Minutes

Texas Bond Review Board

Planning Session

Tuesday, July 14, 2009, 10:00 a.m.

Capitol Extension, Room E2.026

1400 N. Congress Avenue

Austin, Texas

The Texas Bond Review Board convened a planning session at 10:00 a.m., Tuesday, July 14, 2009 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Ed Robertson, Chair and Alternate for Governor Rick Perry; Don Green, Alternate for Lt. Governor David Dewhurst; Kenneth Besserman and Lita Gonzalez, Alternates for Comptroller Susan Combs. Also in attendance were Tom Griess with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Rob Latsha, Financial Analyst of the Bond Review Board called the meeting to order at 10:07 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.

**Rob Latsha announced that the order of the agenda had been changed and the meeting was going to start with Item IX.**

**IX. Exempt - Texas Water Development Board (TWDB) State Revolving Fund Subordinate Lien Revenue and Refunding Bonds, Series 2009A**

Representatives present were Nancy Banks Marstiller, Development Fund Manager, and Piper Montemayor, Debt & Portfolio Management.

Ms. Marstiller stated that the proposed Clean Water State Revolving Fund (CWSRF) Revenue and Refunding Bonds, Series 2009A-1 bonds will be issued to reimburse the CWSRF Loan Program account for loans pursuant to the provisions of the second Reimbursement Resolution for FY 2009 and the Series A-2 will be utilized to refund approximately $39,485,000 of the $75,400,000 outstanding Senior Lien CWSRF Bonds Series 1999A. The remaining $35,915,000 will remain outstanding and will be covered by prepayments made by the city of Houston on their outstanding loan with TWDB. The refunding portion is anticipated to have a cash savings of $4.4 million and an 11.18% NPV savings.

The sale is expected on the 27th and 28th of July with closing in mid-August.

**II. Texas A&M University System Commercial Paper Projects**

Representative present was Gregory R. Anderson, Associate Vice Chancellor and Treasurer.

Rob Latsha stated that the Texas A&M University System was seeking approval to issue authorized but unissued tuition revenue bond projects with a total par and not to exceed amount of $65,000,000 including premiums, if any of which $40,000,000 would be used for a multipurpose building on the Texas A&M University (TAMU) San Antonio campus and $25,000,000 would be used for a classroom office building on the TAMU Central Texas campus.

Per the Education Code Chapter 87.841(d) and 87.861(d) an institution may not join the System as a general academic teaching institution until the Higher Education Coordinating Board certifies an enrollment equivalent of 1,000 full-time students for one semester. Gregory Anderson stated that these two campuses have become part of the system just recently due to their increased enrollment. During the spring 2009 semester the San Antonio campus and the Central Texas campus reached 1,035 and 1,128 full-time equivalents, respectively.

**III. Texas State Technical College (TSTC) Marshall Lease Purchase of up to 22.29 acres of Land with two Buildings**

Representatives present: Gary Hendricks, Vice Chancellor for Financial and Administrative Services, TSTC; Paul Woodfin, Associate Vice Chancellor for Administrative Services, TSTC; and Deborah L. Sanders, Vice President of Financial Services, TSTC-Marshall.

Mr. Latsha stated that TSTC was seeking approval to enter into a lease-purchase agreement with the TSTC System Regents Circle Foundation in an amount not to exceed $2,200,000 to finance the purchase of up to 22.29 acres of land including two buildings. The TSTC’s Board approved the lease purchase on May 9, 2009. TSTC received approval from the Texas Higher Education Coordinating Board and the Governor’s Office on July 7, 2009 and May 14, 2009, respectively.

**IV. Midwestern State University (MSU) Master Lease Purchase Program**

Representative present Juan R. Sandoval, Vice President for Administration & Finance, MSU

Rob Latsha stated that the Midwestern State University was seeking approval to enter into a lease purchase agreement in an amount not to exceed $2,130,000 to finance the purchase and installation of new equipment for HVAC systems from AIRCO Inc. for both the Coliseum and the Music Hall buildings. MSU will finance through the Texas Public Finance Authority’s (TPFA) Master Lease Purchase Program. The MSU Board approved the use of $2,130,000 in lease-purchase financing from TPFA on February 12, 2009. MSU received approval from Texas Higher Education Coordinating Board on March 17, 2009 for the Coliseum projects and approval for the Music Hall on June 23, 2009.

**V. Texas Public Finance Authority (TPFA) State of Texas General Obligation and Refunding Bonds Series 2009**

Representatives present: Dwight Burns, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Judith Porras, General Counsel, TPFA; and Tim Kelley, Coastal Securities, Financial Advisor.

Rob Latsha stated that TPFA was seeking approval to issue its State of Texas General Obligation and Refunding Bonds, Series 2009 in a maximum par amount of $500,000,000 and not to exceed amount of $505,000,000 including premiums, if any, in order to fix out and provide a current refunding to $317,650,000 of outstanding debt under TPFA’s Commercial Paper Programs and to provide $180,551,343 in new-money financing for a portion of the projects authorized by the 80th Legislature under Texas Constitution, Article III, Sections 50-F and 50-g.

All the new–money projects have been approved by Legislative Budget Board (LBB). The TPFA Board approved the financing at its meeting held June 17, 2009 and will adopt the bond resolution at its August meeting.

As part of this new money issuance TPFA is considering the use of Build America Bonds. The closing is scheduled for August 2009.

