Minutes

Texas Bond Review Board

Planning Session

Tuesday, March 9, 2010, 10:00 a.m.

Capitol Extension, Room E2.026

1400 N. Congress Avenue

Austin, Texas

The Texas Bond Review Board (BRB) convened a planning session at 10:00 a.m., Tuesday, March 9, 2010 in the Capitol Extension, Room E2.026 in Austin, Texas. Present were Ed Robertson, Chair and Alternate for Governor Rick Perry; Kenneth Besserman, Alternate for Comptroller Susan Combs; Don Green, Alternate for Lieutenant Governor David Dewhurst; and Andrew Blifford, Alternate for Speaker Joe Strauss, Jr. 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 10:07 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.

1. **Texas State Technical College (TSTC) Harlingen - Lease-Purchase of Facility**

Representatives present were: Gary Hendricks - Vice Chancellor of Financial and Administrative Services, TSTC; Teri Zamora - Vice President Financial and Administrative Services, TSTC; and Paul Woodfin - Associate Vice Chancellor of Administrative Services, TSTC.

Bob Kline stated that TSTC – Harlingen was seeking approval to enter into a lease-purchase agreement with the TSTC System Regents Circle Foundation in an amount not to exceed $1,700,000 to finance the purchase of a 63,000 sq. ft. warehouse facility with a working crane and 50,000 sq. ft. concrete slab located adjacent to TSTC-Harlingen’s campus. The lease purchase applies to the building only. The underlying land is owned by the City of Harlingen and a Federal Aviation Administration covenant restricts sale of the property. A separate lease agreement for the land will be signed with the city for an amount not to exceed $18,000 annually. The city may later separate this property from the airport and either gift or convey it to TSTC.

The TSTC Board and Texas Higher Education Coordinating Board (THECB) approved the lease purchase on February 5, 2010 and March 1, 2010, respectively. TSTC has submitted its lease purchase proposal to the Governor’s Office for approval which is expected by March 18, 2010.

1. **Texas Department of Housing and Community Affairs (TDHCA) Residential Mortgage Revenue Bonds, Series 2010A**

Representatives present were: Bill Dally, Chief of Agency Administration, TDHCA; Timothy Earl Nelson, Director of Bond Finance, TDHCA; and Elizabeth Rippy, Bond Counsel, Vinson and Elkins LLP.

Bob Kline stated that TDHCA was seeking approval for the first issuance of Phase II under the New Issue Bond Program. This transaction will be sold to the public in a maximum par and total proceeds amount of $60,000,000 including premiums, if any. A $90,000,000 portion of the $300,000,000 taxable bonds that were sold to the Treasury in December 2009 as part of Phase I will be converted to a long-term, tax-exempt status with an interest rate of 3.81% to create up to a total of $150,000,000 in bond proceeds available to originate mortgage loans.

TDHCA’s Board is expected to approve the transaction at its meeting on March 11, 2010. TDHCA will apply for private activity volume cap following approval.

In accordance with Texas Government Code Section 2306.142(m), TDHCA requests that the BRB waive the requirements of Texas Government Code Section 2306.142(l) based on their determination that it is unfeasible or will damage the financial condition of TDHCA to issue the Series 2010A Bonds with the restrictions contained therein.

1. **Texas Public Finance Authority (TPFA) State of Texas GO Commercial Paper Notes Series 2008**

Representatives present were: Dwight Burns, Executive Director, TPFA; Susan Durso, General Counsel, TPFA; Rich McMonagle, Infrastructure Division Director, Texas Parks and Wildlife Department (TPWD); Scott Stover, Infrastructure Division Deputy Division Director, TPWD; and Joseph Molis, Infrastructure Division Administration-Finance Manager, TPWD.

Bob Kline stated that TPFA was seeking approval to issue CP notes under the 2008 Program in a total amount of $38,000,000 plus the costs of issuance and related administrative costs, if any for TPWD.

On August 27, 2009 TPWD’s Board approved resolutions authorizing TPFA to issue short-term obligations to finance the cost of various projects. TPFA’s Board and the Legislative Budget Board approved the financing for TPWD on March 4, 2010 and January 26, 2010, respectively.

1. **Texas Public Finance Authority (TPFA) Midwestern State University (MSU) Revenue Financing System (RFS) Revenue Bonds, Series 2010**

Representatives present were: Dwight Burns, Executive Director, TPFA; Susan Durso, General Counsel, TPFA; Juan Sandoval, VP of Administration and Finance, MSU; Allen Goldapp, Associate VP for Facilities Services, MSU; and Mary Williams, First Southwest Company, Financial Advisor.

Bob Kline stated that TPFA was seeking approval to issue its MSU RFS Revenue Bonds, Series 2010 with a maximum par amount of $6,700,000 and total proceeds amount not to exceed $6,900,000 including premiums, if any. The proceeds will finance Phase II of renovations to the Ligon Coliseum (Coliseum).

