

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS:

Billy M. Atkinson, Jr., Chair
Ramon Manning
Rodney K. Moore
Shanda G. Perkins
Brendan Scher
Benjamin E. Streusand
Joseph E. Williams



EXECUTIVE DIRECTOR

Lee Deviney

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

June 4, 2020

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, June 4, 2020, via video conference call.

Present were: Mr. Billy M. Atkinson, Jr., Chairman; Mr. Ramon Manning, Member; Mr. Rodney K. Moore, Member; Ms. Shanda G. Perkins, Member; Mr. Brendan Scher, Member; Mr. Benjamin E. Streusand, Member; and Mr. Joseph E. Williams, Member.

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

In attendance were the following persons, representing the indicated entities: Wayne Roberts and Heidi McConnell, Cancer Prevention and Research Institute of Texas (CPRIT); Dennis Waley and Bruce Rideaux, PFM Financial Advisors, LLC; Brad Angst, Stifel; Blaine Brunson, Morgan Stanley & Co. LLC; Jerry Kyle, Julia Houston and Andrew Bethune, Orrick Herrington & Sutcliffe LLP; Tilghman Naylor, Loop Capital Markets LLC; Paul Jack, Estrada Hinojosa & Co., Inc; Humberto Aguilera, Escamilla & Poneck, LLC; Bech Bruun and Frank Reed, UBS; Tim Kelley, Piper Sandler & Co.; Keith Richard, Siebert Williams Shank & Co., LLC; Ron Morrison and Curtis Flowers, JP Morgan Securities LLC; Chris Allen, RBC Capital Markets, LLC; Tim Peterson, Jefferies LLC; Andy Deskins, Wells Fargo Bank; and Patrick Scott, Barclays Capital Inc.

Mr. Atkinson called the meeting to order at 9:32 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 and due to Governor Abbott's March 13, 2020 proclamation declaring a state of disaster due to the coronavirus and March 16, 2020 suspension of certain provisions of the Texas Open Meetings Act, this meeting of the Texas Public Finance Authority was being held via video conference call, as authorized under Section 551.127 of the Texas Government Code.

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

Each member of the Board confirmed that they were participating in the video conference call.

Item 3. Review and approval of the minutes of the March 5, 2020 and March 25, 2020 Board meetings and the March 5, 2020 work session.

Action: Motion by Mr. Moore to approve each set of minutes. Second by Mr. Streusand.

The motion passed unanimously.

Item 4. Consideration, discussion and possible action to authorize the issuance of revenue bonds to finance the TxDOT office consolidation project; determine a method of sale; select outside consultants; and other necessary related actions.

Mr. Deviney reminded the Board the \$326 million TxDOT office consolidation project was previously approved by the Board in July 2019 for financing through revenue commercial paper notes. Mr. Deviney explained that TPFA encountered an issue that may impact the Authority's ability to issue commercial paper. Staff recommends the issuance of revenue bonds and requests the Board appoint service providers for the transaction.

Mr. Williams requested clarification on the specific issues encountered with issuing commercial paper to fund the TxDOT project. Mr. Deviney responded that the security pledge under the commercial paper program documents require that TPFA hold title to the property until the debt is paid in full, but TxDOT has a competing statute that precludes releasing title to property connected to the State Highway System without additional complications. TxDOT's position that the project is connected to the State Highway System. If staff is unable to resolve the security issues to finance the TxDOT project through the revenue commercial paper program, the Board can authorize the issuance of revenue bonds to be structured with a different security pledge. The bonds would also be subject to the approval of the Texas Attorney General and the Bond Review Board.

Action: Motion by Mr. Manning to direct staff move forward with revenue bonds to finance the Texas Department of Transportation Department campus consolidation project. Second by Mr. Williams.

The motion passed unanimously.

