

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

November 9, 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 3:00 p.m., Tuesday, November 9, 2010, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Dr. Gary Wood, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Joseph Meister, Secretary; Mr. Rodney K. Moore, Member; Mr. Tom Roddy, Member; and Mr. Gerald Alley, 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; and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Dalton Smith, Curt Shelmire, Bank of America Merrill Lynch; Cheryl Allen, Mark Nicholson, First Southwest Securities; Debi Jones, Morgan Keegan; Karl Biggers, M. R. Beal & Co.; Tom Pollan, Bickerstaff Heath; Yava Scott, Siebert Brandford Shank; Paul Jack, Estrada Hinojosa & Co.; Tilghman Naylor, Jefferies; Ricardo Villasenor, Cabrera Capital markets, LLC; Heath Barber, Lance Etchverry, JP Morgan; Matt Johansen, Andy Bynam, Citi; Curtis V. Flowers, Loop Capital Markets; Carmen Best, Raymond James; A. Frank Farley, Wells Fargo Securities; Nora Chavez, Stifel Nicolaus; Tim Kelley, Piper Jaffray; Gene Crump, Texas Workforce Commission, Jorge Rodriguez, Coastal Securities; Tim Peterson, Chris Allen, First Southwest Co.; Paul Braden, Fulbright & Jaworski; Greg Shields, Andrews & Kurth; and Barron F. Wallace, Vinson & Elkins, LLP.

Dr. Wood called the meeting to order at 3:00 p.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.

Mr. Roddy moved to excuse the absence of Mr. Villarreal. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 3. Approve the minutes of the October 13, 2010, Board meeting.

Dr. Wood asked if there were any corrections or additions to the minutes of the Board meeting of October 13, 2010. Ms. Schiermeyer moved to approve the minutes as submitted. Mr. Meister seconded. The motion passed unanimously.

Item 4. Consideration, discussion, and possible action to select a Pricing Committee(s), adopt a Resolution and approve the Preliminary Official Statement, for the Texas Workforce Commission Unemployment Obligation Assessment Revenue Bonds, Series 2010, and take other necessary action.

Mr. Burns stated that Moody's had issued a rating of Aa1 for the TWC bonds, Fitch issued AA+ and both of those ratings are higher than the same security sold back in 2003. Standard and Poors rated the issued AAA, which is higher than the State's general obligation rating. Mr. Tim Peterson, First Southwest Co., provided a summary of the transaction, the structure, size and timing. The structure is very comparable to the 2003 transaction, there is 1-1/2 times coverage, excess revenues are used to pay off debt early, and there is no ability for any excess revenues to pay claims until all debt is repaid. In this transaction, a fixed-rate approach was taken instead of having a variable rate component that was used in 2003, removing liquidity risk exposure while providing certainty regarding debt service and projected assessments.

Mr. Peterson explained the transaction was tailored to the Texas Workforce Commission's needs and the impact on Texas employers. Ultimately, a 7-year level assessment was targeted with the idea that over time a lower tax rate would be possible for employers. Flexibility was included to allow for early payoff if the economy improves or if the Commission sets an assessment level higher than the minimum level. Restructuring flexibility is included should the economy worsen and debt needs refunding.

Mr. Peterson stated the driver on the timing had been the December 31 payoff on the zero percent federal advances. The first transaction is scheduled for the week of November

15th, and the first full week of December for the second transaction. Two bond sales are necessary to satisfy the statutory limitation of \$2 billion per issuance. The overall structure has to be limited to a ten-year maximum final maturity. The federal payoff is estimated to be \$1.9 billion with an overall financing of \$2.2 billion. The remaining \$300 million cash will be deposited for the trust fund. The cash on deposit will earn 4.36% creating some positive arbitrage. However, those dollars will be spent before the April receipts come in to the Commission. Given the quarterly nature of the cash flow and the weekly payout of benefits, the Commission will begin to draw on Title XII advances at zero percent interest rate.

