

Texas Public Finance Authority

Board of Directors:

D. Joseph Meister, Chair
Ruth C. Schiermeyer, Vice Chair
Gerald Alley, Secretary
Billy M. Atkinson, Jr.
Mark W. Eidman
Rodney K. Moore
Robert T. Roddy, Jr.

Susan K. Durso
Interim Executive Director



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

October 5, 2011

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 notice is attached hereto as Exhibit "A") at 9 a.m., Wednesday, October 5, 2011, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Joe Meister, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Gerald Alley, Secretary; Mr. Rodney Moore, Member; and Mr. Billy Atkinson, Member. Mr. Roddy joined the meeting at 11:20 a.m. and Mr. Atkinson did not attend the training, but was present for the meeting.

Representing the Authority's staff were: Ms. Susan K. Durso, Interim Executive Director and General Counsel; Mr. John Hernandez, Deputy Director; Ms. Pamela Scivicque, Business Manager; Ms. Gabriela Klein, Ms. Charlie Cannon, Ms. Loan Nguyen, Ms. Sherrie Walter, Mr. Chris Gilliland, Mr. Eric Benson, Ms. Ophelia Guerrero, and Mr. Ricky Horne.

Present in their designated capacities were the following persons: Tim Kelley, Piper Jaffray; Desrye Morgan, Wells Fargo; Heather Barber, JP Morgan; Mark Nitcholas, Hutchinson, Shockey, Erley & Co.; Paul Jack, Estrada Hinojosa; Nick Boyle, Bank of Tokyo-Mitsubishi; Lorraine Palacios, Ramirez & Co.; Tilghman Naylor, Jefferies & Co.; Rick Menchaca, BOSC, Inc.; Nora Chavez, Stifel Nicolaus; Curt Shelmire, Bank of America/Merrill Lynch; Jim Buie, Raymond James; Kay Molina, Stanton Korn, John Raff, Peter Maass, Texas Facilities Commission; Jerry Kyle, Andrews & Kurth; Julie Houston, Paul Martin, Winstead; Napoleon Brandford, Levi Davis, Art Morales, Robert Collins, Cindy Pride, Siebert Brandford Shank & Co.; John W. Polak, Jim Murphy, Texas Windstorm Insurance Association; Justin Groll, Susana Dawn, Heather Rosas, John Barton, Texas Bond Review Board; Colin Parrish, Office of the Governor; Lester Byrd; Jennifer Jones, Legislative Budget Board; Paul Braden, Fulbright & Jaworski; Jorge Rodriguez and Daniel Rodriguez, Coastal Securities; Chris Allen, First Southwest Co.; and Phil Wilson, Texas Department of Transportation.

Mr. Meister called the meeting to order at 9:20 a.m. Napoleon Brandford, Siebert Brandford Shank & Co., presented an overview of the bond market from the owner's perspective and a short recess followed his presentation.

Mr. Meister reconvened the meeting to order at 11:20 a.m. He recognized a senior staff member, John Hernandez, thanking him for his twenty years of service to TPFA.

Excuse absences of board members.

Mr. Moore moved to excuse the absence of Mr. Eidman. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 1. Approve the minutes of the August 4, 2011, Board meeting.

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of August 4, 2011. Ms. Schiermeyer moved to approve the minutes as presented. Mr. Alley seconded. The motion passed unanimously.

Item 2. Consideration and possible re-appointment of Paul Jack and Tom Canby to the TPFA Charter School Finance Corporation board to fill vacancies for a two-year term ending May 1, 2013.

