Texas Public Finance Authority

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

February 4, 2010

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 10:00 a.m., Thursday, February 4, 2010, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Dr. Gary Wood, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Joe Meister, Secretary; and Mr. Massey Villarreal, Member.

Representing the Authority's staff was: Mr. Dwight D. Burns, Executive Director; Ms. Susan Durso, General Counsel; Mr. John Hernandez, Deputy Director; Ms. Pamela Scivicque, Business Manager; Mr. Chris Gilliland, Ms. Gabriela Klein, and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Robbi Jones, Kipling Jones & Co.; Tilghman Naylor, Jefferies; Desrye Morgan, Mesirow Financial; Patrick Scott, Barclays Capital; Debi Jones, Morgan Keegan; Ricardo Villasenor, Becky Villasenor, Cabrera Capital Markets; Mario Carrasco, Stifel Nicolaus; Paul Jack, Estrada Hinojosa; Yava Scott, SBSCO; Liz Prado, LBB; Art Morales, Ramirez & Co.; Danielle Bradford, Piper Jaffray; Heath Barter, JP Morgan; Lee Brittain, Danny R. Gallant, Baker Pattillo, Stephen F. Austin State University; Julie Houston, Winstead; Rich McMonogle, Joseph Molis, Scott Stover, Texas Parks & Wildlife Department; Tim Kelley, Coastal Securities; Jerry Kyle, Andrews Kurth; Michelle Downie, Katharine Teleki, Heidi Bush, Sunset Commission; and Michael Bartolotta, Tim Peterson, First Southwest Co.

Item 1. Call to order.

Dr. Wood called the meeting to order at 10:03 a.m.

Item 2. Confirm meeting posting compliance with the Open Meetings Act.

Dr. Wood confirmed the meeting had been duly posted in compliance with the Open Meetings Act.

Item 3. Excuse absences of board members.

Mr. Meister moved to excuse the absences of Mr. Rodney Moore, Mr. Tom Roddy and Mr. Gerald Alley. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 4. Approve the minutes of the January 7, 2010 Board meetings.

Dr. Wood asked if there were any corrections or additions to the minutes of the meeting held on January 7. Ms. Schiermeyer indicated the word "know" was left out of a sentence in the next to last row on page 7. Mr. Meister moved to approve the minutes as amended. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 5. Consideration, discussion and possible selection of financial advisors FY2010-2011 biennium with the option to renew for 2012-2013 biennium.

Mr. Burns stated that four firms responded to the request for proposals and each response was uniformly thorough and the firms represented good broad experience in public finance. In reviewing the requested information and assessing qualities such as demonstrated confidence and qualifications, staff prepared a quantitative analyses of the responses received. There results indicated a marked difference between first two firms, Coastal and First Southwest, and the second two, Kipling Jones & Co. and Public Financial Management. Mr. Burns explained First Southwest and Coastal were ranked higher and that ranking reflects recent history of responsibilities the two had as financial advisors and successful work in the past with TPFA. The other two, Kipling Jones & Co. and Public Financial Management, also reflected some solid good experience in public finance. Kipling Jones is applying as solely a co-financial advisor, and is a historically-underutilized business, and the principals of the team also represent two people who have served TPFA in the past under different firms. Staff's ranking and assessment indicated a preference of financial advisors having strong experience giving advice about structuring debt and firms that also have presence in the market as underwriters, so that the Authority is not just relying on the opinions ofits underwriting team, but that our financial advisors can give good, up-to-date streetwise information about market conditions. Having someone with an underwriting desk helps that process. Based on the combination of financial advisory skills and in-depth market experience, qualifications, history of service to TPFA, staff recommended selecting Coastal and First Southwest as financial advisors with Kipling Jones to serve as co-financial advisor, when necessary or advantageous to have more than one financial advisor involved.

Dr. Wood asked if all these have underwriting desks and if any of the firms were HUBs.

