

# 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

**July 19, 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 9:30 a.m., Thursday, July 19, 2018 at the Capitol Extension Hearing Room E2.030, 1400 N. Congress Avenue, Austin, Texas. Present were: Mr. Billy M. Atkinson, Jr., Chairman; Mr. Gerald B. Alley, Secretary; Mr. Ramon Manning, Member; and Mr. Rodney K. Moore, Member.

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

In attendance were the following persons, representing the indicated entities: Jorge Rodriguez, FTN Financial Municipal Advisors; Chris Allen and Gabriella Briceno, Hilltop Securities; Danielle Bradford, Piper Jaffray & Co.; Mark Ellis, Jefferies LLC; Dalton Smith, Bank of America Merrill Lynch; Julie Houston, Orrick, Herrington & Sutcliffe LLP; Andy Bynam, Mesirow Financial; Hasan Mack, McCall Parkhurst & Horton LLP; Mario Carrasco, Citigroup Global Markets; Tim Peterson and Kyle Cottrell, J.P. Morgan; Blaine Brunson, Morgan Stanley; Curtis Flowers, Loop Capital Markets LLC; and, Wayne Roberts and Joan Thomas, Cancer Prevention Research Institute of Texas.

Mr. Atkinson called the meeting to order at 9:35 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. Alley to excuse the absences of Mr. Roddy, Ms. Schiermeyer, and Mr. Moody. Second by Mr. Moore.

The motion passed unanimously.

**Item 3. Review and approval of the minutes of the May 11, 2018 Board Meeting.**

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

**Action:** Motion by Mr. Manning to approve the minutes of the May 11, 2018 Board Meeting. Second by Mr. Moore.

The motion passed unanimously.

**Item 4. Consideration, discussion and possible action to approve a Request for Financing submitted by the Cancer Prevention & Research Institute of Texas, in an amount not to exceed \$300,000,000 in general obligation debt during Fiscal Year 2019, for authorized program costs; selection of a method of sale; appointment of outside consultants, if necessary; and taking other necessary related action.**

Mr. Deviney outlined the constitutional and statutory basis for the requested bond issuance. Mr. Deviney stated the current request is to issue debt up to the maximum annual amount of \$300 million. The Texas Constitution allows for up to \$3 billion dollars in project grants for the Cancer Prevention and Research Institute of Texas (“CPRIT”) projects. Mr. Deviney informed the Board that if the request for financing is approved, service providers for a commercial paper program are currently in place, as is a liquidity agreement with the Comptroller’s office. Mr. Deviney recommended that the existing commercial paper program be utilized to issue the debt.

Mr. Atkinson recognized Wayne Roberts, Chief Executive Officer for CPRIT, to testify on the request for financing.

Mr. Roberts advised the Board that CPRIT’s sunset review is scheduled for Fiscal Year 2023 and grant making for the program ends in FY 2022. Mr. Roberts confirmed that the scope of CPRIT’s program has not changed and he described CPRIT’s funding structure and recent achievements.

The Chairman congratulated Mr. Roberts on his receipt of the Administrator of the Year award from by the Texas State Agency Business Administrators’ Association.

**Action:** Motion by Mr. Manning to approve the request for financing submitted by the Cancer Prevention and Research Institute of Texas for Fiscal Year 2019, in an amount not to exceed \$300 million and further that such financing may be accomplished utilizing the existing commercial paper program created for that purpose. Second by Mr. Alley.

The motion passed unanimously.

**Item 5. Consideration, discussion, and possible action to adopt a Resolution authorizing the issuance of Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Taxable Series 2018; authorizing and appointing a Pricing Committee of the Board; approving the Preliminary Official Statement; authorizing the refunding, defeasance, redemption, and discharge of certain outstanding General Obligation Commercial Paper Notes issued under the Cancer Prevention & Research Institute of Texas Commercial Paper Notes Program (Series A – Taxable) and execution of an Escrow Agreement, Purchase Contract and other related documents; and authorizing the taking of other necessary related action.**

Mr. Deviney advised the Board that the liquidity limit on the CPRIT commercial paper program is currently set at \$285 million. Mr. Deviney described the process of converting outstanding commercial paper debt into fixed-rate, long-term debt to create capacity for future commercial paper. Staff is proposing the Board approve a motion to issue the bonds and take out approximately \$222 million of outstanding commercial paper and to fund up to the first two quarters of CPRIT's fiscal year 2019 program costs. The amount of new money to be issued would be determined at pricing by the Pricing Committee, based on market conditions and a review of a break-even analysis.

