Minutes

Texas Bond Review Board

Planning Session

Tuesday, January 12, 2010, 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, January 12, 2010 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, Alternate for Comptroller Susan Combs and Andrew Blifford, Alternate for Speaker Joe Strauss. Also in attendance were Tom Griess with the Office of the Attorney General, Bond Finance Office staff members and others.

1. **Call to Order**

Bob Kline, Executive Director of the Bond Review Board, called the meeting to order at 10:17 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.

1. **Texas Public Finance Authority (TPFA) State of Texas General Obligation Commercial Paper (CP) Notes, Series 2008**

Representatives present were: Dwight Burns, Executive Director, TPFA; John Hernandez, Deputy Director, TPFA; Robin McKeever, Director of Administrative Services, Texas Youth Commission; Pam Darden, Chief Financial Officer, Texas Youth Commission; Art Hinojosa, Director of Construction and Maintenance, Texas Youth Commission; and Stan Graves, Director of Architecture, Texas Historical Commission.

Bob Kline stated that TPFA was seeking approval to issue CP notes under the 2008 Program to finance capital improvement projects including the construction, repair, renovation and rehabilitation of various buildings and facilities for the Texas Youth Commission (TYC) and the Texas Historical Commission (THC), in a total amount of $25,556,651 plus the costs of issuance and related administrative costs, if any. TPFA currently plans to issue $5,556,651 for TYC and $20,000,000 for THC.

The governing Boards for TYC and THC approved resolutions authorizing TPFA to issue short-term obligations to finance the cost of various projects on October 9, 2009 and July 31, 2009, respectively. TPFA’s Board approved the financing for TYC and THC on December 3, 2009 and January 7, 2010, respectively.

TPFA had not received LBB approval for the TYC projects and was unaware when these projects would be approved. TPFA received approval for the THC projects on November 18, 2009.

TPFA requested BRB approval in the amount of $25,556,651 on the condition that no CP will be issued until the projects for TYC have been approved by LBB.

**III. Texas Public Finance Authority (TPFA) General Obligation Commercial Paper Notes (Colonia Roadway Projects), Series 2002B**

Representatives present were: Dwight Burns, Executive Director, TPFA; Susan Durso, General Counsel, TPFA; Brian Ragland, Director, Finance Division, TxDOT; Jose Hernandez, Director, Debt Management, TxDOT; and Brad Gatlin, Manager, Budget Section, TxDOT.

Bob Kline gave a brief summary stating that TPFA was seeking approval to issue its State of Texas General Obligation Commercial Paper Notes (Colonia Roadway Projects), Series 2002B in an aggregate amount not to exceed $50,000,000 under the direction of the Governor’s office as part of the Program’s third call. These proceeds will be used to finance state assistance to counties for improvements of roads near colonias.

TPFA received a letter dated December 28, 2009 from the Governor’s office and a minute order dated July 31, 2008 from the Texas Transportation Commission requesting that TPFA issue debt as part of the Program’s third call. TPFA’s Board approved the issuance of $48,000,000 as appropriated in the General Appropriations Act of 2009 at its meeting held January 7, 2010. Additional discussion will be held between the Governor’s Office and TPFA prior to the BRB Board meeting January 21, 2010.

**IV. EXEMPT – Texas Public Finance Authority Charter School Finance Corporation (Nova Academy) Education Revenue Bonds, Series 2010TE**

This transaction is on the exempt track with the 6-day review period ending at the close of business Friday, January 15, 2010.

**V. EXEMPT – Texas Higher Education Coordinating Board State of Texas (General Obligation Bonds) College Student Loan Bonds, in one or more series**

This transaction is on the exempt track with the 6-day review period ending at the close of business Thursday, January 14, 2010.

**VI. The University of Texas System Authorized but Unissued Tuition Revenue Bond Projects**

This transaction was withdrawn.

**VII. Texas State Affordable Housing Corporation (TSAHC) Mortgage Revenue Bond Program, Series 2010**

Representatives present: David Long, President, TSAHC; Paige McGilloway, Single Family Programs Manager, TSAHC; and Robin Miller, Financial Advisor, First Southwest Company.

Bob Kline stated that TSAHC was seeking approval for the second phase of the US Treasury’s New Issue Bond Program with the subject bond issuance which will be sold to the public in a maximum par and total proceeds amount of $50,940,000 including premiums, if any. The taxable bonds of $73,640,000 that were sold to the Treasury in December 2009 will be converted to long-term, tax-exempt debt with an interest rate of 3.81% and create up to a total of $122,730,000 in bond proceeds available to purchase mortgage loans.

TSAHC’s Single Family Mortgage Revenue Bond Program provides financing for single family mortgage loans for qualifying residences to be owned by eligible professional educators, fire fighters, law enforcement or security officers, emergency medical services personnel, correctional officers and/or low-income individuals.

TSAHC anticipates issuing the publicly-offered bonds and converting the escrow bonds in a series of three transactions of approximately $40 million per series.

