

Texas Public Finance Authority

Board of Directors:

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Ruth C. Schiermeyer, Vice Chair
Gerald Alley, Secretary
Billy M. Atkinson, Jr.
Mark W. Eidman
Rodney K. Moore
Robert T. Roddy, Jr.

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

April 7, 2011

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, April 7, 2011, William P. Clements Building, 300 West 15th Street, Room 103, Austin, Texas. Present were: Ms. Ruth Schiermeyer, Vice Chair; Mr. Tom Roddy, Member; Mr. Gerald Alley, Member, Mr. Mark W. Eidman, Member; and Mr. Billy M. Atkinson, Jr., 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: Tilghman Naylor, Mark Ellis, Jefferies & Co.; Art Morales, Yava Scott, Siebert Brandford Shank & Co.; Dalton Smith, Bank of America; Cheryl Allen, Mark Nicholson, Southwest Securities; Robbi Jones, Kipling Jones & Co.; Jerry Kyle, Andrews & Kurth; Patrick Scott, Barclays Capital; George Pedraza, Wells Fargo Securities; Jorge Rodriguez, Daniel Rodriguez, Coastal Securities; Brit Stock, Sterne Agee; Keith Richard, Morgan Stanley; Tim Peterson, JP Morgan; Cheryl Rosenberg, Haynes & Boone; Ricardo Villasenor, Cabrera Capital Markets; Jodie Jiles, RBC Capital Markets; and Kim Edwards, Fidelity Capital Markets.

Ms. Schiermeyer called the meeting to order at 10:01 a.m.

Item 1. Confirm meeting posting compliance with the Open Meetings Act.

Ms. Schiermeyer 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 Messrs. Meister and Moore. Mr. Alley seconded. The motion passed unanimously.

Item 3. Introduction of Newly Appointed and Confirmed Board Members.

Ms. Schiermeyer introduced Mr. Billy Atkinson, Jr. and Mr. Mark W. Eidman.

Item 4. Election of new Board Secretary.

Mr. Roddy moved to appoint Gerald B. Alley as Board Secretary. Mr. Atkinson seconded. The motion passed unanimously.

Item 5. Approve the minutes of the April 7, 2011, Board meeting.

Ms. Schiermeyer asked if there were any corrections or additions to the minutes of the Board meeting of April 7, 2011. Mr. Eidman moved to approve the minutes as submitted. Mr. Alley seconded. The motion passed unanimously.

Item 6. Discuss and possibly take action on agency administrative matters, including (1) review, possible revision, and approval of the Board's underwriting policies and procedures; and (2) review, possible revision, and approval of TPFAs' personnel policies.

Mr. Burns stated that the Authority's General Counsel had prepared some draft documents for the Board's consideration to address certain ambiguities in existing policies and procedures. The proposed underwriters' policy would clarify some definitions, provide guidance on the use of the management and structuring fees, and allow the pricing committee members to have signatures escrowed in advance of the pricing. Mr. Burns also offered that Ms. Durso will discuss proposed changes in the agency's personnel policies, such as the inclusion of a reduction-in-force policy.

Ms. Durso stated the first part of the "Tab B board materials" is a copy of the Board's underwriting policies and procedures, which include not only the policies that the underwriters are expected to follow, but also the selection policy and the pricing committee policy. These policies were last reviewed by the Board in 2008. Because then there has been some turnover on the Board and it would be good for the current Board to discuss the pricing committee procedures and also the use of structuring fees and management fees in appropriate cases.

Because the use of structuring or management fees is not addressed in the current policies Ms. Durso recommended including some guidelines about how the fees are to be used.

Overall, she stated it was a good idea for the Board members to have an opportunity to look at the policies, think about them, and decide if this a policy the Board still wants to continue following. If it is not, the Board can make changes and if it is, then the Board can re-adopt the policy so it is clear that the policy has been reviewed since 2008. Ms. Durso noted that Mr. Burns had introduced some of the highlights that are in the underwriting policies and procedures for negotiated sales. Included in the Board materials is a draft version of that document that has some underlining and interlineations. That particular black-lined version is where the recommended changes are easily identified. This document can be found after the second blue page behind Ms. Durso's memo. If the Board has other concerns those too can be discussed.

