

Texas Public Finance Authority

Board of Directors:

Gary E. Wood, Chair
Ruth C. Schiermeyer, Vice Chair
D. Joseph Meister, Secretary
Gerald Alley
Rodney K. Moore
Robert T. Roddy, Jr.
Massey Villarreal

Dwight D. Burns
Executive Director



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MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY

October 8, 2009

The Board of Directors (the "Board") of the Texas Public Finance Authority (the "Authority") convened in open meeting, notice duly posted pursuant to law (a copy of which notice is attached hereto as Exhibit "A") at 10:00 a.m., Thursday, October 8, 2009, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Dr. Gary Wood, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Tom Roddy, Member; and Mr. Joe Meister, Member.

Representing the Authority's staff was: Mr. Dwight D. Burns, Executive Director; Ms. Susan Durso, General Counsel; Mr. John Hernandez, Deputy Director; Ms. Pamela Scivicque; and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Keith Richard, Curt Shelmire, Bank of America Merrill Lynch; Andy Bynam, Citigroup; Debi Jones, Morgan Keegan; Yava Scott, Siebert Brandford Shank; Mark Ellis, Roy Carlberg, Jefferies & Co.; Curtis V. Flowers, Loop Capital Markets; Lance Etcheverry, JP Morgan; Clarence Grier, RBC Capital Markets; Victor Moore, Dana Rhyne, Health & Human Services Commission; Art Morales, Ramirez & Co., Inc.; Jerry McGinty, Texas Department of Criminal Justice; Tim Kelley, Coastal Securities; Tim Peterson, First Southwest Co.; and Liz Prado, Melissa Nelson, Legislative Budget Board.

Item 1. Call to order.

Dr. Wood called the meeting to order at 10:02 a.m.

Dr. Wood introduced TPFA's new general counsel, Susan K. Durso.

Item 2. Confirm meeting posting compliance with the Open Meetings Act.

Dr. Wood confirmed the meeting had been duly posted in compliance with the Open Meetings Act.

Item 3. Excuse absences of board members.

Ms. Schiermeyer moved to excuse the absences of Linda McKenna and Rodney Moore. Mr. Roddy seconded. The motion passed unanimously.

Item 4. Approve the minutes of the August 3, 2009 Board meetings.

Dr. Wood asked if there were any corrections or additions to the minutes of the meeting held on August 3. Mr. Meister moved to approve the minutes of August 3 as presented. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 5. Select a new Board Secretary.

Dr. Wood announced that Linda McKenna, the Board's current secretary, had been appointed to serve on another board. Ms. Schiermeyer moved to nominate Joe Meister for board secretary. Mr. Alley seconded. The motion passed unanimously.

Item 6. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of Criminal Justice to issue approximately \$80,000,000 of general obligation bonds to finance repair and renovation projects at TDCJ facilities, and renovations to the Marlin Medical Facility over the biennium, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns introduced a request for financing from the Texas Department of Criminal Justice. The request includes a draw down schedule of monthly draws ranging from \$2 million to \$4.5 million beginning this November and ending in August 2011. Mr. Jerry McGinty, Chief Financial Officer, Texas Department of Criminal Justice stated its \$80 million appropriation for this biennium was for major repairs and renovations of facilities it has across the state. Over the past twenty years TDCJ has received about \$500 million from the Legislature and the current appropriation is typical. The funds requested will be used for repair and renovation projects including plumbing, electrical repairs, roofing repairs and security enhancements. TDCJ took ownership of a veteran's hospital last December and in order to make use of it, a number of renovations must be made.

Dr. Wood asked if the Marlin Medical Facility had been a veteran's hospital and Mr. McGinty said "yes." Dr. Wood asked if prisoners would be moved there for treatment and Mr. McGinty indicated the Marlin Medical Facility would become a geriatric facility for

inmates. Mr. Alley asked which of TDCJ's facilities were the oldest. Mr. McGinty indicated it was the Walls Unit of Huntsville.

Mr. Burns stated that the Legislative Budget Board had approved \$45 million of the \$80 million appropriation. Staff recommends approving the entire request, but with \$35 million contingent on future Legislative Budget Board approval.

