenue Commercial Paper Program (Texas Facilities Commission Projects), Series 2016A (Taxable) and Series 2016B (Tax-Exempt). The total CP Program issuance will not exceed $1,242,855,581 for the Capitol Complex and North Austin Campus projects consisting of the total authorization amounts of $767,670,000 for Phase I authorized by the 84th Legislature and $475,185,581 for Phase II authorized by the 86th Legislature.

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; 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 7, 2022.

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.

If the dealer is unable to resell the Notes at maturity, the liquidity provider will pay the principal and interest on the Notes until they can be resold. The Comptroller will provide liquidity for the CP Program up to a maximum commitment of $200 million

Lee Deviney answered questions from the Board.

1. **Texas Public Finance Authority Health and Human Services Deferred Maintenance 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 2023**

Representatives present were Lee Deviney, Executive Director, TPFA; Matt Berry, Financial Analyst, TPFA; Kelly Tappendorf, Financial Analyst, TPFA; Gary Hamilton, Deputy Budget Director, HHSC; and David M. Umcheid, Deputy Director, Business Operations, HHSC.

TPFA is requesting approval for the issuance of CP notes, during fiscal year 2023, 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.

The proceeds from the CP notes will be used by the HHSC for repair and renovation at state hospitals and state supported living centers.

TPFA will issue the revenue CP notes pursuant to House Bill 1, 86th Legislature, 2019, Regular Session, Article II, HHSC Rider 2a (2); Section 10 of House Bill 2, 87th Legislature, 2021, Regular Session; Chapters 1232 and 1371, Texas Government Code, as amended, and Part X, Title 34, Texas Administrative Code.

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

The TPFA Board ratified its prior approvals of the requests for financing on July 7, 2022 and authorized the continued use of the Series 2019AB CP Program during fiscal year 2023.

The HHSC deferred maintenance projects, approved by the 86th Legislature and 87th Legislature, will be financed through TPFA’s CP Program as revenue, not-self-supporting debt using a variable-rate lease purchase agreement through the TPFA MLPP.

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 answered questions from the Board

1. **Title 34 Texas Administrative Code, Part 9, Chapter 190 Allocation of State’s Limit on Certain Private Activity Bonds, §§ 190.1, 190.2, 190.4, and 190.8**

BRB staff proposes updates and clarifications to its administrative code rules in Texas Administrative Code Chapter 190 relating to the BRB’s administration of the state’s Private Activity Bond (PAB) program to provide applicants with further clarification on the appropriate dataset that shall be used to determine residential rental priority, include guidance on the additional application requirements for an application for carryforward designation, provide official guidance on the timeframe in which a fee must be received relative to the corresponding filing submission and deadline, and correct or eliminate any outdated language.

The proposed rule changes were published in the June 3, 2022, publication of the Texas Register, and the public comment period extended through midnight on Sunday, July 3, 2022. Comments received by BRB staff have been incorporated into the final adoption packet sent to the Board.

Jamie Backiel addressed the Board to answer questions.

1. **Texas Department of Housing and Community Affairs Governmental Lender Notes (380 Villas) Series 2022A and Series 2022B (Planning Session previously held for this item on June 28, 2022)**

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

The Department has submitted an application to issue its Governmental Lender Note (380 Villas), Series 2022A and Series 2022B (The Notes) in a maximum par amount and a maximum total proceeds amount not to exceed $33,555,000 including premiums, if any. The total cost for the 380 Villas project is estimated to be $54,524,271, to be funded from a combination of sources including proceeds from the Notes, a TDHCA Multifamily Direct Loan, housing tax credits, and a deferred developer fee.

The proceeds of the Notes will be used for site acquisition, construction, and equipping of 380 Villas, a new 220-unit affordable multifamily residential rental development to be located at 1003 Throckmorton Street, in McKinney, Texas.

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

The Private Activity Bond (PAB) Certificate of Reservation was issued to TDHCA January 25, 2022 and expires July 24, 2022.

The final Bond Resolution was approved by the TDHCA Board on July 7, 2022.

TDHCA is acting as a conduit issuer for this transaction and as such the Notes do 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 Notes are a special limited obligation payable from revenues on the mortgage loan, and earnings derived from amounts on deposit in an investment agreement.

In accordance with recent published guidance by the IRS, a telephonic hearing was held on March 24, 2022. Given that it was via telephone, it was difficult to discern exactly how many individuals participated in the hearing. However, representatives from the Department and the developer were present, and no public comment was made. The Department has received no letters of support or opposition for this development.

Rob Latsha turned the proceedings over to Sallie Bentley for deliberation. Teresa Morales addressed the Board.

UPON MOTION BY joaquin guadarrama AND SECOND BY MELISSA POPKOFF, THE BOND REVIEW BOARD APPROVED THE Texas Department of Housing and Community Affairs Governmental Lender Notes (380 Villas) Series 2022A and Series 2022B in a maximum par amount and a maximum total proceeds amount not to exceed $33,555,000 including premiums, if any, as outlined in the application dated June 14, 2022 and supplements through July 12, 2022.

1. **EXEMPT – Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Palladium East Berry Street) Series 2022**

This transaction was approved on the BRB exempt track on Tuesday, July 5, 2022.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The next Board Meeting is scheduled for Thursday, July 21, 2022, 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 2022, the BRB has received approximately 1,573 local debt issuances for processing. This is a 11% decrease (202 transactions) from the amount of local debt issuances received during fiscal year 2021. Fiscal year 2021 was a record year for the number of transactions received for processing. So far this year we received the same amount of transactions compared to this time during fiscal year 2020.
* So far, PAB fees collected for the 2022 program year total more than $1.7 million. Last year was the greatest amount remitted to the state at just under $2.0 million.
* Staff is invited to speak about the Private Activity Bond Program at the 2022 Texas Housing Conference hosted by the Texas Affiliation of Affordable Housing Providers July 25th – 27th in Austin, Texas.
* Staff is working to complete the 2024-25 Legislative Appropriations Request. All information will be sent to the LBB and Governor’s office by Friday, July 29, 2022
* All data for the 2024-25 fiscal biennium Capital Expenditure Plan was due on July 1st. Staff is analyzing the data and making charts and graphs for the report. The CEP will be posted to the BRB website by September 1, 2022.
* Staff is working to modernize and reorganize the agency’s website. We are working with a web developer from Dynamic Computing Services Corp. (DCS) to manage this project. The new website will be available prior to the end of the fiscal year.
* Staff was asked to do a Bonds 101 style presentation for the Tax Policy Section at the CPA’s office sometime within the next month.
* BRB staff received an exempt application for the TDHCA Residential Mortgage Bond Indenture Single Family Bonds Series 2022B. The 6-day review period will expire on Wednesday, July 20, 2022.

1. **Adjourn**

There being no further business, the planning session and special meetingwas adjourned at 10:29 a.m.