Sometimes the term "Authority" refers to the Board, sometimes it refers to the Authority and sometimes refers to staff. It should be clear that the Authority is acting in its capacity as the Authority whether it is the Board or any designee that the Board delegates authority to such as the executive director or the pricing committee or any other member of staff. The clarity is important because sometimes it causes confusion if a different term is used about whether it is limiting it to that particular job description, that particular pricing committee, etc. So, those are some of the more clean-up type changes that are in the underwriting policies and procedures.

Ms. Durso did not recommend any changes on the pricing committee designation policy and stated those policies were working well. But, again, she explained that the policy is before the Board for determination if it is still working from the Board's perspective. She included some information about current managing and structuring fee policies. The Bond Review Board conducted an informal poll of some state agency issuers such as the Water Development Board. The feedback shows how each of those agencies deals with management and structuring fees. In the recent past, management and structuring fees have been used in a couple of situations. It was determined to be appropriate if there had been an unusual set of circumstances either that occurred on pricing day with the market or that occurred because of interactions with a client agency that perhaps the best way for us to appropriately compensate the work that was performed above and beyond or outside the confines of the contract was to do it with the managing or structuring fee. The Board has had some questions about how to use the fees in the recent past.

The second part of Tab B board materials deals with personnel policy issues. The Authority had its periodic review performed by the Texas Workforce Commission Civil Rights Division recently. The audit is an overview of the personnel policies to verify the policies are appropriately communicating issues related to equal employment opportunity laws. Prior to the audit, Ms. Durso reviewed the personnel policy and updated some of the language.

The Authority had a successful audit conducted by the Texas Workforce Commission Human Rights Division. The auditor made some recommendations, but there is no requirement to adopt any of the suggestions. The recommendations reflect what the

auditor considers to be best practices. Each of the auditor's suggestions is outlined in a document and my recommendation is found below it. Some of the suggestions are not appropriate for a small agency. It is not necessary that the Authority conduct some of these reviews more frequently than annually. For example, the continuous analysis of our workforce against the same percentage of workforce in the State is not necessary because the Authority does not have that kind of turnover. A big agency that has frequent turnover that recommendation might make more sense. There are some other suggestions that were good recommendations and it may be those suggestions should be adopted in some form or the suggestion triggered something that could be done a little better.

One of the suggestions not from the auditor is for a reduction-in-force policy to be in place. The advantage to having that policy adopted before a situation exists where a policy has to be implemented is that it reduces any questions about the policy and how it metes out, whether someone might feel that it targets a particular person. In a very small agency such as the Authority, there are not repetitious positions so it would be rare to find an opportunity where the decision is between two people holding the same job and whether seniority should be in place or something of that nature. All of the Authority's positions will be decided on an appropriate functional basis. Nonetheless, it is appropriate that a policy cover the breadth of things that might happen. That is why this policy covers some things that are not anticipated now.

Another proposed change addressed in the interviewing and selection procedures is that the process demonstrate compliance with State law and also so that the information is documented appropriately when someone is hired. The changes are necessary to be sure that interview questions and the folks who do interviews are trained in the types of questions that can be and cannot be asked. Sometimes questions seem on their face not to be directed at an inappropriate request for information such as whether a person has children or a spouse or things like that, but the way the inquiry is worded can sometimes be or lead to an applicant thinking that is what is desired.

Workplace accommodation materials for people who might need an accommodation under the Americans with Disabilities Act which is often called the ADA are included for review. The current policy could be clearer if an employee or applicant was concerned about how to go through that process. This issue may not be something the employee wants to go ask somebody about before learning from a reference first and determining whether the employee really wants to make a request or learns how to go about it. Recommendations on how this policy might be improved are included on the draft. Also, language addressing the process of making sure that confidentiality is maintained on any such request is included because those documents are treated the same as any other health related documents.

A proposed reduction-in-force policy is presented for your review. It is pretty straight forward.