Mr. Meister asked a technical question regarding whether the staff recommendation was meant to cover the request and subsequent discussion would address the method of sale. Mr. Burns said the recommendation would include that the request be funded with commercial paper. Mr. Meister asked for an explanation of why commercial paper was being recommended. Mr. Burns explained that commercial paper allowed more flexible draw downs and interest rates were favorable at less than 1% for commercial paper. Mr. Meister asked if any capacity issues were relevant. Mr. Burns stated the use of commercial paper posed no liquidity issue for the commercial paper program. Mr. Meister stated that the draw down scheduled was pretty even so the flexibility issue did not seem to apply, but that the interest rate was the most significant consideration.

Ms. Schiermeyer moved to accept staff's recommendation. Mr. Alley seconded. The motion passed unanimously.

Item 7. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of Aging and Disability Services to issue approximately \$26,987,000 of general obligation bonds to finance repair and renovation projects, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns introduced a request from Texas Department of Aging and Disability Services for \$26,987,000. He noted the expenditure schedule ramps up from January 2010 through December 2012. He introduced Mr. Victor Moore, Director of Facility Maintenance and Construction for Texas Health and Human Services Commission.

Mr. Moore stated the funds are for repair and renovations of 21 projects at state supported living centers, roof repair and life safety support systems such as fire alarms and fire sprinkler installations. The buildings are quite old and average 50 years of age.

Mr. Meister asked if the draw down scheduled was for all 21 projects. Mr. Moore indicated all projects were being worked on simultaneously and the scheduled was developed to reflect that fact. Mr. Roddy asked who does the construction. Mr. Moore replied that project managers were private consultants. Mr. Roddy asked if awards were given to the lowest bidder. Mr. Moore stated projects were awarded to the lowest qualified bidder. Mr. Alley asked about the firms and maintenance, whether the firms stand on their work since

these are mainly roofing projects that should last 20 years. Mr. Moore offered that the Department had been pleased with most of the firms.

Staff recommends approving the request contingent upon LBB approval and for the request to be financed with commercial paper. Mr. Meister moved to approve staff's recommendation. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 8. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of State Health Services to issue approximately \$27,228,000 of general obligation bonds to finance repair and renovation projects, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns introduced the request from Texas Department of State Health Services and Mr. Victor Moore, Director of Facility Maintenance and Construction for Texas Health and Human Services Commission.

Mr. Moore explained this request somewhat mirrors the earlier request submitted by Texas Department of Aging & Disability Services in that the funds are for repairs and renovations, roof repair and life safety support systems such as fire alarms and fire sprinkler installations. An additional component is the installation of critical needs emergency generators. Ms. Schiermeyer asked for more information about the capital improvements for Sunrise Canyon Hospital. Mr. Moore said that was inserted into the Appropriations Bill, the result of a direct request to the Legislature from Sunrise Canyon. Sunrise Canyon indicates some repairs and renovations to the interior of the building as well as other purchases such as equipment, beds, furniture and a couple of vehicles.

Mr. Meister asked whether the requests from DADS and HHSC were packaged in the most efficient manner. Mr. Burns said all the items under consideration today would be bundled into commercial paper avoiding transaction fees. Mr. Moore explained that before the consolidation of agencies in September 2004, the agencies had been a part of the Department of Mental Health and Mental Retardation.

Staff recommends approval of this request and for the request to be funded with commercial paper. Mr. Alley moved to approve staff's recommendation. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 9. Report on the sale of Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2009A and Texas Public Finance Authority State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds – Direct Payment to issuer).

Mr. Burns reported the two series of bonds were priced on August 11, 2009. Keith Richard, Bank of America Merrill Lynch, reported on the General Obligation Refunding Bonds, Series 2009 and Taxable General Obligation Bonds, Series 2009B. The 2009A bonds had a true interest cost of 2.7372% and the 2009B bonds had a true interest cost of 3.8186%.

Mr. Richard thanked the entire team of underwriters, underwriters' counsel, bond counsel and the financial advisor for their assistance in a successful sale.

Tim Kelley, Coastal Securities, stated it was the first issue for TPFA to issue Build America Bonds. Mr. Kelley stated TPFA's staff did a good job negotiating the spreads and costs down, achieving a very low cost per bond which at the time was the lowest ever achieved by the State. Mr. Kelley stated the sale was very successful and thanked everyone involved in the transaction.