Mr. Burns stated that both Coastal and First Southwest have established underwriting desks and that Kipling Jones is a minority-owned firm.

Mr. Meister asked for more detail on how a co-financial advisor relationship would work and that he could not recall when First Southwest and Coastal were teamed together.

Mr. Burns stated that TPFA had used co-financial advisors on complex deals and he envisioned that either First Southwest or Coastal would serve as a sole financial advisor for most transactions and in certain circumstances where Kipling Jones would serve as a co-financial advisor. The Board would select on a case-by-case basis. The Board was directed to Tab F of their packet, to the history of actions taken on the use of financial advisors.

Mr. Burns went on to explain that TPFA has a history of using sole financial advisors on most transactions and in 2004, First Southwest was teamed with a co-financial advisor.

Mr. Meister inquired as to the incremental value that a co-financial arrangement provides and if it is more expensive than just going with one firm.

Mr. Burns responded that a co-financial advisor would assist with rating agency presentations, help monitor the market, work with the investment community marketing the bonds and be available to help with the complex financial decisions about how to structure the deal. Mr. Burns asked Mr. Hernandez to address Mr. Meister's question about the additional costs for a co-financial advisor arrangement.

Mr, Hernandez confirmed Mr. Burns' statements about the use of both financial advisors and co-financial advisors on a single transaction that the duties are split with the financial advisor running the analysis with the co-financial advisor scheduling events, sending out RFPs for printing or verification services. Mr. Hernandez confirmed that there is some overlap of time with this arrangement and an additional cost to the transaction with a co-financial advisor.

Mr. Meister asked staff to provide an estimate of how much additional cost to a bond deal to have a co-financial advisor. Mr. Hernandez replied that the cost would be between five to ten percent and would depend on the transaction.

Mr. Meister asked if Kipling Jones provided any unique expertise or sophistication that is not already covered between Coastal and First Southwest Ms. Durso added yes, it responds to an issue that the Authority has had in meeting goals of the state in providing contracting opportunities for historically-underutilized businesses and that the Authority struggle with meeting that goal because the majority of our contract work is for services that are generally held by a corporation and that a large corporation or partnership is either not based in Texas or not woman- or minority-owned. It benefits the Authority in that way and allows Kipling to grow into a role where it may be better postured to be a sole financial advisor at some point in the future.

Mr. Meister went on record stating that in light of the governor's request that we reduce expenses and that he did not believe that the case has been made at this time for adding Kipling Jones to the mix.

Dr. Wood asked for additional clarification of the use of a financial advisor and the increased costs. Mr. Burns explained that a co-financial advisor would be recommended on a deal by deal basis if there was additional work to be done and that it would add a marginal cost to the transaction

Ms. Schiermeyer moved that we accept First Southwest and Coastal Securities as financial advisors and to appoint Kipling Jones as co-financial advisor on an as needed basis for the remainder of the 2010-11 biennium with an option to renew for the 2012-13 biennium. Mr. Villarreal seconded. There were three ayes with Mr. Meister voting no. The motion passed.

Item 6. Consideration, discussion, and possible action to approve a Request for Financing from Stephen F. Austin State University to issue approximately $35 million of tuition revenue bonds to finance a freshman residence hall and parking garage, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns introduced the request for financing for $35 million from Stephen F. Austin State University to fund construction of a new freshman residence hall and academic success center also a parking garage on the Nacogdoches campus and the bonds will be repaid from revenue derived from fees assessed on students living in student housing. Mr. Burns welcomed representatives from Stephen F. Austin to the podium to introduce themselves.

Mr. Baker Pattillo, President of Stephen F. Austin State University, thanked the Authority for the opportunity to make a presentation on the two projects requested, the freshman residence hall and the parking garage. The University's mission is to educate students and feel that the Authority has been a partner with us in allowing us to issue bonds to do that. Stephen F. Austin State University is a regional, comprehensive university offering 72 undergraduate degree programs; 60 at the Masters level and 2 doctoral level programs. Academics are taken very seriously and on January 5th of this year, the Board of Regents raised the admission standards to go into effect in 2012.