Next, Ms. Durso recommended an update to the Authority's grievance policy. The current grievance policy adopted in TPFA's personnel manual does not address a grievance against the executive director. And, not that it is suggested that a grievance would occur, but if an employee did have one, the current policy would suggest that the employee go to the executive director, which may be uncomfortable. It may create a situation where if, in fact, the employee did bring a grievance against the executive director then that information might never be shared with the appropriate people. So, my recommendation is simply to give an employee who has that kind of complaint another avenue to come to the General Counsel and then that information can be shared with the Board so that an appropriate response or method of dealing with it may be created.

Then, there was a recommendation about the performance evaluation instrument for reviewing employees. The current instrument in the Authority's records called for checkmarks rating performance. The recommendation from the auditor and also a good employment practice is to have something that gives the employee a little more feedback about where the employee is doing something well and where the employee is meeting expectations, where the employee is doing something that needs improvement or doing something that is really outstanding. The evaluation form touches along the areas to evaluate an employee's performance making it a little more thorough instrument. Ms. Durso recommended adoption of an evaluation process of that nature, but if that doesn't suit the Board, she stated she could provide other options for consideration.

There is also an evaluation form for the executive director for staff to provide input. It doesn't look like it has been reviewed since 2000. However, it does cover all the things that the Board might want input on and so again it is there for the Board to review. Ms. Durso stated she believed the form was fine in its current form, but wanted the Board to have an opportunity to decide if it suits the Board.

The Board has discussed evaluating the executive director and the annual evaluation period is approaching, and so she again placed some materials in the Board materials for consideration as the Board starts to go through that process. Ms. Durso stated she thought the Chair anticipates being present and would like to be present when the Board makes all those decisions so there is no request to make any decisions today. If the Board would like more time to study some of these policies and come back that is certainly appropriate. Ms. Durso wanted to get the materials before the Board so it could discuss the materials, think about the materials, and decide what if any changes the Board would like to make. She stated she was happy to answer any questions.

Ms. Schiermeyer asked if there were any specific changes that Ms. Durso would like to bring to the Board's attention.

Ms. Durso explained that she had quite a bit of experience with this employment law area, and these procedures, processes and policies have worked well in the past when she

had these types of situations arise when she was a general counsel at other agencies. She stated she felt the proposed policies are tried and true. These policies have been reviewed and approved before, and were found to be very workable.

Mr. Burns stated that he agreed with Ms. Durso and her assessment of the proposed changes in the personnel manual. He also stated that it was the Board's decision, of course, to peruse the policies and make the determinations. He then referred back to the underwriting procedures and stated it was his opinion that it was much easier on the pricing committee if the process of escrowing those signatures in advance was codified, provided the Board trusts the general counsel to not release signatures until the Pricing Committee has approved a bond sale having gone the way desired, then it is a much smoother process.

Also, Ms. Durso continued, stating it was her belief that it was good to get those definitions of management fee and structuring fee in the policies to clarify use of the terminology and also to consider that something is available to the Authority or its designee in an appropriate case for rewarding extra work, additional work or more complex work. She recalled that on some recent occasions where it seemed particular appropriate to utilize those tools to deal with a circumstance that could not have been anticipated.

Mr. Eidman asked how that determination would be made. Mr. Durso stated a couple of examples. The Authority had a client agency that spent quite a bit of time working with one of our consultants before the financing request was submitted. Under state procurement law, the Authority cannot pay for work that happened outside the contract. However, that work made the deal structure and rating presentation and everything just go so much more smoothly because the consultant helped this client agency prepare, get their documents in order, and all of that work the Authority was not able to recognize in a regular hourly rate within the confines of the contract. Ms. Durso stated she thought it was an appropriate time to utilize a structuring fee because without using the fee that all of that work was done without compensation. While she was sure the work was done in good faith and without expectation, it really did make the whole financing go much more smoothly because it was taken care of ahead of time. That was one instance where Ms. Durso thought it was very appropriate use of that fee.