**Rob Latsha announced that the order of the agenda had been changed and the next item to be discussed would be Item VIII.**

**VIII. Texas Department of Housing and Community Affairs (TDHCA) Residential Mortgage Revenue Bonds, Series 2009A and Residential Mortgage Revenue Refunding Bonds, Series 2009B**

Representatives present: Matt Pogor, Director of Finance, TDHCA; Bill Dally, Chief of Agency Administration, TDHCA; and Heather Hodnett, Bond Finance Project Manager, TDHCA.

Rob Latsha gave a brief summary stating that TDHCA was seeking approval for an aggregate maximum par and total proceeds amount of $107,605,000. The Series 2009A bonds will have a maximum par amount of $85,000,000 and the Series 2009B bonds will have a maximum par amount of $22,605,000.

In connection with the issuance of the Series 2009A Bonds, and in accordance with Section 2306.142(m) of the Texas Government Code, TDHCA requests that the Bond Review Board waive the requirements of Section 2306.142(l) of the Texas Government Code based on TDHCA’s determination that it is unfeasible or will damage the financial condition of TDHCA to issue bonds with the restrictions contained in Section 2306.142(l) of the Texas Government Code.

This transaction is scheduled for review and approval at the TDHCA Board meeting on July 16, 2009. A Private Activity Bond reservation will be applied for following final TDHCA Board approval.

**VI. Texas Public Finance Authority (Texas Windstorm Insurance Association) Revenue Obligations, Series 2009**

Representatives present: Dwight Burns, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Judith Porras, General Counsel, TPFA; Mike Perkins, Texas Windstorm Insurance Association; Paul Martin, Bond Counsel, Winstead; and Tim Peterson, Financial Advisor, First Southwest Company. No TWIA representative was present.

Rob Latsha stated that TPFA is seeking approval to establish the Texas Windstorm Insurance Association (TWIA) Taxable Commercial Paper Program, Series 2009 pursuant to Texas Constitution, Article III, Section 50-g approved by the voters November 6, 2007 and pursuant to HB 4409, Acts, 81st Legislature, R.S. (2009).

TWIA’s governing board adopted three resolutions requesting financing for Class 1, Class 2, and Class 3 securities on June 23, 2009. TPFA’s Board approved the request for a commercial paper program at its meeting on June 17, 2009.

A maximum liquidity commitment of up to $300 million plus 270 days interest would be provided for the TWIA Program by the Comptroller of Public Accounts.

1. **Texas Public Finance Authority State of Texas General Obligation Commercial Paper Program (Cancer Prevention and Research Institute of Texas), Series 2009**

Representatives present were Dwight Burns, Executive Director, TPFA; John Hernandez, Deputy Executive Director, TPFA; Judith Porras, General Counsel, TPFA; Bill Gimson, Executive Director, Cancer Prevention and Research Institute; Heidi McConnell, Chief Operating Officer, Cancer Prevention and Research Institute; Carol Polumbo, Bond Counsel, McCall, Parkhurst & Horton; and Tim Kelley, Financial Advisor, Coastal Securities.

Mr. Latsha stated that in November 2007, Texas voters approved a constitutional amendment allowing the state to establish the Cancer Prevention and Research Institute of Texas (CPRIT) and to issue $3 billion in general obligation bonds over ten years to fund grants for cancer research and prevention. While the 80th Legislature initially limited the issuances to $300 million annually, by appropriation the 81st Legislature further limited the CPRIT’s 2010 and 2011 issuances to $225 million annually.

1. **EXEMPT – Texas Department of Transportation State Highway Fund Revenue Commercial Paper Notes**

This transaction was withdrawn.

1. **Approval to post for comments on recommended changes to Title 34 Texas Administrative Code, Part 9, Chapter 190 (Implementation of Provisions in Senate Bill 2064 related to PAB)**

Mr. Latsha stated that the BRB administrative rules need to be updated as a result of the legislature passing Senate Bill 2064.

1. **Approval to post comments on recommended changes to Title 34 Texas Administrative Code, Part 9, Chapter 181 (Further required disclosure from state issuers)**

Mr. Latsha stated that upon passage, the BRB administrative rules will be updated to require all issuers whose state securities are subject to review by the BRB to file material event notices with the bond finance office when a submission is made to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12.

1. **Public Comment**

There was no public comment.

1. **Date for Next Board Meeting**

Next scheduled meeting will be Thursday, July 23, 2009 in the Capitol Extension, Room E2.028.

1. **Items for Future Agendas**

An updated list was provided to each Alternate.

1. **Report from the Executive Director**

Mr. Latsha stated that BRB staff met twice to discuss the Qualified Energy Conservation bonds. BRB staff first met with the Comptroller’s office on June 10, 2009 and second with the Governor’s and Comptroller’s offices along with SECO staff on June 18th, 2009. The bond finance office is waiting on futher direction from the Governor’s office regarding the federal bond programs.

BRB also met with the State Auditor’s Office to discuss Energy Savings Performance contracts. BRB discussed the following three major problem areas with ESPCs that were identified by the SAO in its report of September 2008: 1) lack of competitive pricing in the procurement process, 2) lack of standard contracts and inadequate legal review, and 3) issues related to 3rd party engineers and their reports.

BRB staff understands that the Comptroller’s Office is having internal meetings to discuss SECO’s guidelines, and staff recommends that the moratorium stay in effect until it receives the SECO and Higher Education Coordinating Board guidelines before moving forward.

1. **Adjourn**

There being no further business, the meeting was adjourned at 11:45 a.m.