Mr. Deviney referenced the international marketing disclosure language proposed by the underwriting syndicate, which would facilitate the marketing of the bonds in the following jurisdictions: the European Economic Area, United Kingdom, Hong Kong, Switzerland and Singapore. Mr. Deviney indicated that marketing the proposed bonds in these jurisdictions could increase aggregate investor demand for the proposed bond issuance.

The Chairman recognized Danielle Bradford, Piper Jaffray & Co., and Jorge Rodriguez, FTN Financial Municipal Advisors, as being available to address questions relating to international marketing.

The Board inquired whether marketing directly to foreign investors could create exchange rate issues. Mr. Rodriguez advised the Board that all such transactions would be denominated in US dollars and that exchange rates would not impact the pricing of the bonds.

Discussion ensued regarding the appointment of a Pricing Committee.

**Action:** Motion by Mr. Manning to adopt the Resolution authorizing the issuance of State of Texas General Obligation and Refunding Bonds, Taxable Series 2018; authorizing and appointing a Pricing Committee of the Board consisting of Mr. Manning as chair, Mr. Alley, and Mr. Moore, with all remaining members of the Board to serve as alternates; approving the Preliminary Official Statement; and authorizing the taking of other necessary related action. Second by Mr. Moore.

The motion passed unanimously.

**Action:** Motion by Mr. Moore to include the proposed international marketing language in the Preliminary Offering Document. Second by Mr. Alley.

The motion passed unanimously.

#### **Item 6. Update on Texas Windstorm Insurance Association.**

Mr. Deviney reported that the Texas Windstorm Insurance Association (“TWIA”) estimates that its ultimate loss and loss adjustment expenses due to Hurricane Harvey in August of 2017 will be approximately \$1.6 billion. Such losses are payable from a combination of premium revenue, the Catastrophic Reserve Trust Fund (“CRTF”), proceeds of the Series 2014 revenue bonds issued on behalf of TWIA, and insurance industry member assessments. Except for approximately 10% of bond proceeds held in a required reserve account, all proceeds of the Series 2014 bonds have been depleted to pay claims. The CRTF has also been depleted to pay claims related to Hurricane Harvey.

To be able to fund claims incurred during the 2018 storm season, TWIA has available: premium revenue; purchased reinsurance; access to Class 1, Class 2 and Class 3 bond proceeds; and association member assessments. Initial claims would be paid from premium revenue; however, TWIA is also in the process of negotiating a syndicated line of credit of up to \$500 million for additional coverage during the 2018 storm season.

If Texas suffers a catastrophic event during the 2018 storm season, it is expected that TWIA will submit a request for financing to TPFA to issue up to \$500 million of post-event Class 1 bonds, the proceeds of which would be used to retire draws against the line of credit and to pay claims. The debt service on Class 1 bonds is paid out of net premium revenues and potential surcharges.

The Chairman confirmed that no action was required on this item.

#### **Item 7. Consideration, discussion and possible action to authorize the engagement of consultants for a potential issuance of Class 1 post-event bonds on behalf of the Texas Windstorm Insurance Association.**

Mr. Deviney advised the Board that TWIA has not submitted a request for financing for post-event bonds, nor is such a request anticipated absent a catastrophic event. However, this item is being proposed at this time to allow the Board to appoint a financing team for the 2018 storm season to be in position in the event that TWIA submits a request for financing, thus potentially eliminating the need for a Board meeting immediately subsequent to a catastrophic event. Mr. Deviney stipulated that Board action on this item is not immediately necessary.