The Authority had opportunities where the market conditions were moving and changing during the middle of a pricing and underwriters stepped up and bought the bonds because the market was not cooperating and our client agency had a time frame that was not flexible. The use of a management fee was appropriate in that case. Typically, what has happened in the past is the members of the Board, or staff, in conjunction with something happening on pricing day, have been able to discuss and decide that was an appropriate time to use a fee and usually use some percentage of the number of bonds or some other flat number. In anticipation, a lot of times, the Authority's staff has already built the numbers into the Bond Review Board application just in case and we have to work within

those confines. So, those are two occasions that have occurred in the recent past where management and structuring fees were considered. Ms. Durso stated some of the members present have been on a pricing committee when these things have come up and have felt like this was appropriate time to use a management fee. She asked if she had answered the question. Mr. Eidman said "I think so."

Mr. Roddy said, "Susan, I don't know where it said it, but in the document I think it said a small management fee, did it not?" Ms. Schiermeyer stated it said "a small optional fee" paid to the underwriters. Mr. Roddy said he was not sure what small means in this case. Ms. Durso said, that she used the definition that was used in the materials that the Bond Review Board had on what the definitions were. She stated she took a little liberty in drafting it. She was trying to suggest that it was not in the same range as the takedown. It is usually somewhere significantly south of that, but is not a small number as in you could get more than a cheeseburger. The word small can be removed or changed if that suits the Board. Ms. Durso said the definition being talked about is on page 2 of the copy that has says "revised April 2011 black-lined." Mr. Burns said suggestions could be certainly entertained. Mr. Roddy said he was not prepared today to suggest anything, but does believe it is something that needs to be discussed, what that would be, how it would be determined. In December, he said he and Ms. Schiermeyer did exactly that and he was not sure the parameters were understood and it needs to be defined better.

Ms. Durso said it was common practice to consult with financial advisors on what might be appropriate for the fee whether it be based on a percentage of the bonds number, order number or a flat dollar figure as a result of the overall transaction principles. Mr. Burns stated one of the best ways to handle the fee would be to review the information in the back of the Board packet about the previous management and structuring fees awarded and that the numbers could be tied to a ratio and provide a quantifiable measure of historical practice. Mr. Roddy said that would help. Ms. Durso said she hesitated to tie the Board to one particular methodology, but would be interested to learn the Board's feedback on what is an appropriate way for that decision to be made since many times it is going to be made by something less than the full Board. Mr. Burns agreed. Ms. Durso indicated that was the reason no language was included specifying percentage or flat rate. Mr. Roddy said he thought if the Board had an idea, not to tie us down, but an idea on the difficulty of a certain issue, how much would of a fee it would justify allowing that it could be more or less would help. Ms. Durso indicated there was nothing in the policies that that demands a decision today. Mr. Roddy suggested the Board review the materials, digest the content and wait for the other directors to be involved in the decision.

Ms. Durso directed the Board's attention to the section that says "management fee and date," the following spreadsheet showing what has been paid in the past and when it has not and, again, sometimes the difficulties arise on the day of pricing, but staff can certainly go over this with the Board as to why this particular deal seemed to be the right place for one and how it came to be. Ms. Durso stated this issue may require some

contemplation and opportunity for discussion so the Board would have more comfort in its use.

Mr. Roddy said that in New York, during last December, that rates started moving up and there was a lot of work in successful underwriting of that issue and when the sale was completed, questions arose as to where to go, what to do and how to handle the management or structuring fee issue.

Mr. Atkinson asked if this agenda item was something that could be approved today and then amended if additional information was consideration later. Ms. Durso said absolutely, it could be approved today or the Board could wait to act on it. Ms. Schiermeyer said the board could wait a month. Ms. Durso said there was no pressure to act and this meeting is simply the first opportunity for her to share these materials with the Board in appropriate meeting.

Mr. Alley asked about the performance evaluation scenario and whether our evaluation tools were modeled after similar agencies or whether a new process was created to evaluate and appraise individuals as well as executive directors. Ms. Durso stated that employment law is really pretty much the same whether applied to a small agency or a big agency. She explained that the focus of a performance evaluation is, first of all, ensure that expectations have been properly communicated in advance so that somebody knows what is expected of them as they are doing their job. Performance evaluation should be based on some objective measures and also give the employee the kind of feedback that will help them either continue doing what they are doing well, improve what they are not doing well, know that what they are doing while meets expectations really is not stellar, if they are deluded into thinking that they are something they are not, and also want to document what has been communicated so that if it comes up in the future there is no question about what has been communicated. A good performance evaluation is a very long process. It starts from the beginning with the job description and it goes all the way through the year. It is like having a kid and you don't wait until Christmas day to say oh, by the way, you are not getting a present back in March you broke the window. The employee should not have any surprises on the day you actually sit down and go through it.

