

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



Mailing Address:
Post Office Box 12906
Austin, Texas 78711-2906

Physical Address:
300 West 15th Street, Suite 411
Austin, Texas 78701

Telephone: (512) 463-5544
Facsimile: (512) 463-5501
www.tpfa.state.tx.us

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

October 13, 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., Wednesday, October 13, 2010, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Dr. Gary Wood, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Rodney K. Moore, 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: Keith Richard, Morgan Stanley; Mark Ellis, Jefferies & Co.; Art Morales, Ramirez & Co., Inc. Bob Kinney, Wells Fargo; Mark Nicholson, Southwest Securities; Jorge Rodriguez, Coastal Securities; Jim Buie, Raymond James; Becky Villasenor, Cabrera Capital Markets; Tim Kelley, Piper Jaffray; Debi Jones, Morgan Keegan, Yava Scott, Siebert Brandford Shank, U.S. Williams, Estrada, Hinojosa & Co.; Lance Etcheverry, JP Morgan; Jodie Jiles, RBC Capital Markets; Patrick Scott, Barclays Capital; Louis Edwards, Andrew C. Hughey, Dilip Anketell, Jim McShan, Broderick Butler, Texas Southern University; Greg Shields, Andrew & Kurth; and Tim Peterson, Chris Allen, Drew Masterson, First Southwest Co.

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

Item 1. 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 2. Excuse absences of board members.

Ms. Schiermeyer moved to excuse the absences of Messrs. Meister, Roddy and Alley. Mr. Villarreal seconded. The motion passed unanimously.

Item 3. Approve the minutes of the September 2, 2010, Board meeting.

Dr. Wood asked if there were any corrections or additions to the minutes of the Board meeting of September 2, 2010. Mr. Villarreal moved to approve the minutes as submitted. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 4. Consideration, discussion, and possible action to approve a Request for Financing from Texas Southern University to issue approximately \$31,500,000 of tuition revenue bonds to finance the construction of a new technology building, select a method of sale, appoint outside consultants, and take other action as necessary.

Mr. Burns stated that Texas Southern University submitted a request for financing to issue approximately \$31.5 million in tuition revenue bonds to finance the construction of a new technology building and the security for these bonds would be revenue generated by the University. Traditionally, in Texas, tuition revenue bonds have been supported by general revenue of the State of Texas. Representatives from the University were present to discuss the project, the financing and address any questions from the Board. The Old Technology Building, which is being replaced with the possible issuance of the requested bonds, had structural and foundation problems and was shut down after experiencing damage from Hurricane Ike. The new building will be approximately 109,000 square feet, comprised actually of two buildings. Mr. Burns asked Drew Masterson, the financial advisor, representing the University thus far, to introduce other members of the University present to give an overall introduction to the project and to layout the financing.

Mr. Masterson, First Southwest Co. stated that Mr. Jim McShan, Chief Financial Officer for Texas Southern University, would make the primary presentation. Mr. Masterson thanked the Authority's Board for considering TSU's request. The primary objective of the University by submitting its request was to establish a finance team so that details and documents of the proposed financing could move forward. Mr. McShan introduced himself and stated he arrived at the University about 25 months ago. The University's new president has been present for about three years. When the new staff arrived, the University was on probation from SACS, the accrediting body, for a number of reasons. One of the primary reasons for the probation was the inability to provide financial statements. The University hired an external auditor and received clear audit opinions for 2007, 2008 and 2009, and 2010 is in process. The financial position of the University has changed dramatically. For example, the 2007 unrestricted net assets of the University was a negative \$10 million. The preliminary numbers for net assets for 2010

is about \$60 million. The gross assets have gone from \$95 million to a \$160 million. The SACS probation ended in June and no monitoring is in place. The President has changed the entire management team of the University. Within the finance area there has been about 50-60% turnover and there are competent people in place. The President also implemented admission standards instead of offering open enrollment. Enrollment is up by about a 100 to 9,500.