Growth and enrollment for the fall was the largest ever at 12,845 students. The prior high at SFA was back in 1989. The enrollment for the spring is not yet known because the admission process has just begun. When the census figures are known tomorrow, the spring semester will have the highest enrollment ever in the history of the university. The University is totally committed to the Texas Higher Education Program of closing the gap and this past graduation ceremony where 811 undergraduates graduated and 58% of those were first generation students to graduate from college.

Mr. Danny Gallant, Vice President of Finance Administration, introduced himself, thanked the Authority and described the two projects. The initiative before the Board is financing for a new freshman residence hall, success center and parking garage. The success center and the residence hall will have 400 beds. The success center is part of the relationship established between academic affairs and student life. SFA has a program called the early academic alert, which is an online program whereby faculty members who recognize that a student is in academic problems can go online and alert Student Affairs. Student Affairs has counselors who pick up the alert and contact the student to work with the student to remediate whatever issue that particular student has. Students arrive with different issues and problems; some come prepared and some are not prepared. SFA recognizes the level of the student and makes them successful. As Dr. Pattillo indicated, SFA's success with first generation college students is confirmed.

The residence hall is a 400 bed facility and has an integrated freshman success center. Since fall of 2007, our student housing is up by 810 students or 20%. Occupancy is above 100%. In fact, a lot of reshuffling this past fall in order to accommodate the student demand. After building the recreation center and other facilities built, the students do not want to leave campus residences at the same level as in the past. The housing rule is based on 60 semester credit hours. Until students reach 60 credit hours they are required to live on campus. Many of the upper classmen simply do not want to live off campus.

The University believes that a strong campus life presence can enhance retention. Part of the reason behind the success center and the new residence hall is to readdress attention as soon as an issue is recognized.

Dr. Wood asked if all students with less than 60 hours have to live on campus and Mr. Gallant said 'yes.' Dr. Wood asked if the University had the capacity to hold the current students. Mr. Gallant said that based on the numbers seen for fall admissions, this facility will be necessary in order to offer campus residence for first year students. If not, students will be turned away, some upper classmen beyond the 60 hours will have to be given an option to live off campus or take some students below the 60 credit hour rule who have a strong GPA that indicates they are qualified and capable of living off campus.

This request addresses the University's mission to the students and the State. Mr. Villarreal asked if this request was part of the campus master plan or because the University is experiencing growth. Mr. Gallant indicated it was part of the master plan. In fact, the residence halls have been discussed, parking is planned to be moved to the perimeter of the campus where the parking garage will be located.

Ms. Schiermeyer asked if there was not space for ground parking. Mr. Gallant said the parking garage was necessary because the current parking situation is at capacity. There are 7,700 parking spaces on campus. This facility is a 1,000 space garage and will take up 500 spaces by constructing the new facility, but the University will gain a net 500 spaces.

Ms. Schiermeyer asked what the student population was in 2005 and 2006. Mr. Gallant said he did not know those numbers, but would submit the information to the Board. Ms. Schiermeyer asked to learn what the growth had been given the expected largest enrollment. She remembered that when SFA appeared before the Board before one of the challenges was proof that this enhancement made growth. Mr. Gallant stated that since summer of 2007, there have been six semesters of incremental growth. As Dr. Pattillo indicated the fall of 09 enrollment was 12,845, fall 08 enrollment was 11,990, summer of 2007, enrollment was 4,441, summer of 2008, enrollment was 4,494 and every semester has been steady measured growth. A combination of the linkage between academic affairs, student life and facilities enhance the campus and growth. For spring 2010, enrollment is expected to be the largest ever. Spring 2009, enrollment was 11,226 and currently about 12,000.