This particular document is one that is pretty basic, it evaluates the appropriate areas and gives room for comment without being too specific to a particular person, but in an overall picture, it is not the same as a lot of other people's forms, but it has the same features. It elicits the same information. Mr. Alley stated the reason he was asking the question, especially with respect to the executive director's evaluation process, was whether the Authority is using a model that is similar to other agencies.

Ms. Durso said the executive director review process is different from what is included. She indicated she had shared some information with the Board and will be sharing more information with the Board at a later time. For the employees who are not at that level,

these are processes that are utilized in other agencies and other arenas, private and public, the same procedures and policies.

Mr. Burns said that in addition to the performance evaluation templates that are provided to the Board that are specific to this agency that the Authority, on a biennial basis, conducts a survey instrument of assessing employees opinions and attitudes and those are based on a model that is used by state agencies. Ms. Durso said these procedures and evaluation forms do not re-invent the wheel.

Ms. Schiermeyer asked if there were any other questions. She then suggested that the Board review this item of the agenda over the next month and that she would accept a motion to postpone until the next meeting.

Mr. Atkinson asked which portion is that again. Ms. Schiermeyer said the portions just discussed; Ms. Durso said everything under Tab B.

Mr. Eidman moved to postpone a decision on this item. Mr. Alley seconded. The motion passed unanimously.

Item 7. Consideration, discussion and possibly take action to authorize staff to issue a Request for Proposals to obtain professional services for review, training and revision of procedures, including development of a written procedure for client agencies related to post-issuance monitoring and compliance as needed to ensure compliance with current law.

Mr. Burns stated the Authority would like to solicit proposals for professional services to address monitoring and compliance issues. Since passage of the recent Dodd-Frank Act the municipal bond issuers are required to undertake more responsibilities to monitor bond proceeds than is currently being done.

Ms. Durso stated the Authority's current monitoring and compliance practices utilize Memorandum of Understanding (MOUs) and financing agreements between client agencies and TPFAs when it issues debt on their behalf. These financing agreements and MOUs have all the information needed to comply and follow the right practices on the expenditures and records retention. In many of the state agencies for which debt is issued, the folks who have the document are not the folks who are on the project and so there is turnover, disconnect and the information does not get shared appropriately. So, as we are moving into a more regulatory environment where the IRS and SEC are increasing their resources to audit municipal issuers. Ms. Durso stated that since the Authority is somewhat distanced from the expenditures unlike agencies or issuers that manage their own debt, work with a lean staff and could use help by procuring some professional services to provide training. Some of the recent outcome of recent audits in New Jersey and San Francisco revealed a lack of training, a missing policy or procedure and help develop a manual for the Authority and another manual for client agencies. This will

enable us to have a well documented, robust monitoring and compliance function. An opportunity exists with our budget where there is a little savings because of the two retirements and seems to be a good time to obtain these services.

After the proposals are received and evaluated that information would be presented to the Board for a decision about the contract and cost. Mr. Eidman moved to approve staff's request to issue a Request for Proposals for professional services. Mr. Atkinson seconded. The motion passed unanimously.

Item 8. Consideration, discussion and possibly take action to authorize staff to issue a Request for Proposals to obtain and evaluate proposals for private liquidity to support agency commercial paper programs should it be necessary.

Mr. Burns stated the Comptroller's office provides liquidity at a favorable interest rate for the six commercial paper programs in place. The current programs are under contract until the end of the fiscal year. The Authority's liquidity needs over the next biennium are anticipated to be about \$800 million.