Dr. Wood asked what the level of enrollment was at the peak. Mr. McShan answered 11,000 in 2005. He stated that Moody's increased TSU's investment rating by three levels over the past eighteen months. The University has a meeting scheduled with Fitch on October 27 and McShan expects an increase in the University's rating.

Mr. Villarreal thanked Mr. McShan for appearing before the Board. He stated that he lives in Houston and reads The Houston Chronicle's interesting stories about Texas Southern University. The new president has brought a different light to the community. Some of the new regents appointed are doing due diligence. He asked if additional increases in enrollment could be expected and if there are any other construction projects occurring simultaneously or planned in the future. Mr. McShan stated that enrollment is about 2-1/2% this fall over last fall and part of that growth is a result of targeting new students and continuing to improve recruitment through the approach for higher qualified students.

Mr. McShan stated that the University was doing some final repair work necessary from Hurricane Ike. Total damage was approximately \$30 million and there is about \$5 million of repairs remaining and still being completed. There are no other major construction projects planned.

Mr. Moore asked if the contract for the contractor was construction management or turnkey. Mr. McShan answered it would be construction manager risk. Mr. Moore asked about the process for selecting an architect. Mr. McShan stated that a request for qualifications would be issued to select an architect based upon the qualifications of the firm. Once a firm is selected negotiation can take place. Mr. Moore asked if company qualification and experience statements are taken and whether the decision is based upon that prior to reviewing any submission for the bid or the pricing of the fee. Mr. McShan said the RFQ was issued and firms come to the University and make presentations. Mr. Moore asked if at the time of the presentation the firms reveal their fee. Mr. McShan said no, and that he had read the law covering this issue and no negotiation is possible on the front-end of the deal. Mr. Moore said that seems wrong and Mr. McShan stated he thought it was bizarre. Mr. Moore said basically the contractor has 10% of contract, general overhead and conditions fee is roughly 10% of hard costs. Then, architectural, engineering, testing and all the items under A&E appears to be 14% of the total price--meaning hard costs, and the contractor's fee. So, there is more money that could possibly be negotiated in the A&E fee. It's interesting to know that on the front end, it is not possible to receive fee information.

Ms. Schiermeyer asked about the FEMA money and its use to demolish the old technology building. She asked why the request included a demolition fee of \$1 million. Mr. McShan introduced Mr. Dilip Anketell to answer the question. Mr. Anketell, Vice President for Facilities, explained that the \$1 million was an estimate that was developed some time ago. The actual cost for the demolition was \$69,000. Mr. Anketell said funds would move and those monies would be placed into a reserve for use elsewhere. One of the issues that needs to be addressed is soil conditions impacting several buildings. The funds would be used to look at a structural slab. Ms. Schiermeyer asked if the other costs would move the \$4.7 million. Mr. Anketell said the money would be used as available for other equipment and the like.

Ms. Schiermeyer said it will not increase the costs. Dr. Wood asked if the expectation for the \$1 million less \$69,000 came from the FEMA money. Mr. Anketell said, yes, the \$69,000 was paid out of FEMA money. Dr. Wood asked if any FEMA money remained. Mr. Anketell said, yes, actually FEMA money has been used to cover rental of trailers for the faculty who ran the college of technology and for Architectural and Engineering services. Dr. Wood asked how the \$1 million allocation for demolition would be used. Mr. Anketell stated his personal opinion was that the construction budget might be on the light side because problematically the structure needs to be beefed up both in terms of its foundation and the structural slab. The overall cost for square footage of an engineering building is very modest compared to others around the state.

Mr. Moore said he agreed that the \$121 a square foot was modest. But, the cost is qualified as a warm building shell so where in the budget is the finish-out cost. Mr. Anketell said the finish-out cost, part of what still remains to be done, is to purchase equipment and the finishes for that building so that is an allowance being held for those types of expenses. Mr. Moore asked where the finish out money was in the budget. Mr. Burns said the most updated version of the University's budget was the two legal sheets included in the board packet. Mr. Anketell said the building was more than just shell. It is the total building envelope, structure, including group one equipment, so finishes means everything including carpet less moveable equipment. Mr. Moore asked under line item 10 where it says total building warm shell area 64,900 square feet, \$121 a square foot represents the build out costs, including the carpet, wall covering, painting, ceiling, less the fixtures. Mr. Anketell was not sure. He said it is all the equipment and hard finishes including the carpeting.

