

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

January 7, 2010

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, January 7, 2010, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Dr. Gary Wood, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Joe Meister, Secretary; Mr. Tom Roddy, Member; Mr. Rodney Moore, Member; Mr. Gerald Alley, Member; and Mr. Massey Villarreal, 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, Business Manager; Ms. Gabriela Klein and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Mark Ellis, Jefferies & Co.; Yava Scott, Siebert Brandford Shank; Ajay Thomas, Morgan Stanley; Dale Lehman, Piper Jaffray; Clarence Grier, RBC Capital Markets; Art Morales, Ramirez & Co., Inc.; Desrye Morgan, Mesirov Financial; Patrick Scott, Barclays Capital; Jim Buie, Raymond James; Heath Barber, JP Morgan; Andy Bynam, Matt Johansen, Citi; Courtney Cain, Morgan Keegan; Noe Hinojosa and, Paul Jack, Estrada Hinojosa Co.; Terry Thornton, Goldman Sachs; Curtis V. Flowers, Loop Capital Markets; Keith Richard, Bank of America Merrill Lynch; Mario Carrasco, Stifel Nicolaus; Ricardo Villasenor, Cabrera Capital Markets, LLC; Carlos Sharpless, Sterne Agee; Michelle Downie and Heidi Bush, Sunset Commission; Stan Graves, Texas Historical Commission; and Tim Peterson, First Southwest Co.; D. Waly, PFM; and Tim Kelley, Coastal Securities.

Item 1. Call to order.

Dr. Wood called the meeting to order at 10:05 a.m.

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.

Mr. Meister moved to excuse the absences of Mr. Gerald Alley and Mr. Massey Villarreal. Ms. Schiermeyer seconded. The motion passed unanimously. Mr. Villarreal arrived at 10:07 a.m. Mr. Alley arrived at approximately 10:30 a.m.

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

Dr. Wood asked if there were any corrections or additions to the minutes of the meeting held on October 8. Mr. Roddy noted that Mr. Alley was shown as "not present," but he was shown to be making motions at the meeting. Mr. Meister moved to approve the minutes as amended. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 5. Consideration, discussion, and possible action to select or reappoint members of the Charter School Finance Corporation Board and update on recent CSFC Board meeting and approval of financings for two open-enrollment charter holders, Nova and Cosmos.

Ms. Durso updated the Board on the last meeting of the CSFC actions. There was a meeting on December 14 where three requests for financings from open-enrollment charter schools were considered. The three charter holders were AW Brown, Nova Academy and COSMOS Foundation. The CSFC Board approved the requests by Nova and COSMOS and requested more information from AW Brown. The requests have been submitted to the Texas Bond Review Board. Ms. Durso offered that COSMOS's counsel has indicated that it will not go forward with the approved financing, but will resubmit a financing for consideration at the February meeting.

The other activity taking place is fourth round grant applications for the Texas Credit Enhancement Program. Applications are due on January 15, 2010, and will be considered in early February at the next CSFC Board meeting.

Lastly, for an action item today, the CSFC Board has typically met about once a year and the five-member Board has staggered terms. All of the terms have now expired either in May 2008 or May 2009. The members have indicated whether they want to be reappointed and the bylaws of that corporation allow them to be reappointed for as many terms as they care to be. Two members, Ms. Kirsten Moody and Mr. Omar Garcia, indicated they do not want to be reappointed. Dr. Walne, Mr. Schulman and Mr. Canby desire to be reappointed, if the TPF Board so chooses to reappoint, the reappointment can be done in a way to allow

the staggered terms. Ms. Durso recommends that the Board direct staff to identify some qualified candidates for the vacant two positions. The information will be brought back to the TPFA Board in March for determination and appointment. The bylaws state that the two members not desiring reappointment continue to serve until successors are appointed.

Resumes of Dr. Walne, Mr. Schulman and Mr. Canby were provided for Board review. A proposed notice is also provided that can be posted in the Texas Register, on the TPFA website, the CSFC website, and if permitted by TEA and the Texas Charter School Association, on their websites. Those entities are members of the consortium that work with the corporation on the grant applications.