When the Authority issues commercial paper it is for a term that extends no longer than 270 days. For the most part, except for the Master Lease Program and the Windstorm Insurance Program, these other programs are based on the full faith and credit of the State, general obligation debt approved by voters. Typically, on a biennial basis, we'll first satisfy client agencies' needs by drawing down funds as needed for the agencies construction projects. Interest rates for commercial paper are less than .3% compared to rates of 3-4% for long-term debt. So, it is advantageous to have those notes being utilized on the short-term basis to achieve savings to the State. It allows us to issue debt when it is needed and not to pay interest on a debt not yet being utilized.

The process of using commercial paper has served the Authority well. The Comptroller's office, as the liquidity provider, is the buyer of last resort. If the Comptroller's Office is not able to provide the total level of liquidity support needed, the Authority would like to issue a RFP to determine private liquidity costs. Ms. Schiermeyer asked if the Board's approval to issue a RFP would only allow the Authority to utilize private liquidity if the Comptroller's office was unable to provide the liquidity.

Ms. Durso stated this request was to issue, gather and evaluate the proposals. Then, that information would be shared with the Board for another decision to be made. The Board would need to agree to the contracts staff proposed and one of the conditions could be that private liquidity will only be utilized if the Comptroller's office is unable to provide it. Ms. Schiermeyer clarified her question asking what is the intention of the Authority should liquidity remain available from the Comptroller's office. Mr. Burns stated the Authority's first choice would be to utilize the State's liquidity. Mr. Eidman

asked if this action was just a back-up in case at the end of this biennium there is a problem with the State providing the liquidity and Mr. Burns said "yes."

Mr. Alley moved to approve staff's recommendation to issue a Request for Proposal for private liquidity providers. Mr. Eidman seconded. The motion passed unanimously.

Item 9. Consideration, discussion and possible action to select team members to analyze refunding opportunities and take other necessary related action.

Mr. Burns said the Authority had reviewed its outstanding commercial paper programs. He said that long term interest rates are favorable enough that it may be worth considering converting short-term commercial paper into long-term bonds. Converting commercial paper to long term debt also frees up the program for new requests from our client agencies. In addition to commercial paper takeout, refunding opportunities are evaluated along with new money for client agency needs over the next biennium for long-term general obligation issuance.

At this time, there is tax-exempt commercial paper and a taxable commercial paper program for the Cancer Prevention and Research Institute. Staff requests that the Board set up two financing teams to sale bonds this summer if market conditions are okay. One team would handle the taxable commercial paper and another team to handle the tax-exempt. The reason for requesting two different teams is that the market for taxable bonds in many respects is different than the tax-exempt bonds that there is a difference in culture, in investment base, a difference in procedures that are used and the structures typically used. It is a cleaner process to have two different sales.

Staff looked at the consultants that would be a good fit for each of the program considering past performance and the comfort level of going into the taxable market for the team. As we approach the end of the biennium, the Authority's underwriting pool has been in place almost two years and some members of the pool have not have a chance to participate yet. When firms participate, it is possible to establish a base line for performance. Staff recommends that the Board establish a team that we have in place.

For financial advisor for the tax-exempt transaction would be Coastal Securities. Coastal has been the financial advisor used for general obligations sales.

For the taxable deal, McCall Parkhurst for bond counsel, currently being used on the Cancer Prevention bond transaction. The underwriting team bookrunner would be Jefferies and Co. (they serve as dealer for a commercial paper program and they provided some very good rates for us in the short-term), the rest of the syndicate would be JP Morgan, Mesirow Financial Products, Morgan Stanley, Piper Jaffray, Raymond James, Stifel Nicolaus, Wells Fargo Securities. Mr. Burns stated he had provide the Board some notes about how the determinations were made that are in alignment with underwriting

procedures that shows the firms' capitalization and shows capacity for underwriting the size of security needed. Each transaction is currently estimated to be around \$300 million, but will change as it is decided what to include, the fix-out, refunding, new money and what market conditions are, etc.

