

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS:

Billy M. Atkinson, Jr., Chair
Ruth C. Schiermeyer, Vice Chair
Gerald B. Alley, Secretary
Ramon Manning
Walker N. Moody
Rodney K. Moore
Robert T. Roddy, Jr.



EXECUTIVE DIRECTOR

Lee Deviney

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

May 11, 2018

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 is attached hereto as Exhibit "A") at 10:30 a.m., Friday, May 11, 2018 at the Capitol Extension Hearing Room E2.028, 1400 N. Congress Avenue, Austin, Texas. Present were: Mr. Billy M. Atkinson, Jr., Chairman; Ms. Ruth Schiermeyer, Vice Chair; Mr. Ramon Manning, Member; Mr. Rodney K. Moore, Member; and Mr. Robert T. Roddy, Jr., Member.

Representing the Authority's staff were: Lee Deviney, Executive Director; John Hernandez, Deputy Director; Kevin Van Oort, General Counsel; and Matthew Berry, Financial Analyst.

In attendance were the following persons, representing the indicated entities: Jorge Rodriguez, FTN Financial; Chris Allen and Gabriella Briceno, Hilltop Securities; Danielle Bradford, Piper Jaffray & Co.; Mark Ellis and Tilghman Naylor, Jefferies LLC; Dalton Smith and Brandon Walker, Bank of America Merrill Lynch; Brad Angst, George K. Baum & Co.; Robin Redford, Ramirez & Co.; Curt Shelmire, Stephens Inc.; Jerry Kyle, Orrick, Herrington & Sutcliffe LLP; Andy Bynam, Mesirow Financial; Debi Jones, Raymond James; Keith Richard, Siebert Cisneros Shank; Paul Jack, Estrada Hinojosa; Brian Middlebrook, Patrick Scott and John Daniel, Barclays Capital; Hasan Mack, McCall Parkhurst & Horton LLP; Mario Carrasco, Citigroup Global Markets; Tim Peterson, J.P. Morgan; Blaine Brunson, Morgan Stanley; and Karlos Allen, TKG & Associates LLC.

Mr. Atkinson called the meeting to order at 10:34 a.m. and noted the presence of a quorum.

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

Mr. Atkinson confirmed that the meeting was duly posted with the Secretary of State.

Item 2. Excuse absences of board members, if necessary.

Action: Motion by Mr. Manning to excuse the absences of Mr. Alley and Mr. Moody. Second by Mr. Roddy.

The motion passed unanimously.

Item 3. Review and approval of the minutes of the March 8, 2018 Board Meeting.

Mr. Atkinson asked the board members if there were any corrections to the minutes. None were noted.

Action: Motion by Manning to approve the minutes of the March 8, 2018 Board Meeting. Second by Mr. Moore.

The motion passed unanimously.

Item 4. TPFA-Charter School Finance Corporation update.

Mr. Deviney advised the board he attended a meeting in Washington, DC with the US Department of Education (USDOE). Mr. Deviney indicated that during the meeting with USDOE that he discussed amending the performance agreement to include credit enhancement for bank loans from financial institutions. Further, Mr. Deviney advised the Board that staff has previously requested an amendment to the existing performance agreement. Representatives from the USDOE advised Mr. Deviney that the Corporation could submit a Performance Agreement waiver request to include bank loans.

Item 5. Consideration, discussion and possible action to make appointments to the Board of Directors of the TPFA-Charter School Finance Corporation.

Mr. Deviney informed the Board that the term of office of three board members of the Charter School Finance Corporation (“CSFC”) have recently expired and are currently vacant. TPFA staff identified two individuals who would be willing to serve on the CSFC board. The first is Dr. Nancy Grayson whose prior term expired May 1, 2018, but has agreed to continue to serve on the CSFC board. The second person is Steve West of Round Rock, Texas. Mr. West has a background in public school finance and municipal bond underwriting and is currently retired.