Mr. Deviney recommended the appointment of Orrick Herrington & Sutcliffe LLP as bond counsel, due to their knowledge of the Authority's revenue bond programs and having worked on the Revenue CP Notes, Series 2019A&B. Further, the law firm of Escamilla & Poneck LLP is recommended to serve as disclosure counsel, having been in the bond counsel pool for several years and previously serving as disclosure counsel for other TPFA bond issuances.

Mr. Deviney recommended the appointment of Estrada Hinojosa & Co. to serve as financial advisor on the transaction. This appointment will serve as the first transaction for the Estrada firm as financial advisor to the TPFA. Further, the Estrada firm serves as financial advisor to TxDOT on various transactions, thus their experience will be an asset to the transaction.

Action: Motion by Mr. Manning to appoint the law firm of Orrick Herrington & Sutcliffe to provide bond counsel services related to the potential issuance of such bonds; to appoint the law firm of Escamilla & Poneck to provide disclosure counsel services related to the potential issuance of such bonds; and to appoint Estrada Hinojosa & Co. to provide financial advisory services for the transaction. Second by Mr. Moore.

The motion passed unanimously.

Mr. Deviney explained staff believes a syndicate of six firms is appropriate for the size of the transaction. The proposed syndicate includes Barclays Capital Inc., as the senior manager and the following firms as co-managers: Citi Global Capital Markets Inc., Raymond James & Associates Inc., Loop Capital LLC, Piper Sandler & Co., and Blaylock Van LLC. Mr. Deviney continued, each of the firms have performed well in prior transactions and provided good results marketing the Authority's bonds.

Mr. Atkinson discussed a news article provided to the Board relating to an ongoing legal action involving several firms from the Authority's underwriting pool, which were named in the article. Mr. Atkinson indicated that, per the article, no admission of guilt or fault was stated by any company. Barclays and Citigroup Capital Markets were named in the article. Mr. Atkinson continued that if there is a problem, the Board will be meeting in August and can make changes to the syndicate at that time.

Mr. Deviney addressed the question of a plan "B" should one of the underwriting firms not be able to participate. Mr. Deviney continued, with six firms in the syndicate there should not be a problem if one of the firms self-select out or if they are asked not to participate in the transaction. Mr. Deviney stated the Board reserves the right to add or subtract firms at any time.

Mr. Atkinson said, the situation will be monitored.

Action: Motion by Mr. Scher to designate an underwriting syndicate for the potential issuance of such bonds, in a negotiated sale, to consist of: Barclays Capital Inc., as the senior manager and the following firms as co-managers: Citi Global Capital Markets Inc., Raymond James & Associates Inc., Loop Capital LLC, Piper Sandler & Co. and Blaylock Van LLC. Second by Mr. Williams.

The motion passed unanimously.

Item 5. Consideration, discussion and possible action to increase the liquidity coverage applicable to the Series 2019A and Taxable Series 2019B commercial paper program.

Mr. Deviney explained that last year the Authority entered into a liquidity agreement with the Comptroller's office to provide liquidity on the program for up to \$200 million. Staff is requesting authorization to ask the Comptroller's office for a liquidity cap increase of up to an additional \$100 million as needed should the TxDOT project be financed through commercial paper, making the total amount of the cap \$300 million.

Action: Motion by Mr. Manning to delegate the authority to staff to negotiate and execute a contract amendment with the Comptroller of Public Accounts to increase the maximum liquidity coverage for the 2019A&B revenue commercial paper program, up to an amount

not to exceed \$300 million, if and when necessary and prudent for the administration of the program. Second by Mr. Streusand.

The motion passed unanimously.

Mr. Deviney indicated that the delegation to adjust the liquidity cap would expire when the current term of the liquidity agreement expires.

[Agenda item 6 was deferred until later in the meeting.]

Item 7. Consideration, discussion and possible action on the request for financing submitted by the Cancer Prevention and Research Institute of Texas.

