

Texas Public Finance Authority

Board of Directors:

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

Dwight D. Burns
Executive Director



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

June 2, 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 10:30 a.m., Thursday, June 2, 2011, Stephen F. Austin State Office Building, 1700 North Congress Avenue, Room 170, Austin, Texas. Present were: Mr. Joe Meister, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Gerald Alley, Secretary; Mr. Rodney Moore, Member; Mr. Mark Eidman, Member; Mr. Tom Roddy, Member; and Mr. Billy M. Atkinson, Jr., Member.

Representing the Authority's staff was: Mr. Dwight D. Burns, Executive Director; Ms. Susan K. 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: Art Morales, Siebert, Brandford Shank & Co.; Kim Edwards, Fidelity Markets Co.; Tim Peterson, JP Morgan; and Kathy Wilson, Office of Attorney General.

Mr. Meister called the meeting to order at 10:30 a.m.

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

Mr. Meister confirmed the meeting had been duly posted in compliance with the Open Meetings Act.

Item 2. Excuse absences of board members.

There were no absences.

Item 3. Approve the minutes of the May 5, 2011, Board meeting.

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of June 2, 2011. Mr. Burns indicated there were two typographical corrections. In the first paragraph, the word "member" after Mr. Alley's name should be "Secretary." On page 3 in the third paragraph, the word should be "he." Mr. Alley stated he wanted the word "totally" inserted before the words subjective award on page 3, paragraph 3. Ms. Schiermeyer moved to approve the minutes as amended. Mr. Alley seconded. The motion passed unanimously.

Item 4. Consideration, discussion and possible action to approve for publication and comment in the Texas Register TPFA's Rules regarding use of negotiated rulemaking pursuant to Government Code chapter 2008 and the use of alternative dispute resolution procedures pursuant to Government Code chapter 2009.

Mr. Burns stated the Sunset Commission had made an across-the-board recommendation for state agencies to adopt a policy regarding negotiated rulemaking and alternative dispute resolution. Ms. Durso explained that it is desired for all state agencies to have a similar policy and that the State Office of Administrative Hearings and the Office of Attorney General developed the proposed draft language. The proposed rules need to be published in the Texas Register allowing for a reasonable comment period. The Board can adopt the rules as published if no comments are received or as changed, unless the change would be a substantive change because that would not provide the public adequate notice. The rules cover rulemaking and alternative dispute resolution, internal or external, as required by statutory laws.

Mr. Meister asked if Ms. Durso could conceive of a time when the rules would be applicable to the agency. Ms. Durso responded "no." She stated that sometimes with contract claims or vendors there might be a need to utilize one of a myriad of dispute resolution processes or a hybrid process, to attempt to achieve settlement without litigation. Another example of possible use would be an attempt to resolve an internal complaint. The rules proposed expand the outside contract arena, which is already a part of the agency's required procedures for resolving a complaint from a vendor.

Mr. Eidman moved to approve the rules for publication and comment. Mr. Roddy seconded. The motion passed unanimously.

Item 5. Consideration and possible action on staff's recommendations on evaluation of responses to RFP for Liquidity Provider Services.

This item was postponed until the next month's agenda.

Item 6. Consideration and possible action on Underwriting Policies and Reduction in Force policy.

Mr. Burns stated that staff had reviewed the reduction in force policy and incorporated comments made by the Board. Ms. Durso stated that, based on discussion, she was providing another draft to address the Board's areas of concern such as evaluating skills and abilities with core functions of the agency. The order of consideration is first performance, then, past performance including demonstrated trends of improvement and then the veteran's preference.

Ms. Durso stated she believed that this draft captures the Board's discussion, but if she missed something she could amend the policy. Ms. Schiermeyer stated it looked very good. Mr. Meister agreed and asked the Board if there were any other comments.

Mr. Eidman moved to adopt the reduction in force policies as presented. Mr. Alley seconded. The motion passed unanimously.

The Board next took up the proposed policy related to the use of management and structuring fees. Mr. Burns said he drafted an ambitious proposal for discussion and possible amendment. He incorporated comments to reflect consideration of extra work effort by financial advisors, the lead underwriter, bond counsel and drafted guidelines for deciding the amount of the fee so that it is not necessary to pull them from the air. In a review of the management and structuring fees paid in 34 of 41 negotiated sales the average management and/or structuring fee was .28 per \$1000 bonds.