Dr. Wood asked if the legal sheets still reflect the \$1 million demolition cost. Mr. Burns explained that under letter A, construction cost, the demolition costs still reflect \$1 million. Mr. Burns asked if this figure would be adjusted. Mr. Anketell said yes. Dr. Wood said there really would not be any other demolition costs and Mr. Anketell agreed saying the only things left would be to remove the trailers and getting rid of the power and sewer requirements from the site. Dr. Wood asked what the Board was being asked to approve today. Mr. Burns stated the Board was being asked to approve the request for

financing and to select the consultants to begin assembling offering documents. At a future meeting, the Board would approve the specific structure, select a pricing date, and name the pricing committee.

Dr. Wood asked if the documents would show a million dollars less reflecting no demolition costs or how would that work. Mr. Burns stated the Authority would ask the University to scrub the numbers more tightly. Mr. Moore stated the numbers need revision including the \$1 million figure. Mr. Burns said the approval today would be up to \$31,500,000. The Board would have the flexibility at its next meeting to approve the size of the transaction. Mr. Moore said he wanted to point out that the owner's contingency is 10% of the hard costs and if the architect and engineer have done a good job, in today's world, the project should come in under budget.

Mr. Moore moved to approve the request Ms. Schiermeyer seconded.

Dr. Wood asked whether if it was necessary for staff to discuss its recommendations for consultants and professional services for the University's financing request, which were provided in the briefing materials. Ms. Durso stated that if the Board was comfortable with its briefing materials it could go forward or staff could explain its recommendations and the Board can ask questions. Dr. Wood entertained a motion in keeping with staff's recommendations for consultants and professional services as provided in the briefing materials and asked for discussion. Dr. Wood stated the consultants recommended were First Southwest Co. to serve as financial advisor, Andrews Kurth as bond counsel and the underwriting syndicate would be comprised of Southwest Securities, as bookrunner, Siebert Brandford Shank, Wells Fargo, Mesirow Financial and Stifel Nicolas.

Mr. Moore moved to approve the request for financing in an amount up to \$31,500,000, contingent upon the numbers being revised to reflect that the proceeds will be spent very prudently and to accept the recommended consultants. Ms. Schiermeyer seconded. There was no discussion. The motion passed unanimously.

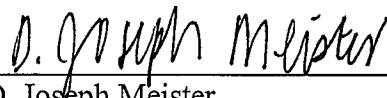
Item 5. Executive Director's Report--Market Update

Mr. Burns called the Board's attention to the information behind Tab C in the Board briefing book.

The Board was reminded that the next meeting would be on Tuesday, November 9, 2010, at 3 p.m.

The meeting adjourned at 10:32 a.m.

The foregoing minutes were approved and passed by the Board of Directors on November 9, 2010.

Handwritten signature of D. Joseph Meister in cursive script.

D. Joseph Meister
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!
Row inserted

TRD: 2010007545
Date Posted: 10/06/2010
Status: Accepted
Agency Id: 0113
Date of Submission: 10/06/2010
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 10/13/2010
Time of Meeting: 10:00 AM (##:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.028
City Location: Austin
State Location: TX
Original Meeting TRD#: 2010007523
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
 WEDNESDAY, OCTOBER 13, 2010, 10:00 A.M.
 Capitol Extension Hearing Room E2.028
 AUSTIN, TEXAS 78701

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members.
3. Approve the minutes of the September 2, 2010, Board meeting.

Agenda:

4. Consideration, discussion, and possible action to approve a Request for Financing from Texas Southern University to issue approximately \$31,500,000 of tuition revenue bonds to finance the construction of a new technology building, select a method of sale, appoint outside consultants, and take other action as necessary.

5. Executive Director's Report;TPFA Market Update

Executive Session:

6. 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, including evaluation of performance.

Reconvene Open Meeting

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

8. 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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