Mr. Deviney reminded the Board that appointments to the CSFC board are subject to the approval of the Governor.

Action: Motion by Ms. Schiermeyer to appoint both Dr. Grayson and Mr. West to the Charter School Finance Corporation, subject to the approval of the Governor. Second by Mr. Manning.

The motion passed unanimously.

Item 6. Consideration, discussion and possible action to authorize the refinancing of outstanding Texas Public Finance Authority State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds – Direct Payment to Issuer), determine a method of sale, select outside consultants, and take other necessary related action.

Mr. Deviney explained the purpose of the refunding of these bonds is for cost savings to the State. Mr. Deviney advised the Board the interest subsidy associated with these bonds remains subject to sequestration by the federal government.

Mr. Deviney reminded the Board that it had previously appointed certain service providers for the transaction: FTN Financial as financial advisor; Bracewell LLP as bond counsel; and McCall Parkhurst & Horton as disclosure counsel.

The staff recommended the appointment of an underwriting syndicate consisting of: Raymond James as senior manager and Mesirow Financial, Barclays Capital, Inc., Academy Securities, and Estrada Hinojosa & Co. as co-managers. It was noted that each of the recommended firms is in the pre-approved underwriting pool, have a good knowledge base of TPFA, and should be able to market the bonds effectively.

Action: Motion by Ms. Schiermeyer that the Board designate an underwriting syndicate, for refunding the outstanding Series 2009B General Obligation bonds in a negotiated sale, to consist of: Raymond James as senior manager and the following firms as co-managers: Mesirow Financial, Barclays Capital, Inc., Academy Securities, and Estrada Hinojosa & Co. Second by Mr. Moore.

The motion passed unanimously.

Item 7. Consideration, discussion and possible action to authorize the refinancing of outstanding General Obligation Commercial Paper Notes issued under the Cancer Prevention & Research Institute of Texas Commercial Paper Program (Series A – Taxable), determine a method of sale, select outside consultants, and take other necessary related action.

Mr. Deviney advised the Board that the current liquidity cap for the CPRIT CP program is set at \$285,000,000, even though CPRIT is appropriated up to \$300,000,000 for each fiscal year, not including the appropriation of any “unexpended balances” remaining in prior year appropriations. Staff recommended the refunding of all outstanding commercial paper issued under TPFA’s CPRIT CP program. Mr. Deviney further indicated that at a subsequent meeting he would present the Board with options to issue additional new money debt as part of the refunding issuance, based on a break-even analysis evaluating the impact of future changes to long term interest rates. Discussion on the appointment of service providers ensued.

Mr. Deviney recommended that FTN Financial be appointed as financial advisor for this transaction. FTN Financial, formerly Coastal Securities, has been TPFA’s financial advisor for the CPRIT program since the program’s inception and has prior experience structuring prior CPRIT CP refunding transactions.

Action: Motion by Mr. Manning to appoint FTN Financial to provide financial advisory services related to the potential refunding of TPFA's outstanding CPRIT Commercial Paper Notes. Second by Ms. Schiermeyer.

The motion passed unanimously.

Mr. Deviney recommended that the law firm of McCall Parkhurst & Horton be appointed as bond counsel for this transaction, based on the firm's prior CPRIT CP refunding experience serving as TPFA's bond counsel.

Action: Motion by Ms. Schiermeyer to appoint the law firm of McCall, Parkhurst & Horton to provide bond counsel services related to the potential refunding of TPFA's outstanding CPRIT Commercial Paper Notes. Second by Mr. Roddy.

The motion passed unanimously.

Mr. Deviney recommended that the law firm of Orrick, Herrington and Sutcliffe ("Orrick") be appointed as disclosure counsel for this transaction. The Orrick attorneys who would be working on the transaction were previously with Andrews Kurth and have extensive experience serving as TPFA's disclosure counsel on prior CPRIT CP refunding transactions.