Mr. Burns recommended approval of the financing through long-term fixed rate bonds as a negotiated sale utilizing the following consultants. For financial advisors, First Southwest Co. and Kipling Jones as co-financial advisor; for bond counsel, Andrews Kurth; and an underwriting team to consist of Estrada Hinojosa as senior book-running underwriter, with JP Morgan and Morgan Keegan as the co-managers. The recommendation is made on the basis that since SFA is experiencing growth causing an impact on its debt burden that the University's financial condition and debt capacity will need to be explained carefully therefore a negotiated transaction would be better to manage that communication with the bond market and to structure the sale.

Ms. Schiermeyer asked if the repayment was from student fees. Mr. Gallant said the source of the financing will be housing revenue. Ms. Schiermeyer inquired as to how many students or level of capacity must be achieved to repay the bonds. Mr. Gallant indicated a pro forma for pay back for the students and that the University expects to have 400 students in that facility and the pro forma indicates that based on demand currently and based on anticipated growth.

Dr. Wood asked if the University could not essentially force the capacity to be full since freshman and sophomores are housed there. Mr. Gallant stated that the other halls primarily addressed upper classmen and this new hall will house only freshmen. Ms. Schiermeyer asked again if those 400 students pay the fees for this bond to be paid off. Mr. Gallant stated the facility would be self-supporting. Mr. Meister asked how was the housing price relative to the available rental market outside the campus. Mr. Gallant said he did not know that information, but would provide it to the Board. Mr. Gallant said that the prices established for housing have not affected the demand for housing and certainly is indicated by upper classmen who do not have to live on campus, but choose to do so. Students live off campus for a variety of reasons, but when upper classmen choose to stay on campus, we believe the University is offering something of value to them.

Ms. Schiermeyer asked how the bonds for the garage would be paid. Mr. Gallant indicated the garage would be paid for with parking revenues and some fee revenue. Ms. Schiermeyer asked one additional question about whether a schedule of payback was provided. Mr. Burns stated that with regard to the structuring of the debt, the preliminary official statement, the Board will be asked for approval of the offering documents that will include the structure.

Mr. Villarreal moved to approve staff's recommendation to issue approximately $35 million in revenue bonds for Stephen F. Austin State University, issued pursuant to chapter 55 of the Education Code, in a negotiated sale, with Andrews Kurth serving as bond counsel, First Southwest Co. as financial advisor and Kipling Jones as co-financial advisor and Estrada Hinojosa serving as Senior Manager, with Morgan Keegan and JP Morgan serving as Co-Managers, for underwriters services. Mr. Meister seconded. The motion passed unanimously.

Item 7. Consideration, discussion, and possible action to approve a Request for Financing from Midwestern State University to issue approximately $6.7 million of tuition revenue bonds to finance Phase II of the DL Ligon Coliseum Project, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns introduced the request for financing from Midwestern State University for about $6.7 million for the second phase of renovations to the coliseum and to replace infrastructure including secondary electrical systems, lighting, campus fiber communication, plumbing as well as various life safety components. The renovations also include updating athletic locker rooms, public restrooms, concession stands, and athletic administration offices. It is revenue pledged. These funds would be come from athletic fee with annual revenue budget impact of $1.4 million.