Staff recommends that qualified candidates have knowledge of public finance and/or the open-enrollment charter school issues and that they submit information identifying that experience and knowledge and also any information about potential conflicts that would not allow them to do the work of the Board. Staff would bring back to the TPFA Board that information with recommendations.

Mr. Burns said the Board consists of five directors, usually only meets once a year and has two basic purposes. The corporation issues bonds as a conduit issuer for charter schools statewide and awards credit enhancement grants. The US Department of Education awarded TPFACSFC a \$10 million credit enhancement grant that is maintained by the Comptroller's office. The fourth round of applications addresses the available funds of \$900,000. The CSFC is scheduled to make the awards in February.

Mr. Meister asked if the \$900,000 was capacity left to be pledged or the principal. Mr. Burns stated the \$10 million is held by the Comptroller's Office and that the \$900,000 was available for credit enhancements. Dr. Wood asked what coverage is awarded. Mr. Burns said typically the awards cover about 10% of annual debt service.

Mr. Meister asked Ms. Durso to state the Board's oversight duties of this CSFC Board and noted that historically the TPFA Board had not reviewed CSFC minutes or actions taken. Mr. Meister asked if TPFA's Board responsibilities stop with the appointment of Board members. Ms. Durso explained that the CSFC Board has separate statutory authority to be created by the TPFA Board. Then, the CSFC Board has their own authority for what they do. When the corporation was created--because it is not a state agency but is a quasi state agency that is required to meet in open meetings and some of the other formalities of a state agency--the CSFC Board adopted bylaws. Through those bylaws, the TPFA Board appoints the CSFC Board members, so the TPFA Board role is very limited. The other aspect of the CSFC statutory authority is that TPFA staff provides staff services and TPFA receives a set fee for doing the conduit issuing. Later, the grant program was placed under CSFC when awarded by the US Department of Education.

Mr. Meister asked if there was an interagency services agreement. Ms. Durso stated yes, there was a contract whereby certain services are provided.

Ms. Schiermeyer moved to accept staff's recommendation. Specifically, to reappoint Dr. Marina Walne and Mr. Robert Schulman for the remainder of the two-year term that commenced on May 1, 2008 and ends on May 1, 2010, with an intent to reappointment both for two years to May 1, 2012. Re-appoint Mr. Thomas Canby, Jr., to serve the remainder of the term that commenced on May 1, 2009 to end on May 1, 2011.

And further to direct staff to identify qualified candidates interested in serving on the TPFA CSFC Board for the positions currently held by Ms. Moody and Mr. Garcia by posting notice on the websites of the TPFA, the TEA and the Texas Charter School Association, as permitted and in the Texas Register. Qualified candidates should have knowledge of public finance and/or open enrollment charter school issues and should disclose any potential conflicts of interest that might arise from considering requests for financing or grant award applications received from charter schools. Further, staff should report its recommendations for appointment to the CSFC Board at the TPFA Board's regular March 2010 meeting. Mr. Meister seconded. The motion passed unanimously.

Item 6. Consideration, discussion, and possible action to approve a Request for Financing from Texas Historical Commission to issue approximately \$20 million of general obligation bonds to award grants through the Courthouse Preservation Project, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns stated the financing request from Texas Historical Commission is for \$20 million to award grants to counties for their courthouse preservation efforts. The funding is needed by March 2010 and needs will continue monthly through August 2012. The monthly spending estimates range between \$50,000 and \$750,000. Based on the request documents, the funding for this request does have the necessary authority, adequate debt service funding from the Legislature and makes appropriate use of capital finance. Initially, commercial paper funding may be most appropriate because the Commission's actual disbursement will be dependent on the ability of multiple counties that are doing courthouse preservation efforts to actually spend down the money and for purposes of managing the debt load with federal tax exempt procedures and likewise, staff recommends initially pursuing this financing through commercial paper. Representatives from the Texas Historical Commission are available to answer questions.