Action: Motion by Mr. Manning to appoint Orrick, Herrington & Sutcliffe to provide disclosure counsel services related to the potential refunding of TPFA's outstanding CPRIT Commercial Paper Notes. Second by Mr. Moore.

The motion passed unanimously.

Mr. Deviney recommended that the bonds be issued through a negotiated sale. Mr. Deviney further recommend an underwriting syndicate consisting of Piper Jaffray & Co. as senior manager; Citigroup Global Markets as co-senior manager; and the following firms as co-managers: Morgan Stanley & Company, Loop Capital Markets, and Siebert Cisneros Shank & Company. Mr. Deviney indicated that the recommended syndicate was based on the size of the proposed issuance and the firms' experience with taxable bonds and their ability to market the bonds internationally. Mr. Deviney advised the Board that each of these firms has previously participated in TPFA transactions and performed well in those transactions.

Action: Motion by Mr. Manning that the Board designate an underwriting syndicate, for refunding TPFA's outstanding CPRIT Commercial Paper Notes in a negotiated sale, to consist of: Piper Jaffray & Co. as senior manager; Citigroup Global Markets as co-senior manager; and the following firms as co-managers: Morgan Stanley & Company, Loop Capital Markets, and Siebert Cisneros Shank & Company. Second by Ms. Schiermeyer.

The motion passed unanimously.

Item 8. Liquidity Agreement Extension: 2016A&B Revenue Commercial Paper Program (Texas Facilities Commission Projects).

Mr. Van Oort advised the Board that the liquidity agreement previously authorized for this program is a one-year contract set to expire on August 31, 2018, and that the liquidity cap is currently set at \$75 million. Further, based on Facilities Commission's FY 2019 draw schedule, it is likely that the balance of outstanding notes will increase to nearly \$125 million by the end of FY 2019. This would require either an increase to the liquidity cap or a CP fix-out during FY 2019 at a par amount that could prove to be sub-optimal.

Action: Motion by Mr. Moore to authorize staff to amend the current Comptroller liquidity agreement for the TFC Commercial Paper Program, to extend the term for an additional fiscal year, and to increase the coverage amount, if and when necessary, to an amount not to exceed \$125 million. Second by Ms. Schiermeyer.

The motion passed unanimously.

Item 9. Staff Update:

a. Texas Windstorm Insurance Association

Mr. Deviney stated that TWIA estimates the claims for Hurricane Harvey will be approximately \$1,400,000,000, of which \$449,200,000 will be paid out of proceeds from the 2014 bonds. Mr. Deviney advised that this past spring, a request for proposals was issued through Hilltop Securities for service providers for either pre-event or post-event bonds or the provision of other financial arrangements, so that TWIA would have financing options to review for the 2018 storm season. Currently, TWIA has not submitted a request for financing to TPFA to issue pre-event bonds.

b. Insurance Update: D&O and Property & Casualty

Mr. Deviney explained that the D&O policy has been renewed for the Charter School Finance Corporation directors. The insurance coverage is for \$1,000,000.

The property insurance for state-owned structures financed through lease revenue bonds covers risk associated with properties with an aggregate insured value of \$810,963,797, which is down from \$1,386,521,533 last year, due to bonds being paid off. The current year premium is \$314,370, which is down from \$528,003 in the prior year. The premium is paid out of lease payments.

c. Agency Strategic Plan 2019-2023

Mr. Deviney indicated that at the March its meeting, the Board approved the structure of the agency's Strategic Plan and delegated approval authority to the

Chairman. Mr. Deviney further indicated that the 2019-2023 Strategic Plan will be submitted this summer.

d. Agency Risk Assessment for State Auditor's Office

John Hernandez reported that the agency's Risk Assessment document has been completed and submitted to the State Auditor's Office.

e. Market Update

Mr. Berry reported that a General Obligation bond debt service payment, of approximately \$46 million, was made on April 1.