TPFA has not established a fee policy in the past. A review of the policies regarding use of a management and structuring fee revealed that no fees are used by the Texas Water Development Board, the UT System, Texas A&M University System or the Veteran's Land Board. A survey of other states revealed that California does not use management fees, but uses structuring fees. It seems to depend on the issuer which term is used for the fee. There are circumstances where a senior advisor puts in a lot of extra work and the proposed policy gives discretion to award fair payment for that effort.

Mr. Burns stated this discussion had initiated as a result of the Board members feeling that they had little guidance about prior fee use during pricings. He directed the Board's attention to Tab D and reviewed a chart on proposed fee caps. He explained the chart was a suggestion of ranges for fees based on maximum par amounts and suggested caps, but these amounts would not be set in stone. Specifically, he said that for a \$50 million bond sale, the cap would be 75 cents per \$1000 bonds. He directed the Board's attention to the \$50 million bond line on the chart and the shaded area showed the range of fees to the cap. For a \$50 million par amount, the maximum fee of \$.75 per \$1000 bonds would be \$37,500. The amount downward of the paramount to the billion dollar size of a transaction is graduated so that the cap for a transaction that size is only \$.10 per \$1000

bonds. With the top of the range for a billion dollar transaction at \$100,000 is lower than fees awarded before.

Mr. Roddy said that he remembered from the December Texas Workforce Commission the pricing committee was caught flat-footed and it was difficult to close because of this issue. He liked the idea of a useable guideline for future boards to use, but did not want to use the guidelines as a policy.

Ms. Schiermeyer suggested marking out the \$1.00 column for the \$1 and \$5 million dollar par value transactions. She also expressed her concern that for a billion dollar deal \$.25 per \$1000 bonds should be the minimum. Mr. Meister asked if there were responses to the Vice-Chair's comments. Mr. Alley stated the drafted proposal was a good starting point, but wondered if feedback from the underwriters was needed. Mr. Atkinson stated he would like to additional time and information before making a decision. Mr. Meister indicated the comments were good.

Mr. Atkinson asked what the difference was between the management and structuring fees. Mr. Burns stated the fees were awarded at the same time, at the end of the process. He said the definitions were convoluted, but that he tried to use the definitions that the Texas Bond Review Board uses. The management fee is extra compensation to the lead underwriter and syndicate and is in addition to takedown. Some believe the management fee is similar to a tip and believe the takedown is compensation enough. The structuring fee is awarded to a consultant for additional effort regarding the sizing of the transaction, helping and configuring the deal in order to market optimally. The structuring fee is geared toward efforts of the financial advisor, bond counsel or senior underwriter for making determining a structure of the transaction features that helps the actual pricing of the bonds go smoothly. It is not only with regard to the senior underwriter to the banker for long hours.

Mr. Meister stated that he thought this item should be tabled or postponed for reconsideration, given Ms. Schiermeyer's guidance to include a higher cap for every par category and to delete the \$1.00 per thousand for very small transactions and increase the minimum level for par amounts at the billion dollar level. Ms. Schiermeyer added the comment to remove the \$1 column.

The Board moved to Item 7 without taking action on the draft proposal.

Item 7. Consideration, discussion and possible action on the Resolution of the Board of Regents of Texas Southern University relating to the Execution of a Historically Black College and University Capital Project Loan Agreement, the issuance of a note under the Texas Southern University Revenue Financing System Program and Historically Black College and University Capital Financing Program to acquire campus housing and parking and cause the refinancing of prior bonds, to select a team of consultants for the transaction, and take other necessary related action.

Mr. Burns stated that Texas Southern University has \$65 million unrated bonds outstanding for housing and a student garage. The University has been in discussion with the U. S. Department of Education to determine if the University is able to use a loan program for Historically Black Colleges and Universities. The program structure is similar to a private placement and offers a favorable interest rate of 3.7% interest over 20 years. The transaction does not require an underwriting syndicate.

