

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.

Robert P. Coalter
Executive Director



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

August 2, 2012

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, August 2, 2012, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Joe Meister, Chair; Mr. Gerald Alley, Secretary; Mr. Rodney Moore, Member; Mr. Tom Roddy, Member; and Mr. Billy Atkinson, Member.

Representing the Authority's staff were: Robert P. Coalter, Executive Director; Susan K. Durso, General Counsel; John Hernandez, Deputy Director; Pamela Scivicque, Business Manager, and Paula Hatfield.

Present in their designated capacities were the following persons: Dalton Smith, Bank of America Merrill Lynch; Jon Arnold, Drexel Hamilton; Kim Edwards, Fidelity; Patrick Scott, Barclays; Keith Richard, Morgan Stanley; Rick Menchaca, BOSC; Mark Ellis, Jefferies; Curtis Flowers, Loop Capital Markets; Art Morales, Siebert Brandford Shank; Karl Biggers, Brit Stock, Duncan-Williams, Inc.; Bob Kinney, A. F. Farley, Andy Deskins, Wells Fargo Securities; Cheryl Allen, Southwest Securities; Carlos Sharpless, M.R. Beal; Tim Peterson, JP Morgan; Jana Edwards and Amanda Corbett, McCall Parkhurst & Horton; Chris Allen, Drew Masterson, First Southwest Co.; Daniel Rodriguez, Coastal Securities; Amanda Edwards, Bracewell & Giuliani; Gregg Shields, Andrews Kurth; Kathryn Garner, Haynes and Boone; Julie Houston, Winstead; Louis Edwards, Timothy Rychlec, Texas Southern University.

Mr. Meister called the meeting to order at 10:34 a.m.

Item 2. Excuse absences of board members.

Mr. Moore moved to excuse the absences of Ms. Schiermeyer and Mr. Eidman. Mr. Atkinson seconded. The motion passed unanimously.

Item 3. Approve the minutes of the July 9, 2012, Board meeting.

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of July 9, 2012. Mr. Atkinson requested that on page 6, third line down in the middle paragraph, that a word or two be added to make the sentence complete. Mr. Roddy moved to approve the minutes as amended. Mr. Atkinson seconded. The motion passed unanimously.

Item 4. Consideration, discussion, and possible action to adopt a Resolution, select a Pricing Committee and approve the Preliminary Official Statement for the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012, and take other action as necessary.

Ms. Durso stated that the Board approved the Midwestern State University's refunding bonds of approximately \$8 million in July. The Series 2002 and 2003 refunding bonds provide an estimated present value savings of 12% on the blended par. The savings will impact both the University's and the State of Texas's budgets because general revenue is appropriated to pay the debt service on tuition revenue bonds.

The pricing will take place at Southwest Securities, which is serving as bookrunner, for a proposed sale date of Wednesday, September 12. Ms. Durso stated that a representative from First Southwest Co. was present and able to answer any question about the refunding or that she could respond as well. Mr. Meister asked who the other consultants providing advice on this transaction. Ms. Durso stated that the two underwriting firms were Southwest Securities and RBC Capital Markets, and bond counsel is Andrews Kurth. Ms. Durso noted that Gregg Shields, Andrews Kurth, was also present.

Mr. Atkinson asked about the exhibit ending on C-1 regarding accounting principles. He asked if the language that the audited financial statements are required to be in accordance with generally accepted accounting principles of fund accounting of colleges and universities are national rules or state amended rules. He explained that the difference is the pension obligation. Mr. Atkinson stated that the State of Texas does not mandate that the pension and post retirement benefit obligations be reported under these reports. Since these bonds were being promoted nationally, he asked if the materials would follow the national standard or the state amended standards. Mr. Coalter stated he believed the normal GASB rules would be used as those rules are used for the CAFR, but that he would double-check that information.

Ms Durso directed the Board's attention to the language in the Preliminary Official Statement continuing disclosure section and confirmed that reference to the CAFR is in the document. Mr. Atkinson stated there was an underlying economic consequence of not putting pension obligation or post retirement obligations into financial statements that the public may expect to see. He did not want to be a part of an issuance of debt where that was not the case. Ms. Durso

stated that the University is a participant in the Teacher Retirement System and that is discussed in the offering statement.

Mr. Meister offered to be the board member present at the pricing with Mr. Atkinson and Mr. Roddy participating by telephone. Mr. Alley agreed to be the alternate member.