Further, Mr. Berry reported receiving the following lease purchases for financing through the Master Lease Purchase Program: TSTC - \$3,800,000; Midwestern State University - \$900,000; and Texas Department of Agriculture -\$600,000.

Mr. Berry discussed current trends in the short term financial markets and potential impact of upcoming meetings of the Federal Reserve Board.

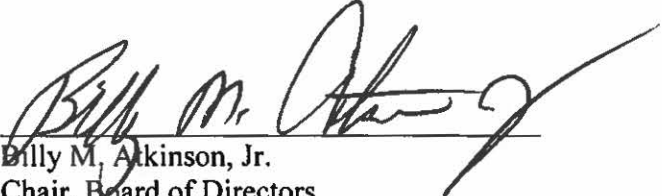
Item 10. Future agenda items and meeting dates.

Potential board meetings dates of July 19, 2018 and August 23, 2018 were discussed. Mr. Deviney advised that he anticipated that CPRIT will submit a request for financing for fiscal year 2019 and there will be ongoing work pertaining to the BABs refunding and the CPRIT refunding, including appointing a pricing committee and finalizing documents.

Item 11. Adjourn.

Mr. Atkinson adjourned the meeting at 11:32 a.m.

The foregoing minutes were approved and adopted by the Board of Directors on this 19th day of July 2018.


Billy M. Atkinson, Jr.
Chair, Board of Directors

ATTACHMENT: Posting Notice



John Barton

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Open Meeting Submission

TRD: 2018005046
Date Posted: 05/03/2018
Status: Accepted
Agency Id: 0113
Date of Submission: 05/03/2018
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Date of Meeting: 05/11/2018
Time of Meeting: 10:30 AM (###:## AM Local Time)
Street Location: 1400 N. Congress Avenue, Capitol Extension Hearing Room E2.028
City: Austin
State: TX
Liaison Name: John Barton
Liaison Id: 5
Additional Information Obtained From: Donna Weinberger at 512-463-5544
Agenda: Texas Public Finance Authority
Board Meeting
Friday, May 11, 2018 - 10:30 A.M.
Capitol Extension Hearing Room E2.028
State Capitol
1400 N. Congress Avenue
Austin, Texas

AGENDA

The Board may discuss and take action regarding any of the following matters:

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members, if necessary.
3. Review and approval of the minutes of the March 8, 2018 Board Meeting.
4. TPFA-Charter School Finance Corporation update.
5. Consideration, discussion and possible action to make appointments to the Board of Directors of the TPFA-Charter School Finance Corporation.
6. Consideration, discussion and possible action to authorize the refinancing of outstanding Texas Public Finance Authority State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds - Direct Payment to Issuer), determine a method of sale, select outside consultants, and take other necessary related action.

7. Consideration, discussion and possible action to authorize the refinancing of outstanding General Obligation Commercial Paper Notes issued under the Cancer Prevention & Research Institute of Texas Commercial Paper Program (Series A - Taxable), determine a method of sale, select outside consultants, and take other necessary related action.
8. Liquidity Agreement Extension: 2016A&B Revenue Commercial Paper Program (Texas Facilities Commission Projects).
9. Staff Update:
 - a. Texas Windstorm Insurance Association
 - b. Insurance Update: D&O and Property & Casualty
 - c. Agency Strategic Plan 2019-2023
 - d. Agency Risk Assessment for State Auditor's Office
 - e. Market Update
10. Future agenda items and meeting dates.
11. Adjourn.

THE BOARD MAY GO INTO CLOSED SESSION REGARDING ANY ITEM ON THE AGENDA IF PERMITTED UNDER THE OPEN MEETINGS ACT, GOVERNMENT CODE CHAPTER 551.

Persons with disabilities who have special communication or other needs, who are planning to attend the meeting, should contact Donna Weinberger at 512/463-5544. Requests should be made as far in advance as possible. Contact Donna Weinberger if you need any additional information, Texas Public Finance Authority, 300 W. 15th Street, Suite 411, Austin, TX 78701.

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