For the tax-exempt transaction, the financial advisor will be Coastal Securities, bond counsel will be Vinson & Elkins, long-standing bond counsel for general obligation and revenue transactions. For the underwriting team, dual team for seniors, bookrunner as Siebert Brandford Shank. Siebert Brandford Shank has been the bookrunner for several large transactions in Texas, and other parts of the states. RBC provides a larger capital base than Siebert and while Siebert has shown on several occasions to step up and underwrite bonds, it is also good to have someone at the table, and when you have a co-senior they are in the room with you and if you need them to write a \$50 million, it is good to have them sitting in front of you. Also, for the rest of the syndicate staff recommends Barclays Capital, Hutchinson, Shockey, Erley, MR Beal & Co., Ramirez & Co., SAMCO Capital Markets and Sterne Agee & Leach.

The process would be whatever team the Board decides on they would get started assessing the market putting a timeline in place for developing documents, come back to you with draft offering documents and idea of what structuring we would like to pursue and at that point, if the Board blesses the offering documents, then we would go forward to the market with the credit rating, Bond Review Board approval, you'll would establish the pricing committee. Today, we are just putting the finance team in place. The rest of the spring would be used to put together the rest of the transaction.

Ms. Schiermeyer asked about the size of the transaction. Mr. Burns said that the commercial paper programs were in range of a \$600 million deal. Ms. Schiermeyer stated that the bookrunner had \$16 million. Mr. Burns said the rule of thumb is multiplying that by 10 and that is a size of a deal the Board is comfortable with undertaking – that is about half the deal, so that is why I would like to have a co-senior on this deal. If you have a co- firm that is smaller sometimes it is difficult, and if you have the other senior is a bookrunner, it is difficult to ascertain what the added value is of having the other co-firm. My recommendation flips that, you have the bookrunner working hard, has to carry out the logistics of bringing in the orders, coordinating the team and it just takes an experienced underwriting desk to do that and you have that with Siebert. But, as a back-up you need someone in the room to, and again, that is the responsibility of the whole syndicate, because that is how you establish liability, it is good to have someone else in the room with deep pockets again, if you need a big check to be written, you want an answer quickly and so that just adds added support. This gives a logical support for having a larger firm there that may not be logistically in charge, but it is hard to have more than one firm running books, but if you have someone on the side that is bringing their capital to bear, almost a billion dollars in capitalization that is worth having in the room for.

Ms. Schiermeyer asked if there were any other questions. Mr. Roddy moved to accept staff's recommendations for one team appointing Coastal Securities as financial advisor, McCall Parkhurst and Horton, to serve as bond counsel and Jefferies & Co., JP Morgan, Mesiroow Financial Products, Morgan Stanley, Piper Jaffray, Raymond James, Stifel Nicolaus, and Wells Fargo Securities, to serve as the underwriting syndicate with Jefferies & Co., serving as bookrunner, to fix-out taxable commercial paper related to the Cancer Prevention and Research Institute CP program and include new money issuance if appropriate. Mr. Alley seconded. Mr. Atkinson recused himself from the vote due to possible conflicts with Price Waterhouse Coopers' clients until after his July 1 retirement. The motion passed unanimously.

Mr. Alley moved to accept staff recommendation of the second team appointing Coastal Securities, as financial advisor, Vinson & Elkins, to serve as bond counsel, and Siebert Brandford Shank, RBC Capital Markets, Barclays Capital, Hutchins, Shockey, Erley & Co., MR Beal & Company, Ramirez & Co., SAMCO Capital Markets, and Sterne Agee & Leach, as the underwriting syndicate with Siebert serving as bookrunner and RBC serving as co-senior to fix-out tax-exempt general obligation commercial paper, if appropriate include new money issuance, and undertake refunding opportunities for GO debt that offer savings within TPFAs guidelines. Mr. Roddy seconded. Mr. Atkinson recused himself from the vote due to possible conflicts with Price Waterhouse Coopers' clients until after his July 1 retirement. The motion passed unanimously.

Item 10. Report on the sale of the TPFAs Texas Southern University Revenue Financing System Bonds, Series 2011.

Mr. Burns stated that the Authority sold approximately \$30 million in bonds for Texas Southern University in January and that the University was pleased with the sale. He introduced Cheryl Allen of Southwest Securities to report on the sale.