Mr. Deviney provided background information on the Cancer Prevention and Research Institute of Texas (CPRIT) and their \$3 billion of authorization of general obligation bonds . In 2019, the voters of the state authorized an additional \$3 billion in funding for cancer projects, with a maximum of \$300 million issued per year, bringing the total authorization to \$6 billion. The request for financing is for agency operations and cancer project financing for FY 2021.

Mr. Wayne Roberts, Chief Executive Officer and Ms. Heidi McConnell, Chief Operating Officer presented information relating to CPRIT.

Mr. Roberts stated that CPRIT is a \$6 billion fund and serves as the second largest cancer center in the world and is the largest state research initiative in the history of the U.S. Mr. Roberts referenced the handout highlighting CPRIT's primary statutory requirements, research facilities, researchers and other statistical facts, including CPRIT's grant review and award process.

Ms. McConnell directed the Board to the CPRIT program summary document which indicates that debt issuance to date for CPRIT is just under \$2 billion and outlines the amount of time it takes to approve and fund the grants.

Mr. Atkinson and Mr. Deviney discussed the structure of the program versus the spending of the debt, and the timing of the debt issuances.

Discussion ensued regarding self-funding of CPRIT. Mr. Roberts explained the process for obtaining a revenue share from universities and private businesses, which is deposited and held in an interest and sinking fund to be used only for the payment of debt service. Mr. Roberts further indicated that CPRIT was not established to be a self-sufficient entity and that its enabling statute establishes revenue generation as being secondary priority to scientific research.

Action: Motion by Mr. Williams to approve the request for financing submitted by the Cancer Prevention and Research Institute of Texas for Fiscal Year 2021, in an amount not to exceed \$300 million, and further moved that such financing be accomplished utilizing the existing commercial paper program. Second by Ms. Perkins.

The motion passed unanimously.

Item 8. Fiscal Year 2021 issuance of commercial paper notes under the 2016A&B and the 2019A&B commercial paper programs.

Mr. Van Oort provided information regarding a potential request from the Bond Review Board to ratify resolutions related to the 2016A&B and 2019A&B commercial programs, however, based on recent communications with the Comptroller's office we have determined that no action is necessary on this item.

Item 9. Status Report: Redemption of Series 2014 TWIA Bonds.

Mr. Deviney reported that \$45 million in bonds were redeemed through an optional redemption. At this time [i.e., after the redemption date], the par value of the outstanding bonds is \$273.6 million. The interest cost savings for the optional redemption was approximately \$12 million.

Item 10. Status Report: Charter School Finance Corporation

Mr. Deviney reported that the Office of the Governor has approved Mr. Steve West and Dr. Nancy Grayson to continue serving on the Corporation's board. Mr. Deviney indicated that the staff continues to search for individuals to serve on the Corporation board.

Item 11. Budget Reduction Plan.

Mr. Deviney advised the Board that he received a letter from the Governor Abbott, Lt. Governor Patrick, and Speaker Bonnen requesting a plan, by June 15, 2020, to achieve a general revenue budget reduction of 5% for the 2020-21 biennium. Debt service is exempt from the proposed reduction; however, Mr. Deviney reported there will be \$10 million in general obligation bond debt service savings available for the budget reduction. Discussion ensued regarding the potential source of the 5% reduction. Mr. Deviney explained that no specific budget reduction strategies have been identified at this time. The Authority's approach would be to consider its entire budget, including its general obligation bond debt service.

Item 12. Legislative Appropriations Request for FY 2022-2023.

Mr. Deviney advised the Board that the state's biennial budget preparation process has started, and that the agency's next step would be to prepare and submit its biennial legislative appropriations request (the "LAR"). The Authority's LAR is typically submitted in August; however, at this time the budget instructions have not been published by the state budget offices. Mr. Deviney discussed the base level for agency operations for the LAR could be the same as the FY 2020-21 levels and that any request over the current level of funding may have to be included as an exceptional item. Mr. Deviney discussed some details of the agency's operating budget and explained the sources used in determining the interest assumptions that serve as the basis for bond debt service estimates. Those sources include input from the Legislative Budget Board, the Bond Review Board, and the Authority's financial advisors. The Board will have an opportunity to review and approve a proposed LAR at its next meeting.