Mr. Atkinson moved to adopt a resolution for the sale of TPFA Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012, approve the preliminary official statement, authorize actions by TPFA and Midwestern State University and representatives thereof in connection with the sale and delivery of the bonds, selection of a pricing committee and resolve other actions related thereto. Mr. Moore seconded. The motion passed unanimously.

Item 5. Consideration, discussion, and possible action to adopt the Eighth Supplemental Bond Resolution Authorizing the Execution of a Loan Agreement and the Series A 2012-4 Note on Parity with Other Obligations under the Texas Southern University Revenue Financing System Pursuant to the Historically Black College and University Capital Financing Program and Resolving Other Matters Related Thereto.

Ms. Durso stated the Board approved the request for financing for Texas Southern University in July. She explained that the Board now needed to adopt the 8th Supplemental Bond Resolution authorizing the execution of a loan agreement for \$55 million for the construction of new student housing and a Series A 2012-4 Note that will be on parity with other obligations of the University. This transaction is accessing the Historically Black College and University Capital Financing Program with the U.S. Department of Education.

The principle is \$55 million with a 20-year maturity after 2 years of draws, and the interest rate will be determined at the time of closing because it is tied to the Treasury rates, which is currently 2%, but an estimated interest rate of 2.5% is being used. Ms. Durso stated that Mr. Drew Masterson, First Southwest Co., Ms. Amanda Edwards, Bracewell & Giuliani, and Mr. Louis Edwards, Texas Southern University were present to answer questions.

Mr. Meister asked for a little background on the U.S. Department of Education program. Ms. Amanda Edwards, Bracewell & Giuliani, stated that the Historically Black College and University Capital Financing Program loan is available to public and private qualified schools. Texas Southern University is qualified to use the program. The premise of the program is to provide low interest loans to qualified institutions. Last year, TSU participated in the program and ended up with a 2.5% interest rate. The University and the State have benefitted by accessing capital at a low interest rate. Mr. Meister inquired about the University's credit rating. Mr. Edwards, Texas Southern University, stated that Moody's rating is BAA1 and Fitch rating is BBB.

Mr. Alley asked if Mr. Edwards had a copy of the amortization schedule and the feasibility study. Ms. Durso answered "yes." Mr. Alley asked how the feasibility study and amortization study coincide and how it is different. Mr. Edwards explained that prior to beginning this

process was to make sure there was a demand for housing on campus an outside firm performed a feasibility study to validate the reasoning and purpose for moving forward. The feasibility study included consulting with the students and asking specifically if living on campus what type of housing was desired. The feedback received was very positive indicating that students would live in the facilities in order to experience the on-campus lifestyle. As a result of that feasibility study, revenue numbers were generated in comparison to the University of Houston and adequate cash flow is generated to service the debt based on the proposed loan. On-campus housing will make it possible for students to have an overall experience that is very positive and it will increase the University's retention rates. In the report, the amortization schedule shows 25 years. The firm assumed that number, but the financing is for 20 years following the 2 year draw period and at a lower interest rate estimated to be about 2.5%. So, the numbers represented on the materials are higher in terms of the payout. There are revised numbers that show 90-95% occupancy will generate about \$4.2 million and have a one-to-one debt service that will adequately service that debt over a twenty-year term. Ms. Durso clarified that on page D-2 of the financial analysis that is provided after the first three pages of Tab C, Mr. Edwards is referring to the financing assumptions in that analysis which was a debt service term of 25 years at a rate of 4%. As discussed, the loan is estimated to be between 2 and 2.5% and the term of the note would be 20 years following the draw period. Ms. Durso asked Mr. Edwards if he had a document showing the 90% occupancy rates and asked for a copy for the record.

Mr. Meister asked where students of the University currently secure housing. Mr. Edwards said there are four housing facilities currently on campus, two of which currently house freshmen. There are 245 freshmen in old structures built in the 1950s, a Lanier Hall East and West. The plan is to close those facilities and move the existing students into the new housing facility. Mr. Meister asked about the capacity of the new facility. Mr. Edwards answered "800 beds" and based on the survey conducted students living in nearby apartments have indicated a desire to live on campus due to affordability and experience the on-campus lifestyle. Mr. Meister asked about the point that the new housing is more affordable and why it was so. Mr. Edwards explained that most of the current properties are within a 2 to 2-1/2 mile radius of the campus and the feedback is that the rental rate is somewhat comparable, but what is not included is the food and other expenses students incur such as utilities as a part of the overall cost. When all of those expenses are factored into the equation it is more expensive to live off campus than on campus. Mr. Meister asked if students had the choice to opt-out. Mr. Edwards said freshmen would be required to live on campus if their home was more than 25 miles away from campus.