No representative from Midwestern State University was available to answer questions. Mr. Burns directed the Board's attention to the estimated debt disbursement schedule showing accrued monthly draws starting May 2010 through April 2012. This deal is a revenue backed deal, not backed by the general obligation of the State. The bonds will be purely based on the quality of the University. It is relatively small transaction and because of that staff recommends a competitive sale possibly during the April board meeting. This will be Mr. Burns' first competitive sale. If the Board actually agrees to it and I would like to give my explanation for why I am recommending a competitive sale rather than a negotiated sale. As opposed to negotiated sale, a competitive sale actually chooses a date where we would actually offer the bonds to the market place and the bonds would be bid upon by investment banking firms or syndicates of firms that get together and bid on the deal and the qualifying firms who submit the lowest cost bid would receive the award if the Board decided to take the lowest bid offered that day. We would not select an underwriting team syndicate in advance. It potentially reduces the issuance cost associated with selecting an underwriting team ahead of time and negotiating the fees or takedowns. All of those profits that the underwriters would get are baked into the competitive bids that they provide to us on the sale date. And, because of the size of the deal and the potential savings we incur for doing a competitive sale and what I perceive to be the more straightforward nature of this transaction that will be transparent to the Bond Market. I would recommend it as a competitive sale. Now we would come back next month and ask you to take a look at the offering documents and approve the structuring and the parameters for the cost and interest rates and whatever you are looking for, but today I would ask, and in addition to asking approval for a competitive sale I would ask that the consultants for this deal to be Financial Advisor First Southwest and Bond Counsel Fulbright & Jaworski.

Dr. Wood asked if bids come directly to TPFA. Mr. Burns said to correct him if he was wrong, he has experienced this in his prior life, but not with TPFA, but usually it would choose a forward date and have to have a quorum present and the bids will be taken and formally presented to you and it's up or down, you either take the lowest bid or you reject them all and schedule another sale.

Mr. Meister asked if the representatives were expected this morning. We have had representatives from Midwestern State come in and visit with staff on two or three occasions, but I was not sure if we were going to have representatives here today.

Ms. Schiermeyer stated she almost bet they couldn't get out this morning.

Mr. Meister wondered whether the project would be, is it so time sensitive that we could not defer a decision on this until the next meeting when they may have an opportunity to come and appear before us. He personally feels that it is part of the Board's responsibilities in the discharge of its obligations to have an opportunity to meet with representatives of the requestors and ask questions. He stated he felt uncomfortable making decisions without representatives here. He then asked if the issue as so time sensitive that it could not wait until the next meeting.

Ms. Durso answered she was not aware, but that the Board did have some information that may be able to answer the Board's questions. For example, Mr. Burns indicated that this was Phase II of this coliseum and this coliseum is in Wichita Falls. It was completed in 1969 and the first phase included some major renovations to bring it up to code, but the original funding requested did not allow for complete upgrades to support their collegiate activities. If the Board decides it is not comfortable with this, staff will explain to the University that the Board prefers to talk with someone from the University.

Ms. Schiermeyer indicated the University has a start date of May which is pretty quick for everything to be done. She was impressed that the University had $1.4 million impact on its budget from student fees. I think the money is definitely going to be available for pay back. Mr. Meister asked what would be the amount of the fee because he saw the same thing and it was interesting to him and he was wondering what kind of student fee expecting to impose to back up the revenue stream.

Mr. Burns said that was legitimate question. And if the Board were comfortable developing Ms. Schiermeyer said the fee was not to exceed $10 per semester credit hour for athletics. Mr. Meister said so, for each credit hour the University is going to impose an additional $10 per credit hour. Ms. Schiermeyer said the University was already imposing some, but she did know how much. Ms. Durso said it also indicates that the student fees are going to fund only 39% of the project. Also, Mr. Burns said the Authority was not going to market without the Board looking at the offering document, which would include the University's ability to generate sufficient revenues through the fees level of debt service coverage that would be provided through those fees and that would give you an opportunity to make sure that the level of revenue generated projected revenue generated meets with your approval with regard to satisfactory coverage of the expected debt service.

Mr. Hernandez had a conversation with Mr. Sandoval and he was expected. He did indicate the University was anticipating funds in April so the projects could begin in May as requested in its application. Mr. Meister said that if the decision was postponed until the next meeting in March that might give us enough time to pull the financing together. Mr. Hernandez said there were timing issues to deal with because the Bond Review Board will meet next March along with this Board, if you so choose, and at that time would be reviewing, if approved today, we would be approving the offering documents next time, so that we could prepare for April sale and hopefully closing by the end of April. If you postpone it by a month we would have to negotiate some meeting dates with the Board Review Board to have a May issue and possible closing so it would push them back at least a month.