Stan Graves, Director of the Courthouse Preservation Project for the Texas Historical Commission, introduced himself and asked for questions. Dr. Wood thanked him for the work being done on the courthouse restoration project. Mr. Meister asked if there was a timeline for completion of this or when the \$20 million would be spent. Mr. Graves stated THC was planning to announce the selection of the next courthouses at its January meeting.

It usually takes 2-3 months for the counties to complete their plans so construction will be in full force this summer. These construction projects range from one year to three-and-a-half years of work. Mr. Graves believes that in 3-1/2 years that 95% of the funding will be spent.

Ms. Schiermeyer moved to accept staff's recommendation to approve Texas Historical Commission's request for financing to issue \$20 million of general obligation bonds, whether in bonds or commercial paper as determined to be in the best interests of the State at the time of issue, to finance repairs and renovations to Texas's historic courthouses as part of the Courthouse Preservation Program, pursuant to Texas Constitution Art III, sec 50-g, contingent upon approval by the Bond Review Board. Mr. Villarreal seconded. The motion passed unanimously.

Item 7. Consideration, discussion, and possible action to approve a Request for Financing from the Office of the Governor to issue approximately \$50 million of general obligation bonds to finance additional grants to counties for the Colonias Roadways, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns stated the Colonias effort in general is an effort to improve infrastructure in severely economic neglected areas of the state especially along the Mexican border. The Texas Department of Transportation with direction from the Governor's office is authorized to have TPFAs issue debt and provide various counties funding for access road projects. The current request is up to \$50 million is the third round of debt issued for the \$175 million program. If the Board approves the current request, then the program will have \$27 million of voter approved authorization remaining. The enclosed expenditure schedule within your packet anticipates monthly payouts of about \$1.7 million through June 20, 2013. The schedule anticipates the remaining authorization to be approved during the next biennium. Based on the request documents this funding also has the necessary legal authority and makes appropriate use of capital financing. Staff recommends that this request be funded with commercial paper.

Jose Hernandez, Debt Management Director in the Finance Division of the Department of Transportation said these projects have been selected. The Commission acted in July 2008 so the projects are now ready to go. Dr. Wood asked if the request was all for roads. Mr. Hernandez said 'yes.' Ms. Schiermeyer stated she was concerned about the funding going through 2013 which means two more Legislative sessions during that time. The Legislature had only approved \$48 million for this issuance. Ms. Schiermeyer expressed concern over the additional \$2 million being sought when two additional legislative sessions could approve the additional amounts.

Ms. Durso stated that while it was true that the Legislative Appropriation authority was only for \$48 million, the Constitution appropriates and requires the issuance be at the Governor's direction and, therefore, in her analysis the Constitutional appropriation has

supremacy over the legislative appropriation of \$48 million and that the Board can approve the issuance of the \$50 million on not only the basis of the Constitutional authority, but the statutory authority in the Government Code that implements the Constitutional authority, which also states it is at the Governor's direction.

Dr. Wood asks that even though it is for \$50 million and the legislature has only appropriated \$48 million that the Governor has the Constitutional authority to override the appropriation. Ms. Durso said the Constitution has the superior legal authority over the legislation appropriation act. Mr. Burns stated there was a de facto limitation here especially if we are going to use commercial paper. There is only liquidity available for up to \$48 million through the commercial paper program. Staff will only issue debt to the level that debt service will allow.

Mr. Meister asked about the liquidity issue. There is \$48 million of commercial paper liquidity available for any particular issuance or generally. Mr. Burns stated for this program. Ms. Durso stated the Board had the legal authority to approve the \$50 million as directed by the Governor's Office. Mr. Burns said the other \$2 million could be issued in long term debt as long as we have the debt service appropriated for it. Ms. Schiermeyer asked if the debt service was available now. Mr. Burns answered "technically" and asked Mr. Hernandez to explain more about the debt service appropriation. Mr. Hernandez said for the first several months of this year the commercial paper program has been rolling at less than 1%, so there is some savings. Initially when staff estimates debt service and submits it to the Legislative Budget Board, the estimate is based on 5-1/2% depending on whether it is taxable or tax-exempt. Staff thinks there is some capacity there because the Authority has not issued for Texas Department of Transportation this far into the biennium. Mr. Hernandez declines to speculate as to the position a year from now, but believe the Authority can handle the debt service based on that which has been spent so far and that which remains to be issued for Texas Department of Transportation. The Authority does have the ability to fix-out the transaction and size the transaction to make the debt service work in this biennium as well.