Item 10. Staff Report

- a. Sunset process
- b. Cancer Prevention and Research Institute Program update
- c. Update Texas Windstorm Insurance Association issues
- d. FY09 and FY10-11 Operating Budget
- e. Provide information on refunding possibilities

Mr. Burns stated the Sunset Advisory Commission reviews each state agency every twelve years and TPFA's process has begun. TPFA has had two introductory meetings and board members may be contacted in the near future for their input. The review process takes approximately five months, includes a review, a public hearing and then the Commission will adopt full recommendations for the Legislature.

The Cancer Prevention and Research Institute Program commercial paper program is active and has issued \$13 million for initial operations.

Mr. Burns updated the Board on the Texas Windstorm Insurance Association. He stated the Board approved a commercial paper program of \$300 million for TWIA. Tim Peterson, First Southwest Co., stated that many parties are involved including the Attorney General's Office, the Comptroller's Office, the Department of Insurance, the TWIA, the Texas Treasury Safekeeping Trust Company. A liquidity issue is yet to be resolved.

The operating budget will be discussed at the next meeting. There is a refunding possibility that Tim Kelley is going to discuss. Mr. Kelley stated the general obligation debt was being monitored for a potential refunding and the market is within the threshold of savings the Authority has traditionally used.

Dr. Woods convened the executive session at 11:02 a.m.

Executive Session:

11. a. Pursuant to Texas Government 551.071(2), the Board may convene in closed session at any time during this meeting to obtain legal advice from its counsel concerning any matter, listed on this agenda, in which the duty of its attorney under the Texas Disciplinary Rules of Professional Conduct conflicts with Texas Government Code, chapter 551.
- b. Pursuant to Texas Government 551.074, the Board may convene in closed session at any time during this meeting to deliberate the duties of the Executive Director or General Counsel.

Reconvene Open Meeting

12. The open meeting will be reconvened for final action of the Board concerning matters deliberated in the Closed Meeting, if such action is required.

Dr. Wood reconvened the open meeting session at 11:29 a.m. No action was taken as a result of the executive session.

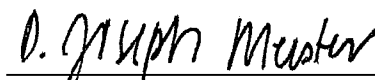
13. Discuss upcoming meeting dates

Mr. Burns asked if the November meeting could be moved to November 5 so that he can attend the Government Finance Officers of Texas conference in Fort Worth. Mr. Burns asked Board members to check their calendars.

14. Adjourn.

Dr. Wood adjourned the meeting at 11:33 a.m.

The foregoing minutes were approved and passed by the Board of Directors on December 3, 2009.



Joseph D. Meister
Secretary

Attachment: Posting Notice - "Exhibit A"



Open Meeting Submission

Success!
Row inserted

TRD: 2009007333
Date Posted: 09/30/2009
Status: Accepted
Agency Id: 0113
Date of Submission: 09/30/2009
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 10/08/2009
Time of Meeting: 10:00 AM (##:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.028
City Location: Austin
State Location: TX
Liaison Name: Paula Hatfield
Additional Information Obtained From: If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, TX 78701.
 TEXAS PUBLIC FINANCE AUTHORITY
 THURSDAY, OCTOBER 8, 2009 10:00 A.M.
 Capitol Extension Hearing Room E2.028
 AUSTIN, TEXAS 78701

- Agenda:**
1. Call to order.
 2. Confirm meeting posting compliance with the Open Meetings Act.
 3. Excuse absences of board members.
 4. Approve the minutes of the August 3, 2009 Board meeting.
 5. Select a new Board Secretary.
 6. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of Criminal Justice to issue approximately:

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8. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of State Health Services to issue approximately \$27,228,000 of general obligation bonds to finance repair and renovation projects, select a method of sale, appoint outside consultants, and take other necessary related action.

9. Report on the sale of Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2009A and Texas Public Finance Authority State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds & Direct Payment to issuer).

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- d. FY09 and FY10-11 Operating Budget
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13. Discuss upcoming meeting dates

14. Adjourn.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Paula Hatfield or Donna Richardson at 512/463-5544. Requests should be made as far in advance as possible.

Certification: I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements. Susan K. Durso, General Counsel, Certifying Official; Paula Hatfield, Agency Liaison.

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