

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

MAILING ADDRESS:

Post Office Box 12906
Austin, Texas 78711-2906

PHYSICAL ADDRESS:

300 West 15th Street, Suite 411
Austin, Texas 78701

TELEPHONE: (512) 463-5544

FACSIMILE: (512) 463-5501

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

January 17, 2019

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., Thursday, January 17, 2019 at the Capitol Extension Hearing Room E2.028, 1400 N. Congress Avenue, Austin, Texas. Present were: Mr. Billy M. Atkinson, Jr., Chairman; Ms. Ruth C. Schiermeyer, Vice-Chair; Mr. Ramon Manning, Member; Mr. Walker N. Moody, Member; and Mr. Rodney K. Moore, Member. Mr. Moody participated via video conference.

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

In attendance were the following persons, representing the indicated entities: Brad Angst, Jorge Rodriguez and Daniel Rodriguez, George K. Baum & Company; Chris Allen and Gabriella Briceno, Hilltop Securities; Brandon Walker, Bank of America Merrill Lynch; Jerry Kyle, Orrick, Herrington & Sutcliffe LLP; Andy Bynam, Mesirow Financial; Hasan Mack, McCall Parkhurst & Horton LLP; Hector Mata, Citigroup Global Markets; Tim Peterson, J.P. Morgan Securities; Blaine Brunson and Troy Madres, Morgan Stanley; Paul Braden, Norton Rose Fulbright US LLP; Curt Shelmire, Stephens Inc.; Debi Jones, Raymond James; Patrick Scott, Barclays Capital; Lester Graves Lennon and Rogelio Rodriguez, FTN Financial; Mark Ellis, Jefferies LLC; Danielle Bradford, Piper Jaffray & Co.; Amanda Lopez, Office of the Speaker; and Keith Richard, Seibert Cisneros Shank & Co.

Mr. Atkinson called the meeting to order at 10:37 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. Mr. Atkinson further confirmed that the participation of Mr. Moody via video conference was in accordance with Government Code Section 551.127.

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

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

The motion passed unanimously.

Item 3. Review and approval of the minutes of the November 8, 2018 Work Session.

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 November 8, 2018 Work Session. Second by Mr. Moore.

The motion passed unanimously.

Item 4. Legislative Update:

a. Legislation

Mr. Deviney advised the Board that staff was tracking all proposed legislation that could impact TPFA, including the following:

HJR 12, which would propose a constitutional amendment to raise the maximum amount of general obligations bonds that could be issued on behalf of CPRIT to \$6 billion from \$3 billion.

SB 500, the supplemental appropriations bill. Part of the funding source for this bill is \$35 million identified by TPFA from general obligation debt service savings.

b. Sunset Commission reports

Mr. Deviney discussed the recent Sunset Commission report on the Texas Windstorm Insurance Association (TWIA). Mr. Deviney noted that although TWIA is subject to sunset review, the Association is not subject to the standard automatic abolishment provisions of the sunset statute.

c. Agency Budget

Mr. Deviney reported that for the 2018-2019 biennium, the agency was authorized a total of 15 FTE's; however, for the 2020-2021 biennium, that authorization would be reduced to 14 FTE's by the introduced version of the general appropriations bill.

Mr. Deviney advised that the LBB's proposed Method of Finance (MOF) for the agency includes a general revenue appropriation as well as proceeds from the issuance of revenue bonds and receipts generated from the Master Lease Purchase Program. Mr. Deviney suggested that the portion of agency funding derived from appropriated receipts in the LBB proposed MOF may not be sustainable beyond FY2020-2021, based on current projections. The agency LAR requested a non-general revenue MOF allocation that is estimated to be sustainable through the FY2022-23 biennium.

Item 5. Consideration, discussion and possible action to authorize the refinancing of outstanding commercial paper issued under the TPFAs Revenue Commercial Paper Note Program (Texas Facilities Commission) Series 2016A, determine a method of sale, select outside consultants, and take other necessary related action.

Mr. Deviney stated that the liquidity cap for the Texas Facilities Commission (TFC) commercial paper program is \$175 million. It is expected that later this fiscal year the amount of outstanding notes will reach the liquidity cap, thus indicating the need for a refunding of the outstanding notes to allow the agency to continue to fund the TFC's capitol complex construction project. It is expected that the transaction will refund between \$150 and \$175 million in outstanding notes. Staff is also evaluating the potential to issue additional bonds to provide funds for the construction project in an amount equal to up to six months of expenditures, based on TFC's estimated construction draw schedule.

Mr. Deviney recommended the appointment of the following service providers for the refunding transaction:

Hilltop Securities to provide financial advisory services, based on the past use of the firm in structuring the TFC Commercial Paper Program; Norton Rose Fulbright as Bond Counsel; McCall Parkhurst & Horton as Disclosure Counsel; and an underwriting syndicate, for issuance through a negotiated sale, to consist of Morgan Stanley as Senior Manager, and the following firms as Co-Managers: Piper Jaffray & Co., SAMCO Capital Markets, and Samuel A. Ramirez & Company. Each of the firms to be considered for appointment is being recommended based on that firm's past performance and knowledge of the proposed financing structure.

Action: Motion by Ms. Schiermeyer to accept the staff recommendation regarding the appointment of service providers and the designation of a negotiated sale for refunding TPFAs outstanding Series 2016A TFC commercial paper notes. Second by Mr. Moore.

The motion passed unanimously.