Mr. Burns said the Authority had been pretty conservative with the interest rate assumptions made during the legislative session assuming interest rate well over the levels that are in the current short-term commercial paper market. Basically, staff assumes long-term interest rates for debt that is below 1%.

Mr. Meister re-stated that the Authority has \$48 million of liquidity available under the commercial paper program in this particular issuance. If the Authority needed to draw down the full \$50 million, it would have to do the balance in general obligation fixed rate debt. Mr. Burns said "yes." Mr. Meister asked whether the decision to issue the additional two million can be put off until the question presents on whether the additional \$2 million needs to be issued. Mr. Burns said "in a way." He also said with this program the Authority has experienced a slower than average request for expenditures in the first place so staff

anticipates that there will be some wiggle room. Furthermore staff is watching the market and if there are opportunities to issue long-term debt and refund existing debt, that staff will bring to the Board a request to do that and sweeten refunding structures so this could be a candidate for that-- the extra \$2 million could be a candidate for that later on or if the Board so chooses it can approve the \$48 million.

Ms. Durso stated that any approval of this request made today is subject to review by the Bond Review Board and the Bond Review Board is made up of representatives from the Governor's Office, the Lt. Governor's Office, the Speaker's Office who are all there to discuss whether or not they support the notion that the Constitution already authorizes the financing at the direction of the Governor's office. So, if for example, the Board goes with the \$50 million as requested by the Governor's office, the Bond Review Board could still limit it to \$48 million. If on the other hand, the Board elects to approve only \$48 million, the request could be sent back, then the Board may reconsider it. It is the Board's decision. Ms. Durso notes that it is her opinion that the Authority has the legal authority to approve the full \$50 million requested.

Ms. Schiermeyer asked Mr. Hernandez if the additional \$2 million were not appropriated until the next legislative session would it be a problem for the project. Mr. Hernandez stated it did not and that of the \$50 million being requested only about \$32.5 has been assigned to construction contracts. Mr. Villarreal asked if the \$50 million number was an arbitrary number the agency picked. Mr. Hernandez stated he did not know why the Governor's Office asked for \$50 million except that the first two requests were for \$50 million each.

Ms. Schiermeyer stated she would prefer to go with the \$48 million request as authorized by the Legislature.

Ms. Schiermeyer moved to approve staff's recommendation on the Governor's Office request to issue \$48 million of general obligation bonds, whether in bonds or commercial paper as determined to be the best interest of the State at the time of issue, for grants to counties under the Colonias Roadway Program pursuant to Texas Department of Transportation rules, as authorized by Senate Bill 1, adopted by the 81st Legislative Session and Texas Government Code ch. 1403, contingent upon approval by the Bond Review Board. Mr. Roddy seconded. The motion passed unanimously.

Item 8. Consideration, discussion and possible selection of an underwriting pool for FY2010-2011 biennium with the option to renew for 2012-2013 biennium.

Dr. Wood disclosed two personal relationships with two of the firms that responded. His son-in-law is an Edwards Jones broker and he has a long-term standing friendship with Bob Estrada of Estrada Hinojosa from when they both worked for John Tower. It was his stated opinion that neither of the relationships prevents him from acting without bias as

relationships they similarly would like to disclose. Ms. Schiermeyer stated her son works for Merrill Lynch as a manager or director and does not sell, but he has just been transferred to Dallas, and that this relationship does not prevent her from acting in an unbiased manner on this decision before the Board.

