Minutes

Texas Bond Review Board

Planning Session

Friday, August 29, 2008, 10:00 a.m.

Capitol Extension, Room E2.026

1400 N. Congress Avenue

Austin, Texas

The Texas Bond Review Board convened in a planning session at 10:00 a.m. on Friday August 29, 2008 in the Capitol Extension Room E2.026 in Austin, Texas. Present were Ed Robertson, Chair and Alternate for Governor Rick Perry; Frank Battle, Alternate for Lt. Governor David Dewhurst; Lita Gonzalez, Alternate for Comptroller Susan Combs. Also in attendance were Tom Griess with the Office of the Attorney General, Bond Finance Office staff members and others.

**I. Call to Order**

Bob Kline, Executive Director of the Bond Review Board called the meeting to order at 10:10 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.

**II.** **Texas Public Finance Authority (TPFA) State of Texas General Obligation Commercial Paper Notes, Series 2008 (Texas Adjutant General's Department)**

Representatives present were: Kim Edwards, Executive Director, TPFA; Judith Porras, General Counsel, TPFA; and Michael Blalock, Executive Director, TAGD.

Bob Kline gave a brief summary of the transaction. TPFA was seeking approval to issue commercial paper notes for the Adjutant General Department (AGD) in a total amount of $13,527,712 of Proposition 4 debt. These proceeds would be used for renovations and repairs to six historic buildings on Camp Mabry, eight readiness centers located in various cities around the state and one readiness center located at Camp Mabry.

The AGD passed a resolution authorizing the financing projects on May 23, 2008 and passed a resolution approving a request for Proposition 4 bond proceeds of $13,527,712 on August 19, 2008. TPFA’s Board approved the financing requests on August 19, 2008. AGD has yet to receive LBB approval for the $13,527,712 in bond financing for the Proposition 4 projects.

Kim Edwards commented that this is part of the general obligation bonds authorized by the 80th legislature. Because of the size and nature of the project, TPFA will issue it through the existing commercial paper program. Kim noted that TPFA has not received LBB approval because the transaction was submitted to both the Bond Review Board and the LBB on the same day, making the approval process more of a timing issue.

**III. Adoption of Emergency Rules with respect to Title 34 Texas Administrative Code, Part 9, Chapter 190 to address the private activity bond administration process necessitated by the federal Housing and Economic Recovery Act of 2008 and facilitate the expeditious allocation of the increased state ceiling under such act.**

Rob Latsha commented that the federal government recently enacted legislation on The Housing and Economic Recovery Act of 2008 that became effective on July 30, 2008. The Act increases the state’s ceiling for tax-exempt financing to qualified housing issues during the calendar year 2008 by $770 million. BRB staff met with the Attorney General’s Office continually throughout the process. In addition, BRB staff met twice in round table discussions with representatives of TDHCA, TSAHC, TALFA with the final meeting held on August 12th, 2008. The BRB received a formal letter signed by the Executive Directors of TDHCA, TSAHC and TALFA addressing their concerns regarding utilization of the additional emergency volume cap. Rob stated, “Staff believes we have addressed the housing issuers’ concerns to the best of our ability.” He also mentioned that the additional volume cap of $770 million must be allocated by December 31, 2008.

**IV. EXEMPT – The University of Texas System Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more series (20th Supplemental Resolution)**

This transaction is on the exempt track and is recommended for exempt approval on Tuesday, September 2, 2008.

**V. EXEMPT – The University of Texas System Board of Regents of the University of Texas System Revenue Financing System Commercial Paper Notes, Series A & Taxable Commercial Paper Notes, Series B**

This transaction is on the exempt track and is recommended for exempt approval on Tuesday, September 2, 2008.

1. **Award contract for swap advisor under RFP No. 352-8-001 to assist the Board with interest rate management agreements and development of a state interest rate management policy**

Bob Kline informed the Board that the RFP Evaluation Committee met on Tuesday, August 26, 2008 and selected the Swap Financial Group to advise the Board on interest rate management agreements and on the development of a state interest rate management policy under RFP No. 352-8-001. The AG’s office has edited the RFP contract for the selection of SFG; and the contract is complete provided it receives the Board’s approval. The contract is ready for signatures today.

1. **Texas Transportation Commission (TTC) State Highway Fund First Tier Revenue Bonds**

Representatives present were: James Bass, CFO, TXDOT; Jose Hernandez, Debt Management Director, TXDOT; and Brian Ragland, Director of Finance, TXDOT.

Bob Kline gave a brief summary of the transaction saying that TTC is seeking approval to issue State Highway Fund First Tier Revenue Bonds, Series 2008 in a par amount not to exceed $1.5 billion including an estimated premium of $30,925,332 which is subject to change at the time of pricing. The Department anticipates issuing the bonds in one or more series. The bonds may be issued as fixed-rate or variable-rate debt. The Department may utilize credit enhancement as it feels appropriate.

Proceeds from the bonds will be used to finance state highway improvement projects and pay associated cost of issuance.

This request represents the anticipated fifth and sixth series of bonds and other public securities pursuant to this legislative authorization. With this issuance, $3.1 billion of the $6 billion in total authority has been issued, leaving a balance of $2.90 billion available in remaining authority. The Commission is expected to approve a minute order on August 29, 2008 authorizing the Department to file an application with the BRB for approval to issue the remaining $1.5 billion in unissued authority under the Fund.

James Bass commented that the Commission will review and identify those projects that will be accelerated through the utilization of the proceeds from the $1.5 billion bond at its September 25th meeting.

1. **Public Comment**

Roger Baker a resident of Austin, Texas handed out some documentation from the Texas Monthly magazine and from the Toll Roads News. He read from the notes written by Paul Burka saying that investing state pension funds in toll roads was an irresponsible and immoral idea. He pointed out that this information was relevant and worth reading about since TxDot was being discussed during this meeting.

Frank Battle, alternate for the Office of the Lt. Governor stated that since this information was relevant to the state pension funds, it should be provide to the ERS and TRS offices.

**IX. Adjourned**

There being no further business the meeting was adjourned at 11:04 a.m.