The Chair recognized Ms. Durso to introduce the discussion of the re-appointment of Tom Canby and Paul Jack to terms of service on the TPFA Charter School Finance Corporation's Board. Ms. Durso stated Mr. Canby and Mr. Jack currently serve on the TPFA Charter School Finance Corporation Board. Their terms expired May 1, 2011 and pursuant to the Corporation's bylaws they continue to serve until reappointed or replaced. Both Mr. Canby and Mr. Jack have expressed an interest in continuing to serve and being reappointment. Mr. Canby works for the Texas Association of School Boards and Mr. Jack is with Estrada, Hinojosa. Both of them bring some unique perspectives to that Board. Mr. Jack brings his financial background that is very helpful to the Board during discussions of the transactions before them and Mr. Canby brings a wealth of experience and background regarding schools boards, their management and financial operations and is a great resource for the Board. Staff recommends that both Mr. Canby and Mr. Jack be reappointed to fill the vacancies for a two year term ending May 1, 2013.

Ms. Schiermeyer moved to accept staff's recommendation. Mr. Alley seconded. The motion passed unanimously.

Item 3. Consideration, discussion and possible approval to issue a Request for Proposals for a second dealer for the TPFA 2008 commercial paper program.

This item was not considered.

Item 4. Consideration, discussion and possible action to approve the Texas Facilities Commission's Request for Financing to issue approximately \$60 million in general obligation debt Art. III, sec. 50-g, Texas Constitution, Texas Government Code 1232, H.B. 1, 82nd Legislature, Regular Session Art. IX, Sec. 18.01(a), p.IX-70 (2011), for health and safety deferred maintenance projects, and take other necessary related action.

Ms. Durso introduced representatives from the Texas Facilities Commission, Ms. Kay Molina, Mr. Stanton Korn, Mr. John Raff and Mr. Peter Maass, to discuss the project and answer questions. Staff is recommending approval of this request for financing to issue \$60 million in

2008 general obligation commercial paper program. These funds were approved by the constitutional authorization which is known as Article III, 50-g or Proposition 4 and the 82nd Legislature authorized the Facilities Commission to use these funds for health and safety deferred maintenance projects on a variety of state facilities.

Mr. Peter Maass, Director of Project Management, stated that TFC maintains a database of buildings that was begun in 2006-07 wherein we collected data and created a baseline summary of buildings and the condition of the buildings. The items are categorized in order priority, high, medium or low. Each biennium the list is reviewed to determine the highest priorities and create a summary of most important projects. Given the limited funds available, this review concentrated on the most critical life safety items that might cause a concern.

Ms. Schiermeyer stated the all of the projects seem to be capital projects and nothing would be temporary. Mr. Maass stated that was correct. Mr. Alley asked if these projects would be completed internally or if a bid would be solicited. Mr. Maass stated “no, the great majority of this will be put out for competitive bid.” Requests for bids for architectural and engineering services will go out followed by requests for construction services a bit later. Mr. Atkinson stated that not only the cost of the projects, but the cost of issuance and related administrative cost that those are administrative costs relevant to the issuance and not the operation. Mr. Meister stated that when reviewing proposed expenditure schedule it appears that just about every project begins January 2012 and runs through November 2013 and some that are grouped together that seem to finish early in April 2013, and that jumped out how all the projects could conclude at two times. He asked if the amount of work to be done was being spaced over that time frame for administrative convenience or asked what this information reflected. Mr. Maass stated that the process is started with projections but the intent is to group these projects into large assemblies taking projects of the same type together and issue them out as a package. In that sense, economies of scale are achieved and greater production in a shorter period of time. The other component to this is the number of project managers we have available to run these projects. There are two basic categories of projects.

Mr. Atkinson moved to approve the issuance of \$60 million of general obligation commercial paper through the Authority’s 2008 GOCP Program pursuant to the authority provided in Article III, section 50-g of the Texas Constitution for use by the Texas Facilities Commission in accordance with section 18.01 of the General Appropriations Act of the 82nd Legislature, contingent upon approval by the Legislative Budget Board. Mr. Alley seconded. The motion passed unanimously.

Item 5. Consider all matters incident and related to the approval of substitute liquidity agreements and other related documents relating to the Authority’s 2002A and 2002B General Obligation Commercial Paper Programs, including the adoption of one or more resolutions relating thereto and delegating certain matters to an authorized official of the Authority.