[The Chair took up agenda item 6 at this time.]

Item 6. Consideration, discussion and possible action to adopt the Agency Strategic Plan for FY 2021-2025.

Mr. Deviney explained that the Strategic Plan is prepared for a five-year period, FY 2021-2025, and discussed some of the elements included therein. He explained that the Strategic Plan format is prescribed by instructions promulgated by the Legislative Budget Board and the Office of the Governor and that TPFA updated its Strategic Plan in accordance with the prepared guidelines.

Mr. Deviney pointed the Board to the agency's goal and action plan and that its budget is stable with 89% of the administrative budget devoted to salaries. Redundancies and impediments are identified and can be used by leadership to determine whether legislative action is necessary to consolidate or eliminate reporting requirements.

Mr. Deviney described the supplemental schedules and why they are important for today's discussion. The budget structure schedule is used to create the legislative appropriations request for the next legislative session. Mr. Deviney reviewed minor changes to the TPFA Performance Measures and their related definitions approved by the two budget offices. Mr. Deviney provided an overview of the Historically Underutilized Business (HUB) plan, the debt service request, the agency's Customer Service Survey, and the Workforce Plan. Mr. Deviney noted the Customer Service Survey responses rated TPFA at levels near or higher than in the past survey reporting period.

Action: Motion by Mr. Streusand to authorize the submission of the Agency Strategic Plan for fiscal years 2021-2025. Second by Ms. Perkins.

The motion passed unanimously.

Item 13. Staff Update:

a. Return to office plan

Mr. Deviney explained that staff are working remotely and described the agency's plan to reopen the office, which will bring employees back to the office in stages beginning with a 25% repopulation. Mr. Deviney said that he is monitoring the situation, including updates from oversight agencies, for the proper time to implement a return to the office plan.

b. Charter School Finance Corporation: D&O Insurance

Mr. Deviney shared that the Corporation carries a \$1 million directors' and officers' liability policy paid from the agency's operating budget. Mr. Deviney indicated that the cost of the policy increased a few hundred dollars for this year.

c. Property & Casualty Insurance

Mr. Deviney explained that the total insured value under the property and casualty policy has gone down; however, the premium has risen. Further, Mr. Deviney explained that TPFA has changed its prior practice of purchasing property and

casualty insurance on new projects funded with revenue bonds, and is now relying on client agencies to manage their own property and casualty insurance policies.

Mr. Moore inquired about monitoring insurance policies obtained by client agencies and whether TPFA is named as an additional insured on those policies. Mr. Van Oort indicated that the transaction documents typically require that the TPFA be named as a coinsured for any required insurance coverage. Mr. Van Oort said that he will review current and future bond documents relating to ongoing monitoring requirements and make adjustments as necessary.

d. Client Agency Training Video

Mr. Deviney announced a new on-line client agency training video, which he attributed to Bon Wier. Mr. Deviney said that he is proud of the video and congratulated Mr. Wier for the production quality of the video.

e. Current Debt Service

Mr. Deviney discussed the newest report which includes future bond and commercial paper debt service payments for the upcoming 12-month period.

f. Market update

Mr. Barton provided a market update describing the decline in interest rates for commercial paper trades since February and that the Authority has been locking in low interest rates for terms up to 90 days. Mr. Barton continued that the Authority successfully issued its first tax-exempt commercial paper for the Texas Facilities Commission's Capitol Complex and North Austin projects, in the amount of \$60 million.

Item 14. Future transactions and market conditions.

Mr. Deviney discussed potential future transactions including: the TxDOT Revenue Bonds; refunding the 2011 tax-exempt bonds; fixing out the 2008 commercial paper program; and a refunding of the TFC commercial paper.

