

Texas Public Finance Authority

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AMENDMENT TO THE MINUTES OF THE AUGUST 19, 2008 OPEN MEETING SUPPLEMENTING AGENDA ITEMS 7 and 9

1. Insert the following in place of the third paragraph under Agenda Item 7:

Mr. Alley asked whether the reported 1.8% HUB participation reflected on schedule 6.A of the Legislative Appropriations Request indicated that the goal was 1.8 % and that goal was achieved. In response, Ms. Edwards explained the applicable state mandated goal for other services is 33%. She further explained the agency's HUB participation results are tracked in two categories: (1) administrative expenditures; and (2) bond issuances. The Authority frequently meets or exceeds the 33% goal in its office administrative expenditures. The difficulty is in meeting this goal for expenditures related to bond issues, which includes compensation to underwriters, bond counsel and financial advisers, primarily. In past years, we have used HUB certified firms as Co-Bond Counsel, Co-Financial Advisers. Although no HUB bond counsel firms are on the list of qualified firms this year, we will be issuing an RFP for Bond Counsel in the next few months and will focus on HUB participation as part of that process.

With respect to underwriters, the challenge is in the level of the firm's capital base. HUB firms and other small firms have a harder time putting in orders and getting bond allocations because of their limited capital. The Board's underwriting policies, also set out in the Strategic Plan, specify that it must make a good faith effort to include HUB firms in syndicates for negotiated bond issues, and where HUBs are not available, it will include other minority firms that are not eligible for HUB certification. The Board's policies go a step further by requiring good faith efforts in competitive sales; that is, firms that form a competitive bidding syndicate must make the same good faith effort by inviting HUBs or other minority groups to join the bidding syndicate. Nonetheless, HUB/ minority underwriting participation is difficult to achieve.

Mr. Alley asked whether this is the case nationally or just Texas experience and given these results whether it would be useful to see what other states are doing with respect to HUB participation. Ms. Edwards responded that the capital base limits would be the case nationally. Ms. Porras commented that it would be difficult to compare other states as the HUB participation statute and rules are unique to Texas. She added that a

new diversity study is being done which may provide better data to work with in the future.

2. Add the following paragraph to Agenda Item 9:

Concerning the RFP process for Bond Counsel, Mr. Alley asked if pre-proposal meetings are conducted, to afford interested parties an opportunity to better understand what the agency is looking for and discuss their concerns, before submission of a proposal. Ms. Edwards responded that the scope of work required is pretty standard for firms doing this work, but we would certainly consider it.