Mr. Alley complimented the University for encouraging upper classmen to be a part of the on campus experience. Mr. Atkinson asked about the mandate for the freshmen students to stay on campus, that it supports the numbers and assurance of habitation of the property in payment of the fees to cover the debt service and importantly, the maintenance as well. He asked whether the maintenance costs of the facilities were adequately reviewed and considered. Mr. Edwards stated Mr. Tim Rychlec was also present and he is the executive director in charge of construction management. Mr. Atkinson said what he was speaking of is beyond construction and asked whether the mandate be a part of the offering document because it could have some marketability impact. Ms. Durso explained this transaction was a private placement loan so it will not be marketed. The repairs calculations are in the financial schedules. Mr. Atkinson asked about if the 2% architect fee and the 3% independent construction management fee are

market comparable to the federal guaranty financing. Mr. Edwards deferred to Mr. Rychlec. Mr. Rychlec stated the fees were comparable although the vendors asked for more, but negotiations lowered the fees. Mr. Rychlec stated an external person and internal project manager reviews the construction management. Mr. Moore asked if the “p” and civil fees were included in the architectural basic services fee. He also asked if the project was being handled with CM construction management or turn-key. Mr. Rychlec said it was being done with at risk. Mr. Moore asked where the contractor’s fee was in the cost estimate or if not, what was the contractor’s fee. Mr. Rychlec said the last project for the technology building was about 5% and that was included in the overall number. For this project, the old fee plus something for the structural cost was added. Mr. Moore confirmed that the 5% fee was included in the \$185 or \$120 per square foot cost. Mr. Meister asked if the contractor was competitively bid. Mr. Moore stated it was basically a negotiated fee in simplified terms cost plus with a ceiling when doing at-risk. Mr. Moore asked if the same contractor was being used that did the technology building. Mr. Rychlec said that the contractor would be a different person than the one who did the technology building. The contractor will be selected from a RFP process.

Mr. Roddy moved to adopt the 8th Supplemental Resolution authorizing the execution of a Loan Agreement and the Series A 2012 Note on parity with other obligations under the Texas Southern University Revenue Financing System to the Historically Black Colleges and University Capital Financing Program and resolving other matters related thereto. Mr. Atkinson seconds the motion. The motion passed unanimously.

Item 6. Consideration, discussion and possible action to ratify actions taken by Authority Representatives for the execution and delivery of Transaction Documents and other actions taken in furtherance of the Issuance of Class 1 Public Securities on Behalf of the Texas Windstorm Insurance Association.

Ms. Durso stated this item was included on the agenda in an abundance of caution when the transaction had not been closed. The transaction did close yesterday and Mr. Coalter will discuss that later in the Staff Report.

~~Mr. Meister stated the Board would begin an Executive Session at this time to take up items on the agenda for which the Board wishes to seek the advice of counsel pursuant to Government Code section 551.071(2). He asked that all staff and visitors with the exception of Ms. Durso and Mr. Coalter leave the room.~~

The open session of the Board meeting recessed at 11:01 a.m. and the Executive Session convened at 11:05 a.m.

The Board reconvened the open session at 12:01 p.m. Mr. Meister stated no action was taken in the Executive Session.

Item 7. Consideration, discussion, and possible action to approve the Authority's Legislative Appropriations Request for the FY14-15 biennium.

Mr. Coalter stated that the Authority's general obligation debt service at this point in time is around \$697 million. That debt service may be adjusted as information from client agencies submit agency LARs to the Governor's Office and Legislative Budget Board offices. Those numbers will be available prior to issuing the LAR at the end of the month. The joint budget office has requested agencies meet two requirements. One requirement is to request a budget that does not exceed FY12-13 budgets and the other requirement is a 10% reduction in general revenue baseline.

There are three exceptional items presented in the request. The first item address the 72% funding by appropriated receipts from the Master Lease Purchase Program. That revenue is decreasing and staff proposes requesting agency funding totally from general revenue in the coming biennium. The second exceptional item is a \$225,000 request assumes full baseline funding and it includes another \$112,000 request each year. One of those requests is for the salary of the executive director to increase from \$120,000 a year to \$130,000. The executive director salary request must originate from the Board and a Board member is required to attend the legislative hearing on the budget. The other part of the exceptional item deals with funding a vacant position and increasing the salary of current staff including additional resources that will be needed in the coming years. The third exceptional item is for \$500,000 to establish a debt management system to track and monitor debt on an on-going basis in a cradle-to-grave approach. It includes both pre- and post-monitoring in compliance with federal and state regulations along with reducing any arbitrage rebate fees paid to the Internal Revenue Service. It will also allow leadership, both the TPF Board and the Legislative Budget Board, better information. Staff recommends the approval of the exceptional item requests and the increase of the executive director's salary and approval of the Legislative Appropriation Request.

