Minutes

Texas Bond Review Board

Planning Session

Tuesday, August 13, 2024, 10:00 a.m.

Room 402 Clements Building

And Videoconference Meeting

300 W. 15th Street

Austin, TX 78701

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Tuesday, August 13, 2024, in Room 402 Clements Building and via videoconference as authorized under Texas Government Code section 551.127. Present were Austin Holder, Chair and Alternate for Governor Greg Abbott; Joaquin Guadarrama, Alternate for Lieutenant Governor Dan Patrick; and Kimberly Edwards, Alternate for Comptroller Glenn Hegar. Also, in attendance were Leslie Brock and Austin Havens 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 10:08 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 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 2025**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Adan Ramirez, Financial Analyst, TPFA; Kristen Doyle, Chief Executive Officer, CPRIT; and Heidi McConnell, Deputy Executive and Chief Operating Officer, 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 Project), Series A (Taxable) and Series B (Tax-Exempt) (collectively, the CPRIT CP Program) in a maximum amount of $300,000,000 (including unexpended balances per biennia per CPRIT’s Rider 8) during fiscal year 2025, for authorized program costs, 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 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 2025. See Appendix A for an estimated draw schedule for the 2025 fiscal year.

TPFA will issue the CP 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 15, 2024.

The TPFA Board approved the financing at its Board Meeting on July 6, 2024.

The CPRIT CP Program will issue taxable and tax-exempt CP notes.

The Comptroller of Public Accounts currently provides liquidity for the CPRIT CP Program up to a maximum of $350 million, plus 270 days interest at 10% per annum. The fee for liquidity is 12 basis points on the amount of CP notes outstanding and 8 basis points on the remaining amount of the liquidity commitment.

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

As of July 30, 2024, TPFA has issued a total of $3,110,100,000 in debt under CPRIT’s $6.0 billion in GO authority and has $2,889,900,000 remaining in unissued authority.

As not self-supporting GO debt, CPRIT debt is included in the state’s Constitutional Debt Limit (CDL). As of August 31, 2023, the CDL was calculated at 1.95 percent including both outstanding and authorized but unissued debt.

Lee Devine 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 2025**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Adan Ramirez, Financial Analyst, TPFA; Will McKerall, Deputy Executive Director, TFC; Thomas Brown, CFO, TFC; Harrison Gregg, Budget Director, TFC; Mark Diaz, Director of Project Management, TFC; and Jay Franklin, Project Manager, TFC.

TPFA is requesting approval for the issuance of CP notes, during fiscal year 2025, 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.

Proceeds from CP notes are to be used to fund new construction for Phase II of the Capitol Complex, including utility infrastructure, office buildings, and parking garages in the Capitol Complex.

On July 6, 2024, TPFA ratified its approval of the 2016 CP Program.

CP notes will be sold periodically as variable rate, revenue, not self-supporting debt as TFC requires funds.

The CP notes are supported by lease appropriations made to agencies for lease payments. As such, the CP 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 of the CP notes.

Lee Devine addressed the Board.

1. **Texas Public Finance Authority Health and Human Services Commission 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 2025**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Adan Ramirez, Financial Analyst, TPFA; Gary Hamilton, Deputy Budget Director, HHSC; Rebecca Salisbury, Budget Manager for Facility Maintenance and Construction, HHSC; Daniel Avitia, Executive Director, DMV; and Glenna Bowman, Chief Financial Officer, DMV.

TPFA is requesting approval for the issuance of CP notes, during fiscal year 2025, 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.

The proceeds from the CP notes are used by HHSC for repair and renovation at state hospitals and state supported living centers. CP notes will be issued by TPFA as HHSC requires funds to pay its project costs in accordance with its proposed expenditure schedule.

The proceeds from the CP notes are used by DMV for implementation of the Camp Hubbard Renewal Project, which consists of the demolition of four existing buildings, construction of a new office building and renovation of an existing 5-story office building to meet current and future workspace needs on the campus of the DMV headquarters.

On June 6, 2024, the Authority ratified its prior approvals of the requests for financing and authorized the continued use of the 2019 CP Program during fiscal year 2025.

The HHSC and DMV projects will be financed through the 2019 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 Devine addressed the Board.

1. **Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Texas Agricultural Finance Authority Rural Economic Development Finance Program) Taxable Series 2023 for the issuance of commercial paper during fiscal year 2025**

Representatives present were Lee Deviney, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Kevin Van Oort, General Counsel, TPFA; Matthew Berry, Financial Analyst, TPFA; Adan Ramirez, Financial Analyst, TPFA; Bon Wier, Bond Financing Specialist, TAFA; and Andy Prihoda, Outside Bond Counsel, Bracewell.

TPFA is seeking authorization to issue Commercial Paper (CP) notes under its State of Texas General Obligation Commercial Paper Program (Texas Agriculture Finance Authority Rural Economic Development Finance Program), Taxable Series A (the CP Notes) for the purposes of (i) providing financing assistance for the Rural Economic Development Finance Program, (ii) paying costs of issuance and administration of the program, and (iii) paying and refinancing outstanding notes.