The MSU Board approved the bond resolution at its meeting on November 5, 2009. The THECB approved Phase II of the Coliseum renovations on November 23, 2009. The TPFA Board approved MSU’s request for the Series 2010 bonds on February 4, 2010.

Juan Sandoval commented that the Coliseum was constructed in 1969. Phase I renovations completed major mechanical, electrical, life safety, ADA/TAS and roofing upgrades to comply with current codes and were funded though various gifts and donations as well as tuition revenue bond (TRB) proceeds.

The original funding for Phase I did not allow for completion of the architectural upgrades required to support intercollegiate athletic activities. The expected approval of an athletic fee will allow MSU to complete the athletic dressing rooms, restrooms and office areas to more efficiently utilize space in the facility as well as complete needed infrastructure upgrades.

MSU’s full-time equivalent student enrollment for spring 2010 was 6,056, an increase of 4.7% over the spring 2009 total enrollment of 5,785.

1. **Texas Public Finance Authority (TPFA) Stephen F. Austin State University (SFA) Revenue Financing System (RFS) Revenue Bonds Series 2010, & Refunding Bonds, Series 2010A**

Representatives present were: Dwight Burns, Executive Director, TPFA; Susan Durso, General Counsel, TPFA; Dr. Baker Pattillo, President, SFA; Danny Gallant, Vice President for Finance and Administration, SFA; Lee Brittain, Director of Physical Plant, SFA; Jerry Kyle, Andrews Kurth, Bond Counsel; and Mary Williams, First Southwest Company, Financial Advisor.

Bob Kline stated that TPFA was seeking authority to issue its SFA RFS Revenue Bonds, Series 2010 and SFA RFS Refunding Bonds, Series 2010A in a maximum par amount of $39,100,000 and maximum proceeds amount of $42,000,000, including premiums if any. SFA will use the proceeds to build a new freshman residence hall and parking garage.

The THECB approved the construction of the parking garage on August 20, 2009 and approved the construction of the new Freshman Residence Hall on August 21, 2009.

TPFA approved the Series 2010 Bonds on February 4, 2010 and the Series 2010A Bonds on March 4, 2010.

Mr. Robertson asked what projects SFA currently has on the books? He stated that a few years ago SFA requested approval for several projects and wondered if those projects were completed.

Mr. Gallant answered that in the past five years SFA has been working on several projects including an education research center which opened in July 2009 and used TRB proceeds of $20 and Higher Education Assistance Fund proceeds of $10 million. In addition, SFA opened a nursing facility in January 2010 using TRB proceeds. The parking garage and hall are scheduled to open in August 2010 and August 2011, respectively.

Mr. Robertson asked if SFA has experienced an increased enrollment.

Danny Gallant responded that from fall of 2008 to fall of 2009, SFA’s student population increased by 7%; SFA spring enrollment increased by 7.2%, and campus residences increased 15% since fall of 2007.

1. **EXEMPT – Texas Public Finance Authority Charter School Finance Corporation (Cosmos Foundation, Inc.) Education Revenue Bonds, Series 2010A and Taxable Education Revenue Bonds, (Qualified School Construction Bonds), Series 2010Q**

TPFA submitted its exempt issuer notice of intent on Thursday, March 4, 2010. The six-day review period started today, March 9, 2010, and will end at 5:00 pm on Tuesday, March 16, 2010.

1. **Texas Water Development Board (TWDB) Water Financial Assistance Bonds, Series 2010B & 2010C**

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

Bob Kline stated that the TWDB was seeking approval to issue its State of Texas General Obligation Water Financial Assistance Bonds in one or more series with a par amount and maximum total proceeds of $210,000,000 including premiums, if any. The TWDB expects to issue in two series (2010B and 2010C): the Series 2010B will be used for the Water Infrastructure Fund and the Series 2010C will be used for the State Participation Program.

The TWDB anticipates approval of this issue at its meeting on March 18, 2010.

Bob Kline asked if TWDB was scheduled to approve this transaction before BRB’s March 18th Board meeting.

Nancy Banks Marstiller answered that TWDB’s meeting had not been posted as of today and their meetings usually begin at 11:00 a.m. She said she would inform the BRB as soon as she finds out the start time of their meeting.

Bob Kline suggested that the BRB meeting should be changed to 2:00 p.m. on March 18th.

1. **Public Comment**

There were no public comments.

1. **Date for Next Board Meeting**

The next Board meeting is scheduled for Thursday, March 18, 2010.

1. **Items for Future Agendas**

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

**XII. Report from the Executive Director**

* Staff will give testimony to the Senate Finance Committee on state debt on March 10, 2010. The Alternates have been supplied with this presentation. A call was received from the Senate Finance Committee requesting more detailed information on state debt by type and program.
* BRB staff is working on developing a plan for ESPC applications.
* Staff is working with TWDB on the process to reclassify certain not self-supporting debt to self-supporting.
* BRB staff is working on revisions to the rules for Interest Rate Management Agreements that were posted back in November 2009.

1. **Adjourn**

There being no further business to discuss, the planning session adjourned at 11:00 a.m.