Mr. Meister asked when the Legislative Appropriation Request was due. Mr. Coalter said it was due at the end of the month. Mr. Meister said there was no opportunity to postpone the initial request. He asked if there was an opportunity to revise the request downward. Mr. Coalter stated it was possible to request a not-to-exceed amount. Mr. Meister stated one of the concerns he had was that the back-up detail was not available that he would need to defend a request for additional appropriations especially in the current economic environment. Mr. Meister further stated he was not entirely comfortable with the numbers although he thought he could be after he saw the supporting data for those numbers. He stated he understood that Mr. Coalter and staff had proposed the numbers after thought was given in a deliberative fashion. Mr. Meister stated he was challenged by the timing, but requested a more precise request with some additional work on the part of the staff to give the Board additional detail. Mr. Alley stated he thought that covered his concerns. Mr. Coalter stated staff would provide the Board with additional information.

Mr. Roddy moved to approve the Legislative Appropriation Request as discussed and to authorize the Authority's request for the exceptional items as presented in a not-to-exceed amount including a Board of Directors' request to increase the executive director's annual salary to a \$130,000 within Group IV as presented. Mr. Moore seconded. The motion passed unanimously.

Item 8. Staff Report (no action required).

Mr. Coalter reported that the \$500,000 Class 1 Pre-event Notes for Texas Windstorm Insurance Association funded yesterday. It was a difficult task that was accomplished well and he thanked Texas Windstorm Insurance Association staff, the Authority's consultants, Dalton Smith at Bank of America, Chris Allen from First Southwest Co. and Julie Houston from Winstead for working long hours related to the transaction and making it happen. He also thanked TPFA staff and especially Susan who worked many hours to accomplish this transaction.

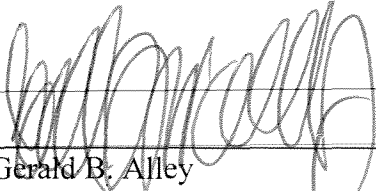
He also reported that Texas Workforce Commission paid off \$26 million worth of notes ahead of time. Those unemployment insurance compensation bonds were upgraded to AAA the last time and it continues to be an example for other states.

Mr. Meister also noted there were a lot of long hours and late hours expended by Bob, Susan and staff and on behalf of the Board he thanked everyone for their excellent work.

Future meetings dates were discussed and the next meeting was scheduled for Thursday, September 6 at 10:30 a.m.

The meeting adjourned at 12:12 p.m.

The foregoing minutes were approved and passed by the Board of Directors on September 6, 2012.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A

Current Meeting Notices

Agency Name: Texas Public Finance Authority

Date of Meeting: 08/02/2012

Time of Meeting: 10:30 AM (Local Time)

Board: Texas Public Finance Authority

Status: Active

Street Location: Capitol Extension E2.028

City Location: Austin

Meeting State: TX

TRD ID: 2012005241

Submit Date: 07/25/2012

Emergency Meeting?: No

Additional Information: Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, TX 78701.

Obtained From:

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 July 9, 2012, Board meeting.
4. Consideration, discussion, and possible action to adopt a Resolution, select a Pricing Committee and approve the Preliminary Official Statement for the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012, and take other action as necessary.
5. Consideration, discussion, and possible action to adopt the Eighth Supplemental Bond Resolution Authorizing the Execution of a Loan Agreement and the Series A 2012-4 Note on Parity with Other Obligations under the Texas Southern University Revenue Financing System Pursuant to the Historically Black College and University Capital Financing Program and Resolving Other Matters Related Thereto.

6. Consideration, discussion and possible action to ratify actions taken by Authority Representatives for the execution and delivery of Transaction Documents and other actions taken in furtherance of the Issuance of Class 1 Public Securities on Behalf of the Texas Windstorm Insurance Association.
 7. Consideration, discussion, and possible action to approve the Authority's Legislative Appropriations Request for the FY14-15 biennium.
 8. Staff Report (no action required).
 9. Executive Session:
 - 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 personnel issues, including the duties, responsibilities and performance of the Executive Director and the duties and responsibilities and performance of other staff.
- Reconvene Open Meeting:
The open meeting will be reconvened, and any final action required concerning matters deliberated in the Closed Meeting must be taken at this time.
10. Discussion of future meeting dates and times.
 11. Adjourn.

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