Mr. Deviney also advised the Board that TPFA currently has draft bond documents prepared for a potential post-event bond issuance.

Mr. Atkinson indicated that he would consider a motion to adopt the staff recommendation to appoint service providers consisting of: the law firm of Orrick, Herrington & Sutcliffe to provide bond counsel services; the law firm of McCall, Parkhurst & Horton to provide disclosure counsel

services; Hilltop Securities to provide financial advisory services; and an underwriting syndicate to consist of JPMorgan Chase, as the Book-Running Senior Manager; with the following firms as co-managers: Bank of America Merrill Lynch, Citigroup Global Markets, Loop Capital Markets, Morgan Stanley & Company, and RBC Capital Markets.

Mr. Moore proposed that action on this item be deferred to a subsequent Board meeting, to allow for additional due diligence with regard to the line of credit being negotiated by TWIA.

**Action:** Motion by Mr. Moore to defer action on agenda item 7. Second by Mr. Manning.

The motion passed unanimously.

### **Item 8. Agency Request for Legislative Appropriations for the 2020-21 biennium.**

Mr. Deviney provided detailed information relating to staff's proposed Legislative Appropriations Request ("LAR"). Mr. Deviney stated the instructions require that agencies limit their general revenue fund requests to no more than a base amount, which is currently \$1.7 million. The LAR instructions also require state agencies to submit a general revenue budget reduction option for the FY 2020-21 biennium. The target reduction is 10%. Agencies are to outline a proposed general revenue reduction in four 2.5% increments totaling 10% for FY 2020-21.

Mr. Deviney indicated most of the agency's administrative budget is allocated to staff salaries. Mr. Deviney discussed the rider provisions relating to the TPFAs in the current General Appropriations Act and the staff proposed amendments to those riders.

Mr. Atkinson proposed that the LAR include a request to adjust the maximum salary of the executive director. The Board considered requesting an amendment to Article IX of the General Appropriations Act and requesting that the Legislature adjust the line item salary.

**Action:** Motion by Mr. Alley to direct staff to request a classification change for the TPFAs Executive Director from Group 4 to Group 6 and that the TPFAs Board be authorized to adjust the salary of the Executive Director within the salary range authorized for Salary Group 6 in the General Appropriations Act, subject to review and approval by the Governor and the Legislative Budget Board. Second by Mr. Moore.

The motion passed unanimously.

Mr. Atkinson discussed the ability of the Board to include an item in the agency's LAR requesting that the not-to-exceed salary rate for the Executive Director be increased to \$200,000 for the 2020-21 biennium. Mr. Atkinson advised the Board that asking for the salary increase would not necessarily mean the Executive Director's salary would increase to that amount.

**Action:** Motion by Mr. Moore to direct staff include an item in the TPFAs LAR requesting that the not-to-exceed salary rate for the Executive Director be increased to \$200,000 for the 2020-21 biennium. Second by Mr. Alley.

The motion passed unanimously.

Mr. Atkinson explained he believes there is a case to be made with the Legislative Budget Board (“LBB”) as they review the budget submissions. Mr. Atkinson also stated he believes the process used by the LBB is a good process and he respects the way decisions are made.

Mr. Deviney reviewed additional discussion points including how the Agency plans on reducing the budget by 10%, if needed. Mr. Deviney recommended that in each of the following categories a 2.5% reduction is proposed, board and staff travel, training budget and a minimum of 2 staff salaries.

Mr. Atkinson explained that training must be at a high level due to the complexity of the knowledge needed to work with the IRS, the bond market and other areas. Mr. Deviney proposed the following additional items being funded using revenue bond proceeds, not in priority order: a 3% staff salary merit pool, an IT refresh; and office renovation to provide space for the authorized staff size of fifteen employees. TPFA is scheduled to begin migration to the Comptroller’s Centralized Accounting and Payroll/Personnel System (CAPPS); therefore, costs associated with the TPFA Continuity of Operations Plan (COOP), Debt Management System (“DMS”) and related ongoing costs.

Mr. Atkinson requested at a future meeting an operational update on the Debt Management System be provided.