Ms. Durso asked Mr. Burns to cover this item. As directed by the Board in its December meeting, staff conducted a comprehensive and exhaustive Request for Information process to firms that might be interested in providing investment banking services to TPF. The Authority received thirty responses and staff carried out an analysis of each firm's documentation. The main goal, as directed from the Board, is to maintain a diverse, broad pool with a healthy combination of global, regional and Texas firms. Staff evaluated the firms against four basic criteria which are: demonstrated relevant experience and qualifications, demonstrated financial strength and stability, demonstrated a high level of quality with the information provided in the RFI and other factors relevant to the firm's capacity.

Based on an evaluation of the stated criteria staff recommended that the pool consist of Goldman Sachs, Morgan Stanley, Citigroup Global Markets, Inc., JP Morgan Securities Inc., Barclays Capital, Bank of America Merrill Lynch, RBC Capital Markets, Jefferies & Co. Inc, Morgan Keegan & Co., Inc., Piper Jaffray & Co., Raymond James, Stifel Nicolaus & Co., Inc., Wells Fargo Securities, Southwest Securities, Inc., Mesrow Financial Products, Duncan Williams, Hutchinson, Shockey, Erley & Co.; Sterne Agee & Leach, Inc., Loop Capital Markets, Siebert Brandford Shank Co. LLC, Ramirez & Co., Cabrera Capital Markets, Inc., SAMCO Capital Markets, Inc., MR Beal & Co., and Estrada Hinojosa Inc.

Dr. Wood asked if the proposed list contained new firms that were not part of the last pool. Mr. Burns stated those firms are Raymond James, Stifle Nicolaus, Wells Fargo, Mesrow Financial Products, Duncan Williams, Sterne Agee, Cabrera Capital Markets and MR Beal.

Mr. Alley indicated he was associated with Southwest Securities on the banking side of their Board. Mr. Moore stated that Merrill Lynch is a tenant in one of his building. Mr. Alley stated that a lot of firms are involved in this process and everybody is at the table to get some opportunity. He asked if there was going to be a rotation or is the selection going to be made per opportunity. Mr. Burns stated the selection process would be done on a deal-to-deal basis given their relevant experience and expertise for the transaction.

Mr. Alley moved to accept staff's recommendation to include the firms listed by Mr. Burns for the FY2010-2011 biennium, with the option to renew the members for service in FY2012-2013. Mr. Moore seconded. The motion passed unanimously.

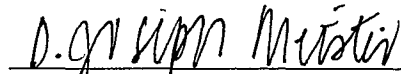
Item 9. Staff Report

Mr. Burns stated he had no updates other than the market balances on the staff report included in the Board packet.

Item 10. Adjourn.

The meeting adjourned at 10:55 a.m.

The foregoing minutes were approved and passed by the Board of Directors on February 4, 2010.



D. Joseph Meister
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!
Row inserted

TRD: 2009009527
Date Posted: 12/30/2009
Status: Accepted
Agency Id: 0113
Date of Submission: 12/30/2009
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 01/07/2010
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, JANUARY 7, 2010, 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 December 3, 2009, Board meeting.
 5. Consideration, discussion, and possible action to select or reappoint members of the Charter School Finance Corporation Board and update on recent CSFC Board meeting and approval of financings for two open-enrollment charter holders, Nova and Cosmos.
 6. Consideration, discussion, and possible action to approve a Request for

Financing from Texas Historical Commission to issue approximately \$20 million of general obligation bonds to award grants through the Courthouse Preservation Project, select a method of sale, appoint outside consultants, and take other necessary related action.

7. Consideration, discussion, and possible action to approve a Request for Financing from the Office of the Governor to issue approximately \$50 million of general obligation bonds to finance additional grants to counties for the Colonias Roadways, select a method of sale, appoint outside consultants, and take other necessary related action.

8. Consideration, discussion and possible selection of an underwriting pool for FY2010-2011 biennium with the option to renew for 2012-2013 biennium.

9. Staff Report

Executive Session:

10. 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 regarding the duties and performance of the Executive Director or General Counsel.

Reconvene Open Meeting

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

12. 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.

New