The Chair recognized Ms. Durso to open the discussion of the approval of substitute liquidity agreements for the Authority’s 2002A and 2002B GOCP programs, and the delegation of authority on those and other related matters. Ms. Durso stated a request for proposals was issued for a substitute liquidity provider this summer and staff requested approval to negotiate terms with Wells Fargo for the 2002A and B commercial paper programs and with Bank of America/Merrill Lynch for the 2008, MLPP and CPRIT programs. The Comptroller’s office

decided to offer liquidity for the CPRIT program so we did not have to go with a substitute provider for that program saving a substantial amount of money. Terms were reached with Wells Fargo, but terms were not able to be reached with Bank of America/Merrill Lynch. TPFA's financial advisors contacted other responders to the RFP and some other third party firms. Based on the financial advisors' contacts, offers were received from Barclays for the Master Lease Purchase Program. Barclays was the only other firm who had responded during the summer and offered at the same terms as was in the RFP response. For the 2008 GOCP, an offer was received from Sumitomo and not only did Sumitomo offer the best price, but Sumitomo agreed to work with firms that had already done some work and Sumitomo agreed to reduce their fees for the work already completed. Staff requests that the Board adopt a resolution agreeing to the substitution of Wells Fargo for the 2002A and B general obligation commercial paper programs and delegating certain matters to an authorized representative related thereto, and to delegate to the interim Executive Director the authority to negotiate terms for substitute liquidity agreements for the Authority's MLPP and 2008 general obligation commercial paper programs.

Ms. Schiermeyer asked where the location was for Sumitomo and Ms. Durso answered "it's a Japanese bank." Mr. Meister asked if Sumitomo had any offices or employees in the state of Texas and Ms. Durso answered "not that she knew of." Ms. Schiermeyer asked what ratings were necessary for the bank to have for the Authority to negotiate with them and Chris Allen, First Southwest, answered P-1.

Mr. Alley moved to adopt a resolution approving substitute liquidity agreements for the Authority's 2002A and 2002B GO Commercial Paper programs and delegating certain matters to an Authorized Representative related thereto, and to delegate to the interim Executive Director the authority to negotiate terms for substitute liquidity agreements for the Authority's MLPP and 2008 GOCP programs. Mr. Roddy seconded. The motion passed unanimously.

Item 6. Report on the sale of the TPFA General Obligation and Refunding Bonds, Series 2011.

Ms. Durso introduced Jorge Rodriguez, Coastal Securities, who served as financial advisor for TPFA GO and Refunding transaction, Series 2011. Also present is Art Morales, Siebert Brandford Shank who served as the bookrunning firm.

Mr. Rodriguez stated when he initially met with Ms. Durso and Mr. Hernandez that he thought the debt ceiling discussions might impact this transaction more than anything else happening in the market and it drove the timing of both the taxable and tax-exempt transactions. Almost \$344,000,000 bonds were offered achieving a true interest cost of 3.057%. Mr. Morales, Siebert Brandford Shank, expressed appreciation for managing the tax-exempt transaction. He identified the underwriting team, RBC Capital Markets as co-senior manager, the co-managers, Barclays, Hutchison Shockley, MR Beal, Ramirez & Co., Samco Capital Markets, Sterne Agee along with bond counsel, Vinson & Elkins, underwriters' counsel, Fulbright & Jaworski and Haynes and Boone and Coastal Financial Services.

He stated the transaction priced on July 18. The structure was serial bonds with maturities from 2012-2031, triple-A credit well received in the market. Proceeds of the new money, which was about \$63 million, was for state agencies, Texas Department of Criminal Justice, Texas Department of Health Services, Texas Historical Commission, Texas Facilities Commission and the Texas School for the Blind and Visually Impaired. The second component of about \$129

million was a refunding portion converting commercial paper to long-term fixed rate debt and the third component was a refunding and restructure of about \$152 million with the balance paying the cost of issuing the bonds. The usual process stated in the Board's underwriting procedures was followed. There was substantial market movement that day with a sell-off of treasuries that day. At end of order period \$40 million remained unsold. Siebert Brandford took \$28 million and the balance went primarily to RBC Capital Markets and Sterne Agee. The refunding portion generated \$5.3 million net present value savings. Mr. Morales reviewed the remainder of the pricing book.