TPFA will issue the CP Notes pursuant to Article III, Section 49-f of the Texas Constitution; Chapters 58 and 59 of the Texas Agriculture Code; and Chapters 1232 and 1371 of the Texas Government Code.

On September 21, 2023, the Bond Review Board approved the TAFA application with a maximum aggregate amount outstanding at any one time not to exceed $6,000,000.

On June 6, 2024, the TPFA Board ratified the board resolution previously adopted and authorized the continued use of the CP Program.

TPFA will issue taxable CP Notes on behalf of the TAFA program to mature on dates chosen by TPFA.

The CP Notes will be designated as self-supporting.

A request has been submitted to the Comptroller of Public Accounts to provide liquidity for the CP program, up to a commitment of $40 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 CP Notes. The first monies coming into the State Treasury, not otherwise appropriated by the Constitution, are dedicated to paying debt service.

The GO CP Notes are expected to be self-supporting and will not be included in the state’s Constitutional Debt Limit (CDL).

Lee Devine and Bon Wier addressed the Board.

1. **EXEMPT – Texas Transportation Finance Corporation Toll Revenue Subordinate Tier Note Series 2024 (State Highway 288 Toll Lanes Project)**

Representatives present were Stephen Stewart, CFO, TXDOT; Patrick Marotta., Project Finance & Enterprise Operations Director, TXDOT; Heather Hardaway, Portfolio Project Manager, TXDOT; and Paul Jack, Financial Advisor, Estrada Hinojosa & Co.

The exempt application will be sent to the Board for the 6-day review period when the application is complete.

Stephen Stewart addressed the Board.

1. **EXEMPT – Texas Veterans Land Board State of Texas Veterans Bonds Taxable Refunding Series 2024 (in one or more series)**

Representative present was John Barton, Bond Funds Management, VLB.

The 6-day review period for this application will expire on Tuesday, August 13, 2024. BRB staff recommends exempt approval.

VLB has filed a Notice of Intent to issue its State of Texas Veterans Bonds Taxable Refunding Series 2024 (in one or more series) in a maximum par amount and a maximum total proceeds amount not to exceed $150,000,000 including premiums, if any.

The proceeds of the Taxable Series 2024 refunding bonds will be used to refund approximately $50 million and $100 million under the Series 2017 and Series 2021 bonds (collectively, the Refunded Bonds), respectively. The Taxable Series 2024 refunding bonds will replace the portions of tax-exempt Refunded Bonds with taxable debt removing the yield restriction and allowing the Board to originate additional home loans.

The bonds will be issued pursuant to Article III, Section 49-b of the Texas Constitution, Chapter 162 of the Texas Natural Resources Code, and Chapter 1371 of the Texas Government Code.

On June 25, 2024, VLB authorized the issuance of the bonds pursuant to a resolution adopted.

The refunding bonds will be issued in a negotiated transaction as variable-rate, taxable, self-supporting, general obligation bonds. Interest will be paid monthly, and principal will be paid semiannually beginning June 1, 2025. The final maturity is expected to be December 1, 2051

Federal Home Loan Bank of Dallas (FHLB) will provide liquidity on the proposed transaction and the Board will pay an annual fee of 20 basis points (0.20%) based on the available commitment amount. FHLB (rated AAA by S&P, Aaa by Moody’s and AAA by Fitch) is currently the liquidity provider on 6 outstanding VLB variable-rate bond issues.

The Board entered an interest rate swap with Citibank N.A. with respect to the Series 2017 bonds and Goldman Sachs Bank USA with respect to the Series 2021 bonds. The swap agreements will remain in effect in their current form and the portion of each swap agreement relating to the respective series of Refunded Bonds will be transferred to the Taxable Series 2024 refunding bonds.

John Barton addressed the Board.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

A Called Board Meeting is scheduled for Thursday, August 22, 2024, at 10am in Room 2.041 of the Barbara Jordan Building.

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 2024, the BRB received approximately 1,363 local debt issuances for processing which is a decrease from last year.
* State debt annual reports for fiscal year-end 2024 will be due to BRB staff on Friday, September 13th. Staff will begin reconciling state debt outstanding and include this information on the agency’s website and in the annual debt report by December 1st.
* BRB staff received a 100% response rate related to projects for the 2026-27 fiscal biennium Capital Expenditure Plan. Staff is compiling the report, and it will be posted to the agency’s website on September 1, 2024.
* BRB staff is finalizing the agency’s Legislative Appropriation Request for the 2026-2027 fiscal biennium. Staff will publish the completed report on the agency’s website by Friday, August 16, 2024.
* On August 7th, the collapse within Sub-ceiling one occurred. TSAHC was the first issuer to submit a request and reserved the remaining $188M in the sub-ceiling.
* On August 15th, the main collapse among all sub-ceilings will occur. If it happened today roughly over $445M would be available. All lottery applications have been reserved.
* Staff received two additional exempt application last week, one for Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds and one for Texas Transportation Commission Mobility Fund Refunding Bonds. Applications will be sent to the board when complete.
1. **Adjourn**

There being no further business, the planning session was adjourned at 10:56 a.m.