Mr. Deviney discussed the annual debt service costs that will be included in the LAR. Under legislative authorization (2007 Art III, Sec. 50-g), TPFA has \$46 million that has not been issued.

**Action:** Motion by Mr. Alley to authorize staff to submit a Legislative Appropriations Request based on the budget parameters recommended by staff, and delegate final approval of the LAR to the Chairman. Second by Mr. Manning.

The motion passed unanimously.

## **Item 9. Staff Update:**

### a. TPFA-Charter School Finance Corporation update

Mr. Deviney reported the Charter School Finance Corporation Board currently has five members serving, including the newest member, Mr. Steve West. At the June meeting, the Corporation’s board reviewed four Texas Credit Enhancement Program (“TCEP”) applicants and made awards to three applicants while deferring one decision to a later time.

### b. Agency Strategic Plan 2019-2023

Mr. Deviney reported the Strategic Plan was submitted to the Office of the Governor and the Legislative Budget Board. Included in the plan was the agency’s Customer Service Report which had favorable results.

c. Market Update

Mr. Barton provided the Market Update and stated that \$46 million of the TWIA bond debt was paid off in July. The CPRIT commercial paper program taxable interest rate is currently 2.1% and that CPRIT outstanding commercial paper will be refunded with the Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Taxable Series 2018.

**Item 10. Future agenda items and meeting dates.**

Mr. Deviney recommended August 23, 2018 as the date for the next Board meeting.

**Item 11. Adjourn.**

Mr. Atkinson adjourned the meeting at 10:58 a.m.

The foregoing minutes were approved and adopted by the Board of Directors on this 23<sup>rd</sup> day of August 2018.

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

ATTACHMENT: Posting Notice



Donna Weinberger-Rourke

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## Open Meeting Submission

**TRD:** 2018006572  
**Date Posted:** 07/11/2018  
**Status:** Accepted  
**Agency Id:** 0113  
**Date of Submission:** 07/11/2018  
**Agency Name:** Texas Public Finance Authority  
**Board:** Texas Public Finance Authority  
**Date of Meeting:** 07/19/2018  
**Time of Meeting:** 09:30 AM (###:## AM Local Time)  
**Street Location:** Capitol Extension Hearing Room E2.030 State Capitol 1400 N. Congress Avenue  
**City:** Austin  
**State:** TX  
**Liaison Name:** Donna Weinberger-Rourke  
**Liaison Id:** 8  
**Additional Information Obtained From:** Donna Weinberger at 512-463-5544  
**Agenda:** Texas Public Finance Authority  
Board Meeting  
Thursday, July 19, 2018 - 9:30 A.M.  
Capitol Extension Hearing Room E2.030  
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 May 11, 2018 Board Meeting.
4. Consideration, discussion and possible action to approve a Request for Financing submitted by the Cancer Prevention & Research Institute of Texas, in an amount not to exceed \$300,000,000 in general obligation debt during Fiscal Year 2019, for authorized program costs; selection of a method of sale; appointment of outside consultants, if necessary; and taking other necessary related action.
5. Consideration, discussion, and possible action to adopt a Resolution authorizing the issuance of Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Taxable Series 2018; authorizing and appointing a Pricing Committee of the Board; approving the Preliminary Official Statement; authorizing the refunding, defeasance, redemption, and discharge of certain outstanding General Obligation Commercial Paper Notes issued under the Cancer Prevention & Research Institute of Texas Commercial Paper Notes Program (Series A - Taxable) and execution of an Escrow Agreement, Purchase Contract and other related documents; and authorizing the taking of other necessary related action.
6. Update on Texas Windstorm Insurance Association.
7. Consideration, discussion and possible action to authorize the engagement of consultants for a potential issuance of Class 1 post-event bonds on behalf of the Texas Windstorm Insurance Association.
8. Agency Request for Legislative Appropriations for the 2020-21 biennium.
9. Staff Update:
  - a. TPFA-Charter School Finance Corporation update
  - b. Agency Strategic Plan 2019-2023
  - c. 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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