The TSAHC Board approved the transaction at its meeting on December 11, 2009.

**VIII. Texas Transportation Commission (TTC) State of Texas Highway Improvement General Obligation Bonds (Multiple Series)**

Representatives present were: Brian Ragland, Director, Finance Division, TTC; Jose Hernandez, Director, Debt Management, TTC; Brad Gatlin, Manager, Budget Section, TTC; and Carol Polumbo, Bond Counsel, McCall, Parkhurst & Horton.

Bob Kline gave a brief summary stating that TTC was seeking approval to issue State Highway Improvement General Obligation Bonds, Series 2010 in a maximum par and not to exceed amount of $3 billion, including premiums, if any. The Texas Department of Transportation (the Department) may issue the bonds in one or more series.

Proceeds from the bonds would be used to finance state highway improvement projects, including capitalization of the State Infrastructure Bank to create a loan program, and pay associated costs of issuance.

TTC is expected to approve a Minute Order on January 28, 2010 authorizing the Department to issue the $3 billion in authority for highway improvement projects over the next three fiscal years. The Department estimates that $400 million will be issued in FY 2010, $1.6 billion in FY 2011 and $1 billion in FY 2012.

Jose Hernandez passed out a summary of Proposition 12. He stated that the voters approved General obligation debt in November 2007 in the amount of $5 billion that was designated for highway improvements. He explained that House Bill 1, 81st Legislature, First Called Session appropriated $2 billion in bond proceeds to be used as follows:

* $1 billion for the traditional program for non-tolled highway improvement projects
* $60 million for Strategy A.1.2 Contracted Planning & Design
* $90 million for Strategy A.1.3 Right-of-Way
* $850 million for Strategy B.1.2 New Construction Contracts (serves as progress payments on a maximum of $1.85 billion in new construction contracts)
* $1 billion to be deposited to the State Infrastructure Bank for the transportation loan program (Strategy B.1.3 Construction Grants & Services)
* $1 billion in bond authority (difference between the $850 million appropriated for progress payments and the $1.85 billion in new construction contracts)
* $100 million in debt service in FY 2011.

**IX. Final Approval of Recommended changes to Title 34 Texas Administrative Code, Part 9, Chapter 181.9 (Update Exempt Issuer Rules for the Texas Windstorm Insurance Association)**

Bob Kline stated that Staff will seek authority at the January 21, 2010 Board meeting to post in the Texas Register for final adoption the recommended changes to Title 34, Texas Administrative Code, Part 9, Chapter 181.9. The rule would become effective approximately 20 days after publication in the Texas Register.

**X. Update Regarding Bond Finance Office’s (BFO) Bonds Database**

John Barton informed the Board that the BFO’s Bonds Database is about 15 years old and that staff is consolidating all the agency’s databases on Microsoft Access to improve staff efficiency.

**XI. Update Regarding the 2010 Private Activity Bonding Program (PAB) Year**

John Barton gave a brief update on the PAB and stated that 2010 volume cap increased by a little less than $41 million to bring the total to $2,230,407,180. For 2010 the total available volume cap for the program increased to $5.41 billion including carryforward. Only $454 million of 2009 volume cap was allocated which resulted in the conversion to carryforward of nearly $1.73 billion in volume cap.

PAB applications for the lottery in October 2009 decreased from 14 applications in 2009 to only 7 in 2010. As of January 8, the BRB has received 12 applications of which 3 are for single-family projects; 2 for state voted issues (TWDB and THECB); 1 for small issue industrial development bonds; 1 for multifamily; 2 for student loan issuers and 3 for exempt facility bonds. The Bond Review Board has awarded each applicant a reservation for a cumulative total of $600 million. This leaves $1.63 billion in PAB authority still available for the 2010 Program Year.

**XII. Public Comment**

There were no public comments.

**XIII. Date for Next Board Meeting**

The next Board meeting is scheduled for Thursday, January 21, 2010.

**XIV. Items for Future Agendas**

Each of the Alternates received a list detailing future bond transactions.

**XV. Report from the Executive Director**

* A Called Board meeting has been scheduled for January 28, 2010 at 10:00 am to review transactions for the Texas Transportation Commission and the Texas Department of Aging and Disability Services.
* The Comptroller’s Office and the Attorney General are working on the agency’s disclosure agreement.
* Staff is reviewing SECO’s latest updates to its ESPC guidelines
* Staff is working with the Attorney General’s Office and the Texas Water Development Board (TWDB) to develop the process for the BRB to certify to the LBB that GR will no longer be needed for certain TWDB debt.
* Staff has added a link to EMMA on the BRB website.
* Comments have been not yet been received from TxDOT, Veteran’s Land Board or the Department of Housing and Community Affairs on the BRB’s proposed rules for interest rate management agreements.

**XVI. Adjourned**

There being no further business the meeting was adjourned at 11:21 a.m.