The first tranche of the bond sale is approximately \$1.2 billion and is made up of substantially all of non-callable maturities, years 1-5, and some callable maturities for years 6 and 7. The ultimate sizing will be determined in real time depending on market conditions. There are a couple of maturities in a 13-month window that will be money market eligible and handled in a Dutch auction or sealed bid.

The second tranche of \$800 million is expected to sell on December 7. The bonds will consist of callable and super sinker bonds. Super sinker, or turbo, bonds are bonds that have the first right of redemption using excess cash revenues. The overall true interest cost is 2.6% for the early redemption, is 2.7% to final maturity. For the 2003 transaction, the true interest cost of financing \$1.4 billion bonds was 3.12%. Mr. Peterson reviewed the cash analysis and asked for questions.

Mr. Burns stated that Gene Crump, Deputy Executive Director of the Texas Workforce Commission and its general counsel were available for questions.

Mr. Meister asked how the proposed transaction compared to transactions in other states. Mr. Peterson said Texas was really the first state out in the market. Some states do not have the authority to sell the debt, some states are borrowing from the federal government, there are some federal tax implications for some states, and each state's has its own particular economic situation. The triple-A rating is testimony to the strength of Texas in a down market.

Mr. Alley asked about the two separate sales. Mr. Peterson stated there were two sets of offering documents with sales occurring on two separate dates with the same syndicate, although Bank of America Merrill Lynch will run the books on the first transaction and Citi will run the books on the second one.

Mr. Meister asked what impact the federal government's Quantitative Easing program would have on these bonds, if any. Mr. Peterson asked if Mr. Meister meant with regard to employment or interest rates. Mr. Meister clarified with respect to the pricing of the bonds. Mr. Peterson said effort had been taken to side step the Federal Open Market Committee meeting on December 14 and that avoiding the market immediately before or after the federal government speaks is an objective. Mr. Peterson also stated that the

Commission had set the obligation assessment to consider some interest rate volatility between now and pricing.

Dr. Wood requested volunteers to serve on the pricing committee for both sales, November 18 and December 7, in New York. Mr. Alley volunteered to attend the pricing in New York for the November 18 sale, Mr. Roddy and Ms. Schiermeyer volunteered to participate by telephone. Mr. Moore agreed to be the alternate.

Mr. Roddy and Ms. Schiermeyer both volunteered to attend the December 7 sale in New York. Mr. Meister agreed to participate by telephone, and Dr. Wood agreed to serve as alternate.

Mr. Meister moved to appoint the pricing committees as stated, adopt the Resolution, approve Preliminary Official Statement and other transactional documents. Mr. Moore seconded. The motion passed unanimously.

Item 5. Executive Director's Report—TPFA Market Update

Mr. Burns directed the Board's attention to the fourth page behind Tab C, entitled "Municipal Investment by Maturity," a bar chart. Mr. Burns said he wanted to provide educational information regarding the bond market that Board members may not be exposed to on a daily basis. The bar chart, provided by Wells Fargo, is a chart that shows what types of investors are usually the most interested in buying bonds of certain maturities along the yield curve.

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.

The Board began an Executive Session at 3:28 p.m.

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.**

The Board reconvened the open meeting at 3:58 p.m. No action was taken as a result of the Executive Session.

Dr. Wood stated the next board meeting would be Thursday, December 2 at 10 a.m. The meeting was adjourned at 3:58 p.m.

The foregoing minutes were approved and adopted by the Board of Directors on January 6, 2011.



D. Joseph Meister
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!
Row inserted

TRD: 2010008269
Date Posted: 11/01/2010
Status: Accepted
Agency Id: 0113
Date of Submission: 11/01/2010

Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 11/09/2010
Time of Meeting: 03:00 PM (###:## 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
TUESDAY, NOVEMBER 9, 2010, 3:00 P.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.

Agenda:

3. Approve the minutes of the October 13, 2010, Board meeting.
4. Consideration, discussion, and possible action to select a Pricing Committee(s), adopt a Resolution and approve the Preliminary Official Statement, for the Texas Workforce Commission Unemployment Obligation Assessment Revenue Bonds, Series 2010, and take other necessary action.

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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