Item 6. Post-Sale Reports:

a. TPFA State of Texas GO & Refunding Bonds, Taxable Series 2018 (CPRIT)

Mr. Atkinson recognized Danielle Bradford with Piper Jaffray to present a report on the recent sale of the CPRIT refunding bonds, Taxable Series 2018. Ms. Bradford stated that the transaction refunded general obligation commercial paper notes in the amount of \$222.2 million, as well as an additional \$76 million of new money for the projected funding requirements of CPRIT. The bonds received triple-A ratings from both Moody's and S&P and the true interest cost of the transaction was 3.71%.

b. TPFA State of Texas GO Refunding Bonds, Series 2018A (BAB's)

Mr. Atkinson recognized Debi Jones with Raymond James to present a report on the recent sale of the Series 2018A general obligation refunding bonds. Ms. Jones stated the refunding of the 2009B Build America Bonds resulted in a present value savings of just over \$8.4 million, or 4.64% of the bonds refunded. The 2018A refunding bonds received a triple-A rating from both Moody's and S&P.

Item 7. Procedures for selection of service providers for debt issuance transactions.

The chair recognized Mr. Van Oort to present the item. Mr. Van Oort advised the Board that the current service provider pools for financial advisors, bond counsel, and underwriters will expire on August 31st of this year. He further indicated that in 2015, the Board initiated an RFP process to invite service providers to submit proposals and that the composition of the current pools is based on the responses received during that process.

Mr. Van Oort discussed various options for refreshing the pools, including maintaining the current pools or posting a new round of RFP's. Staff recommended posting RFP's for all three categories of service providers to cover up to a four-year period beginning September 1, 2019. The pools would be effective for the upcoming biennium, while retaining the Board's option to continue those service provider pools through the 2022-23 biennium.

Mr. Deviney stated the staff will update and distribute the new RFP's to the Board members for their review, prior to posting.

Discussion ensued.

Chairman Atkinson stated that if there is no objection, the Chair directs staff to issue requests for proposals from bond counsel, financial advisors and underwriters to provide services to the TPFA for a four-year period beginning September 1, 2019. No objection was stated.

Item 8. Consideration, discussion and possible action to select a firm to provide arbitrage rebate compliance services and other fund expenditure monitoring services.

The Chair recognized Mr. Hernandez to present this item. Mr. Hernandez reported the current arbitrage rebate provider is PFM Asset Management. Mr. Hernandez described PFM's process for monitoring TPFA's arbitrage rebate compliance and provided the Board with examples of PFM's monitoring reports.

Mr. Deviney indicated his observation that hiring an outside firm is the most cost-effective way to manage arbitrage compliance.

Item 9. Staff Update:

a. TPFA-Charter School Finance Corporation update.

Mr. Deviney stated that the TCEP program currently has \$1.6 million remaining in uncommitted funds for future TCEP guarantees. Mr. Deviney indicated that there has been significant interest in the TCEP program during the prior year; however, the CSFC did not receive a request to issue bonds during the past three years.

b. Update on Texas Windstorm Insurance Association.

Mr. Deviney reported that at this time TWIA has not submitted a request for financing for either new money or for a refunding of the 2014 bonds.

c. Texas Workforce Commission – Personnel Policy & Procedure Review.

Mr. Van Oort stated that in 2017, the Texas Workforce Commission (TWC) completed a compliance review on employment practices and policies and procedures. In 2018, the agency received a follow-up survey from the TWC. Mr. Van Oort stated the findings were mainly technical issues and are being addressed.

d. Status Report: Conversion to the Comptroller's centralized accounting & payroll/personnel system (CAPPS).

Mr. Deviney stated that the proposed configuration schedule is on track and that modifications will be made by March, as needed. Mr. Hernandez stated that the CAPPS Financial applications are set to go live on September 1, 2019.

e. Market Update

John Barton stated that there has been some volatility with the long-term and short-term rates. Taxable vs non-taxable spreads on short-term rates are 80-100 basis points.

f. Personnel Update

Mr. Deviney reported that the agency has an accountant position posted and the agency will defer posting a second position until after the 2020-2021 budget is approved.

Item 10. Future agenda items and meeting dates.

The Board discussed possible dates for its next meeting, which will likely occur on March 7, 2019. The board was asked to save April 4, 2019 and May 9, 2019 for future meeting dates.

Item 11. Adjourn.

Mr. Atkinson adjourned the meeting at 11:57 a.m.

The foregoing minutes were approved and adopted by the Board of Directors on this 7th day of March 2019.



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

ATTACHMENT: Posting Notice



Donna Weinberger-Rourke

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Open Meeting Submission

TRD: 2019000168
Date Posted: 01/09/2019
Status: Accepted
Agency Id: 0113
Date of Submission: 01/09/2019
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Date of Meeting: 01/17/2019
Time of Meeting: 10:30 AM (###:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.028 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, January 17, 2019 - 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 November 8, 2018 Work Session.
4. Legislative Update:
 - a. Legislation
 - b. Sunset Commission reports
 - c. Agency Budget
5. Consideration, discussion and possible action to authorize the refinancing of outstanding commercial paper issued under the TPFAs Revenue Commercial Paper Note Program (Texas Facilities Commission) Series 2016A, determine a method of sale, select outside consultants, and take other necessary related action.
6. Post-Sale Reports:
 - a. TPFAs State of Texas GO & Refunding Bonds, Taxable Series 2018 (CPRIT)
 - b. TPFAs State of Texas GO Refunding Bonds, Series 2018A (BAB's)
7. Procedures for selection of service providers for debt issuance transactions.
8. Consideration, discussion and possible action to select a firm to provide arbitrage rebate compliance services and other fund expenditure monitoring services.
9. Staff Update:
 - a. TPFAs-Charter School Finance Corporation update.
 - b. Update on Texas Windstorm Insurance Association.
 - c. Texas Workforce Commission - Personnel Policy & Procedure Review.
 - d. Status Report: Conversion to the Comptroller's centralized accounting & payroll/personnel system (CAPPS).
 - e. Market Update
 - f. Personnel 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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