Ms. Cheryl Allen, Southwest Securities, stated Mr. Mark Nicholson accompanied her today. She stated that in October, TSU had approached the Authority to sell bonds for certain campus improvements. Between October and mid-December, all of the approvals for the sale, ratings and insurance qualifications were obtained. The cost of insurance was prohibitive so the bonds were sold uninsured at a triple BBB rating. On January 10, the Board approved the issuance and the underwriting team began its due diligence meetings. The bonds priced on January 19.

Ms. Allen reviewed the pricing book and reported that the market was difficult with the order period beginning at 9 a.m. and by noon, orders for only half the bonds had been placed. This sale occurred during the time period when certain allegations that municipal bond issuers were going to default on bonds. After discussions within our firm and with syndicate members, the decision to underwrite the bonds was made so about \$17 million was purchased by Southwest Securities and the syndicate. Those bonds continued to be sold after the transaction had been priced and completed. Ms. Allen

indicated Southwest Securities still retained some of the bonds. The sale was completed within the parameters set by the Board.

Item 11. Staff Report (No Action Items)

- a. **Status of FY 2012-2013 Appropriation bills as related to agency budget.**
- b. **Renewal of Authority's property insurance for facilities financed with lease revenue bonds.**

Mr. Burns said these agenda items were for update purposes only and no action was required. Mr. Burns said that the introduced budget reduced our full staffing levels by 3 which is a lot for the Authority and would have necessitated one layoff. Both the House Appropriations Committee and the Senate Finance Committee have agreed to restore those staffing positions and to allow the use of non-general revenue resources to continue paying for those staffing resources without increasing fees to client agencies. The debt service budget is still pending and is not likely to be ironed out until the conference committee process stage.

The Board reviewed the meeting date and time which is usually on the first Thursday of each month at 10 a.m. The new Board members indicated the schedule worked for them. Ms. Schiermeyer explored moving the time a bit later to accommodate flights and drives. The Board decided that a 10:30 a.m. meeting time was better and would become the new meeting time unless it was changed again in May.

Item 12. Adjourn.

The meeting adjourned at 11:26 a.m.

The foregoing minutes were approved and adopted by the Board of Directors on May 5, 2011.


Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Current Meeting Notices

Agency Name: Texas Public Finance Authority
Date of Meeting: 04/07/2011
Time of Meeting: 10:00 AM (Local Time)
Board: Texas Public Finance Authority
Status: Active
Street Location: 300 West 15th Street, Room 103
City Location: Austin
Meeting State: TX
TRD ID: 2011002236
Submit Date: 03/30/2011
Emergency Meeting?: No
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.
Agenda: TEXAS PUBLIC FINANCE AUTHORITY
THURSDAY, APRIL 7, 2011, 10:00 A.M.
William P. Clements State Office Building, Room 103
AUSTIN, TEXAS 78701

AGENDA

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members, if necessary.
3. Introduction of Newly Appointed and Confirmed Board Members.
4. Election of new Board Secretary.
5. Approve the minutes of the January 6, 2011, Board meeting.
6. Discuss and possibly take action on agency administrative matters, including (1) review, possible revision, and approval of the Board's underwriting policies and procedures; and (2) review, possible revision, and approval of TPFA's personnel policies.
7. Consideration, discussion and possibly take action to authorize staff to issue a Request for Proposals to obtain professional services for review, training and revision of procedures, including development of a written procedure for client agencies related to post-issuance monitoring and compliance as needed to ensure compliance with current law.
8. Consideration, discussion and possibly take action to authorize staff to issue a Request for Proposals

to obtain and evaluate proposals for private liquidity to support agency commercial paper programs should it be necessary.

9. Consideration, discussion and possible action to select team members to analyze refunding opportunities and take other necessary related action.

10. Report on the sale of the TPFA Texas Southern University Revenue Financing System Bonds, Series 2011.

11. Staff Report (No Action Items)

a. Status of FY 2012-2013 Appropriation bills as related to agency budget.

b. Renewal of Authority's property insurance for facilities financed with lease revenue bonds.

Executive Session:

12. a. Pursuant to Texas Government section 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 section 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:

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

14. Discuss future meeting dates, if necessary.

15. Adjourn.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Paula Hatfield 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.

For comments and or questions about this website please contact *Texas Register* register@sos.state.tx.us