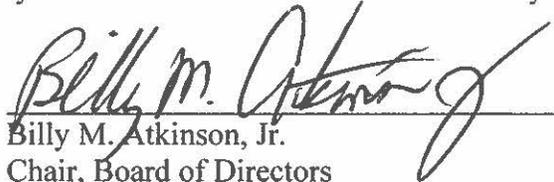
Item 15. Future agenda items and meeting dates.

The Board discussed possible meetings on July 9, 2020, August 6, 2020 and/or September 3, 2020. Mr. Deviney noted a July meeting would be unlikely.

Item 16. Adjourn.

Mr. Atkinson adjourned the meeting at 11:29 a.m.

The foregoing minutes were approved and adopted by the Board of Directors on this 26th day of August 2020.


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

ATTACHMENT: Posting Notice



Open Meeting Information

Agency Name: Texas Public Finance Authority
Date of Meeting: 06/04/2020
Time of Meeting: 09:30 AM (Local Time)
Board: Texas Public Finance Authority
Committee: Board Meeting
Status: Accepted
Street Location: Via Video Conference Public access information available on the TPFA website at: <http://www.tpfa.texas.gov>
City Location: Austin
Meeting State: TX
TRD: 2020002797
Submit Date: 05/27/2020
Emergency Mtg: No
Additional Information Obtained From: Donna Weinberger at 512-463-5544
 Texas Public Finance Authority
 Board Meeting
 Thursday, June 4, 2020 - 9:30 A.M.
 Via Video Conference
 Public access information available on the TPFA website at: <http://www.tpfa.texas.gov>

Due to Governor Greg Abbott's March 13, 2020 proclamation of a state of disaster affecting all counties in Texas due to the coronavirus and the Governor's March 16, 2020 suspension of certain provisions of the Texas Open Meetings Act, this meeting of the Texas Public Finance Authority will be held via video conference call, as authorized under Section 551.127 of the Texas Government Code.

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 5, 2020 and March 25, 2020 Board meetings and the March 5, 2020 work session.
4. Consideration, discussion and possible action to authorize the issuance of revenue bonds to finance the TxDOT office consolidation project; determine a method of sale; select outside consultants; and other necessary related actions.
5. Consideration, discussion and possible action to increase the liquidity coverage applicable to the Series 2019A and Taxable Series 2019B commercial paper program.
6. Consideration, discussion and possible action to adopt the Agency Strategic Plan for FY 2021-2025.
7. Consideration, discussion and possible action on the request for financing submitted by the Cancer Prevention and Research Institute of Texas.
8. Fiscal Year 2021 issuance of commercial paper notes under the 2016A&B and the 2019A&B commercial paper programs.
9. Status Report: Redemption of Series 2014 TWIA Bonds.
10. Status Report: Charter School Finance Corporation
11. Budget Reduction Plan.
12. Legislative Appropriations Request for FY 2022-2023.
13. Staff Update:
 - a. Return to office plan
 - b. Charter School Finance Corporation: D&O Insurance
 - c. Property & Casualty Insurance
 - d. Client Agency Training Video
 - e. Current Debt Service
 - f. Market update
14. Future transactions and market conditions.
15. Future agenda items and meeting dates.
16. Adjourn.

Agenda:

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

An electronic copy of the agenda is available at <http://www.tpfa.texas.gov/agenda.aspx>. A recording of the meeting will be available after the meeting. To obtain the recording, please contact Donna Weinberger, at 512/463-5544.

Information regarding use of the Zoom webinar application can be found on the TPFA website: at <http://www.tpfa.texas.gov>. Further technical information regarding the Zoom webinar application can be found at the Zoom Help Center: <https://support.zoom.us/hc/en-us/articles/115004954946-Joining-and-participating-in-a-webinar-attendee->.

Information regarding accessing the meeting via a toll-free dial-in number is also available on the TPFA website at: <http://www.tpfa.texas.gov>.

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