Ms. Durso pointed out that designation policy was crafted to provide incentive and reward for selling the bonds. Staff works with members of the syndicate and financial advisor to be sure work is rewarded.

Item 7. Report on the sale of the TPFA General Obligation and Refunding Bonds, Taxable Series 2011.

Ms. Durso introduced Jorge Rodriguez, Coastal Securities, who served as the financial advisor for the TPFA GO and Refunding Taxable Series 2011 transaction. Mr. Rodriguez stated this transaction was often referred to as the CPRIT deal, but included general obligation money, too. The true interest cost achieved was 3.99%. This transaction was for approximately \$282 million and priced about a week after the other transaction previously discussed and about a week prior to the debt ceiling deadline.

This was a two-day trade dealing with taxable bonds. Significant to this effort was a conversation with Jefferies to get in and out of the market quickly due to the debt ceiling negotiations in Washington. Mr. Rodriguez introduced Daniel Rodriguez from Coastal Securities and Tilghman Naylor from Jefferies, who served as the bookrunner for the transaction.

Tilghman Naylor on behalf of the syndicated thanked the Board saying members of the syndicate had enjoyed working with staff to complete this transaction. He stated marketing taxable bonds was a little different process in that when entering the market indications based on spreads to treasuries depending on the credit develop the book. Mr. Meister asked who was on the pricing committee for this transaction. Ms. Durso stated Ms. Schiermeyer, Mr. Moore and Mr. Alley were members of the pricing committee. Ms. Durso stated it was an exciting day when Rep. Cantor announced he would speak about the debt ceiling issue when the markets closed.

Mr. Rodriguez complimented the staff, especially Ms. Durso and Mr. Hernandez, who accelerated their schedule by as much as three weeks in order to complete this transaction. Ms. Schiermeyer expressed appreciation to the financing team who were prepared and able to sell the bonds the first day, earlier than expected, when it was favorable to the state.

Item 8. Staff Report (No Action Items)

- a. Market Update**
- b. Budget Update**

Ms. Durso called attention to the status report showing the status of the Authority's debt and the difference between the outstanding fixed-rate debt and variable rate debt. Mr. Hernandez stated that the numbers were a little dated, the variable rate portion was small since most of that debt had been fixed out, and that over the next few months, the commercial paper program numbers

would ramp up in response to the financings from Texas Facilities Commission and other agencies. Ms. Durso stated that interest rates for commercial paper continued to be very low and that trades in the past day or two came in at .15% and .17% and the taxable rate was .126%.

Ms. Durso informed the Board that staff had completed FY11 budget and about \$73,000 funds were lapsed and returned to the MLPP fund to be available to the agency at some future time. She also shared a list comparing the budget with actual of objects of expense reported. She stated that quarterly she will provide a budget document with actual expenditures. Ms. Schiermeyer asked about the rent figure and Ms. Durso stated that was paid to the Texas Facilities Commission for our building and parking. Mr. Meister asked what was included in equipment rental and Ms. Scivicque answered that amount was for our copier.

Item 9. Executive Session

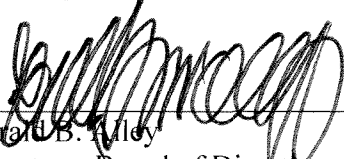
Mr. Meister announced the Board would begin an executive session at 12:10 p.m., to discuss the duties of Ms. Scivicque. He asked that Ms. Scivicque remain and that all other staff and visitors exit the room.

Mr. Meister reconvened the room at 12:52 p.m.

