Minutes

Texas Bond Review Board

Planning Session

Thursday, June 10, 2010, 10:00 a.m.

Capitol Extension, Room E2.026

1400 N. Congress Avenue

Austin, Texas

The Texas Bond Review Board (BRB) convened in a planning session at 10:00 a.m., Thursday June 10, 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. 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, Senior Financial Analyst, called the meeting to order at 10:03 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 Refunding Bonds, Series 2010, in one or more series**

Representatives present were: Dwight Burns, Executive Director, TPFA; Susan Durso, General Counsel, TPFA; and Tim Kelley, Financial Advisor, Coastal Securities

Rob Latsha gave a brief summary stating that TPFA was seeking approval to issue its State of Texas GO Refunding Bonds, Series 2010 in one or more series in a maximum par amount not to exceed $539,625,000 and maximum total proceeds amount not to exceed $600,000,000 including premiums, if any. TPFA’s application provides for up to an additional $14,000,000 of CP to be refunded if issued to finance client agency projects prior to the sale date. Refunding this additional CP would increase the total par amount up to the maximum of $539,625,000. The exact amount of par and premium cannot be determined until pricing.

TPFA is planning to refund a total of $201,000,000 in outstanding CP: $67,000,000, $24,000,000, and $110,000,000 issued for its Series 2002A, 2002B and 2008 Programs, respectively. This refunding will provide capacity for new CP issuances and enable TPFA to better manage future debt issuances.

The bonds will be issued as GO, tax-exempt, fixed-rate securities through a negotiated sale as serial, term and premium capital appreciation bonds with an average life of 9.67 years.

In addition to Mr. Latsha’s comments, Dwight Burns commented that TPFA will only advance refund outstanding debt if it can achieve a 3% net present value savings, and based on current market conditions TPFA anticipates issuing approximately $342,000,000 of bonds instead of the $539,625,000 originally planned. The pricing is scheduled to occur on June 22, 2010. Additionally, the refunding will help accommodate the liquidity needs of the Cancer Prevention Research Institute of Texas and the Texas Windstorm Insurance Association CP programs.

1. **Final Approval of Recommended Changes to Title 34 Texas Administrative Code, Part 9, Chapter 181.9**

Staff is seeking authority at the Board meeting to approve the final changes to Chapter 181.9.

1. **Presentation by the Texas Water Development Board (TWDB) on its request to reclassify five issues of State Participation (SP) general obligation bonds from not self-supporting to self-supporting**

Representatives present were Melanie Callahan, Chief Financial Officer and Jerry Kyle, Partner, Co-Bond Counsel, Andrews Kurth LLP

Rob Latsha commented that TWDB approached BRB staff about reclassifying approximately $140,000,000 of outstanding SP debt from not self-supporting to self-supporting. The SP program is unique because it allows the TWDB to offer loans with deferred interest of up to 9 years thus requiring an initial general appropriation until cash flow from the loan repayments is sufficient to cover debt service.

The reclassification will require the TWDB to certify that each series of such bonds no longer require payment from the general revenue fund of the state. This certification would be accompanied by a cash flow statement that demonstrates that the TWDB’s Bond Payment Account will receive sufficient cash flow during the remaining amortization period to pay outstanding debt service. Based on the TWDB’s certification, the Bond Review Board will then certify to the LBB that the debt will not require future general revenue draws. The debt will then be removed from the Constitutional Debt Limit (CDL) calculation.

In addition to Mr. Latsha’s comments, Melanie Callahan stated that the SP program allows the state to participate in assisting any political subdivision and water supply corporations in funding a water or wastewater project. The program allows entities to defer debt-service payments for 9 years. After the 9 years, the entities begin making interest payments and for the last 15 years the entities make principal and interest payments.

Ms. Callahan said that historically the SP Program has never had a prepayment or default, and the TWDB has calculated a debt coverage ratio of approximately 1.29 within the program. The TWDB has a financial monitoring team whose specific objective is to protect the financial health of the Board’s loan portfolio, and the statutory, regulatory and contractual integrity of its financial assistance programs by assisting and monitoring assistance recipients in matters of finance-related, legal and contractual compliance. Ms. Callahan also mentioned that TWDB does not anticipate needing general revenue funds to pay the debt service on the bonds to be reclassifed.

1. **Public Comment**

There were no public comments

1. **Adjourn**

Therebeing no further business to discuss, the planning session adjourned at 10:21 a.m.