First Southwest Co. and Vinson & Elkins have been assisting the University in developing this option and the University has asked the Authority to consider their assistance to date by hiring these consultants. Bond counsel and the financial advisors will appear before the Board at a later date to obtain the Board's approval of the transaction. Ms. Schiermeyer stated she believed that TSU could use any consultant they wished and did not understand why this request is before the Board. Ms. Durso explained that TPFA is required to be a party for any public security issued for the University, including a note, under Chapter 55 of the Education Code. The consultants will work for TPFA and TPFA will review the documents prior to seeking Board approval. These actions only can be accomplished by contracting for bond counsel and financial advisory services. Mr. Meister noted that it is not typical for client agencies to ask the Authority to approve consultants' work performed on behalf of the client agency, but was it staff's recommendation to approve the engagement of V&E and FSW? Mr. Burns and Ms. Durso agreed. Ms. Durso said that in this circumstance these consultants had been studying the legal issues related to TSU's ability to take advantage of the federal loan program for some time and their work with the Department of Education to mesh the peculiarities with Texas law with the requirements of the federal program had been beneficial to structuring the transaction for TSU. It was now time to reach out to the Texas Bond Review Board and to the Texas Higher Education Coordinating Board for approvals.

Mr. Atkinson asked if this request was for a loan. Mr. Burns answered in the affirmative. Mr. Atkinson recused himself from the discussion. Mr. Alley also stated he would recuse himself from the vote.

Mr. Eidman moved to approve TSU's request for financing to refinance its outstanding debt for housing and parking using the Department of Education's Loan Program, to appoint Vinson & Elkins as bond counsel, and First Southwest Company as financial

advisor and authorize staff to take actions necessary to implement the board's decision. Mr. Roddy seconded. The motion passed unanimously.

Item 8. Staff Report (No Action Items) -- Status of Legislation Affecting Agency, including Appropriations Bills and Sunset legislation.

Mr. Burns provided a brief update of the fiscal matters pending before the legislature in the first called session. He stated that the Authority's debt service budget and operating budget passed and that the Authority's Sunset legislation passed.

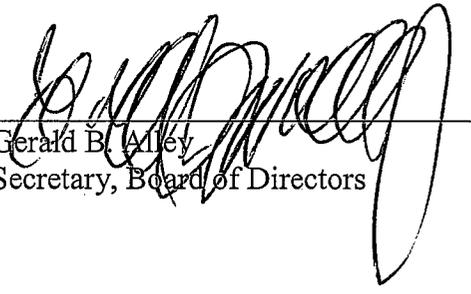
The Board recessed to move into Executive Session at 11:14 a.m. to take up matters pursuant to Texas Government section 551.071(2) and section 551.074.

The board reconvened in open session at 3:35 p.m. Mr. Meister announced that there was no action as a result of the Executive Session and the Board would take up the Executive Director's performance evaluation at the July meeting. Mr. Meister then stated that he would entertain a motion to adjourn the meeting. Mr. Roddy moved to adjourn. Mr. Moore seconded. The motion passed unanimously.

Item 9. Adjournment.

The meeting adjourned at 3:40 p.m.

The foregoing minutes were approved and adopted by the Board of Directors on July 7, 2011.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!
Row inserted

TRD: 2011003653
Date Posted: 05/25/2011
Status: Accepted
Agency Id: 0113
Date of Submission: 05/25/2011
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 06/02/2011
Time of Meeting: 10:30 AM (###:## AM Local Time)
Street Location: 1700 North Congress, Room 1700
City Location: Austin
State Location: TX
Original Meeting TRD#: 2011003651
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, JUNE 2, 2011, 10:30 A.M.
Stephen F. Austin State Office Building, Room 170
1700 North Congress Avenue
AUSTIN, TEXAS 78701

Agenda: AMENDED AGENDA

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members, if necessary.
3. Approve the minutes of the May 5, 2011, Board meeting.
4. Consideration, discussion and possible action to approve for publication and

comment in the Texas Register TPFA's Rules regarding use of negotiated rulemaking pursuant to Government Code chapter 2008 and the use of alternative dispute resolution procedures pursuant to Government Code chapter 2009.

5. Consideration and possible action on staff's recommendations on evaluation of responses to RFP for Liquidity Provider Services.

6. Consideration and possible action on Underwriting Policies and Reduction in Force policy.

7. Consideration, discussion and possible action on the Resolution of the Board of Regents of Texas Southern University relating to the Execution of a Historically Black College and University Capital Project Loan Agreement, the issuance of a note under the Texas Southern University Revenue Financing System Program and Historically Black College and University Capital Financing Program to acquire campus housing and parking and cause the refinancing of prior bonds, to select a team of consultants for the transaction, and take other necessary related action.

8. Staff Report (No Action Items) -- Status of Legislation Affecting Agency, including Appropriations Bills and Sunset legislation.

Executive Session:

9. 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:

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

11. 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.

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