The Chair entertained a motion directing Ms. Scivicque to enter an agreement with Waters Consulting Group. Mr. Atkinson moved, and Mr. Moore seconded. The motion passed unanimously.

The meeting adjourned at 12:55 p.m.

The foregoing minutes were approved and passed by the Board of Directors on November 3, 2011.



Gerald B. Wiley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Archive

Agency Name: Texas Public Finance Authority
Date of Meeting: 10/05/2011
Time of Meeting: 09:00 AM
Board: Texas Public Finance Authority
Street Location: Capitol Extension Hearing Room E2.028
City Location: Austin
State Location: TX
Status: Active
Date of Submission: 09/27/2011
Additional Information Obtained From: If you need any additional information contact Susan Durso, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, TX 78701.
Emergency Mtg: N
Agenda: TEXAS PUBLIC FINANCE AUTHORITY
WEDNESDAY, OCTOBER 5, 2011, 9:00 A.M.
Capitol Extension Hearing Room E2.028
AUSTIN, TEXAS 78701

AGENDA

Work Session 9 a.m. - 11 a.m.

1. Confirm meeting posting compliance with the Open Meetings Act, confirm quorum, excuse absences of board members, if necessary.
2. Training presented by Napoleon Brandford, Siebert Brandford Shank & Co., LLC, on municipal finance for TPFA Board members and staff and invited agency staff.

Recess

11:15 a.m. Regular Business Meeting:

1. Approve the minutes of the August 4, 2011, Board meeting.
2. Consideration and possible re-appointment of Paul Jack and Tom Canby to the TPFA Charter School Finance Corporation board to fill vacancies for a two-year term ending May 1, 2013.
3. Consideration, discussion and possible approval to issue a Request for Proposals for a second dealer for the TPFA 2008 commercial paper program.
4. Consideration, discussion and possible action to approve the Texas Facilities Commission's Request for Financing to issue approximately \$60 million in general obligation debt pursuant to Art. III, sec. 50-g, Texas Constitution, Texas Government Code 1232, H.B. 1, 82nd Legislature, Regular Session Art. IX, Sec. 18.01(a), p.IX-70 (2011), for health and safety deferred maintenance projects, and take other necessary related action.
5. Consider all matters incident and related to the approval of substitute liquidity agreements and other related documents relating to the Authority's 2002A and 2002B General Obligation Commercial Paper Programs, including the adoption of one or more resolutions relating thereto and delegating certain matters to an authorized official of the Authority.
6. Report on the sale of the TPFA General Obligation and Refunding Bonds, Series 2011.
7. Report on the sale of the TPFA General Obligation and Refunding Bonds, Taxable Series 2011.

8. Staff Report (No Action Items) :

- a. Market Update
- b. Budget Update

9. Consideration and possible action regarding the Executive Director search, including consideration of Search Committee's recommendations on evaluation and selection of Executive Search firm based on responses to the Request for Proposals.

10. Executive Session:

- a. Pursuant to Texas Government section 551.071(2), the Board may convene in closed session at any time during this meeting to obtain legal advice from its counsel concerning any matter, listed on this agenda, in which the duty of its attorney under the Texas Disciplinary Rules of Professional Conduct conflicts with Texas Government Code, chapter 551.
- b. Pursuant to Texas Government section 551.074, the Board may convene in closed session at any time during this meeting to deliberate personnel issues, including the duties and employment of the Executive Director and the duties and performance of the Interim Executive Director, General Counsel or other staff.

11. Reconvene Open Meeting:

The open meeting will be reconvened, and any final action required concerning matters deliberated in the Closed Meeting must be taken at this time.

12. Discussion and Selection of November meeting date.

13. Adjourn.

Persons with disabilities having special communication or other needs, who are planning to attend the meeting should contact Susan Durso at 512/463-5544. Requests should be made as far in advance as possible.

Certification: I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements. Susan K. Durso, General Counsel, Certifying Official; Paula Hatfield, Agency Liaison

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