Ms. Schiermeyer asked if the request were approved today and someone from the University can come next month and the Board is unsatisfied with the presentation, can the transaction be stopped. Mr. Burns said 'certainly.' Mr. Meister said it was important, acknowledging it was only one Board member's view, it adds a lot of quality to the deliberations to have members of the requesting agency present to provide some context. The written materials are available, but a lot of benefit is gained from having people appear before the Board and having an opportunity for questions and answers. It also sets a bad precedent if the Board goes about its business without requiring these requested agencies to be here. Mr. Burns said he agreed. Mr. Meister asked what incentive does anyone have if it appears to be a perfunctory act. He said that provide someone from the University to the next meeting, even though the Authority will already be incurring expenses preparing the financing and legal documents, to make a presentation, given the time sensitivity. He asked that staff allowed enough time to defer a decision if someone is unable to appear before the Board.

Dr. Wood asked if the Authority financed the first part of the project of the coliseum. Mr. Burns said the Authority financed the initial phase through the Master Lease Program. Mr. Hernandez said some equipment purchases related to this project had been financed through the Master Lease Program. He said he believed the first phase was financed in the 2005 series that the Board approved. Dr. Wood concluded that this had been looked at before by the Board. He agreed with Mr. Meister that he would prefer someone appear before the Board. Mr. Villarreal said that having served on the Board of Regents for six years prior to this engagement, he knew that there is a lot of vetting to be done on campus by the vice president of finance, by the appropriate regent committees and ultimately by the Board of Regents, I concur with Mr. Meister that the representation from the University needs to be here at the time of discussion. He did not want to delay the possibility of getting this action moving.

Mr. Villarreal moved approval of staff's recommendation on Midwestern State University's request to issue $6.7 million of revenue bonds issued pursuant to chapter 55 of the Education Code to finance the second phase of construction on the Coliseum Project in a competitive sale, with First Southwest serving as financial advisor and Fulbright & Jaworski serving as bond counsel with an amendment that the authorization is contingent upon the appearance of representatives from Midwestern State University at the March Board meeting for a presentation. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 8. Consideration, discussion, and possible action to approve a Request for Financing from Texas Parks & Wildlife Department to issue approximately $28,006,000 of general obligation bonds to finance facility repairs, pursuant to Article III, Section 50-f, Texas Constitution, 81st Legislature, Regular Session, 2009, select a method of sale, appoint outside consultants, and take other necessary related action.

Item 9. Consideration, discussion, and possible action to approve a Request for Financing from Texas Parks & Wildlife Department to issue approximately $10 million of general obligation bonds to finance facility weather-related damage repairs, pursuant to Article III, Section 50-f, Texas Constitution, 81st Legislature, Regular Session, 2009, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns introduced both requests for financings from the Texas Parks and Wildlife Department together. One request is for $28,006,000 of general obligation bonds for financing facility repairs statewide and $10 million of general obligation bonds to finance repairs resulting from weather damage. Specifically the $28 million portion would be to repair and renovate park facilities throughout the state including renovations to the Austin agency headquarters and some of the renovations would bring the buildings into ADA compliance. The $10 million portion would repair facilities that were damaged by weather in government canyon state natural area, Mother Neff State Park, Palo Duro Canyon State Park. The agency requests that funding be available in late March of this year. Staff recommends that the Board carry out financing through the use of the 2008 commercial paper program based on the small amounts needed monthly and staff believes the commercial paper option is an appropriate vehicle to fund this request. Mr. Burns asked if there were representatives from the Agency and said thank goodness.

Mr. Rich McMonogle, Director of Infrastructure for Texas Parks & Wildlife Department is joined by Deputy Scott Stover and finance manager Joseph Molis. He stated the Department was requesting $38,006,000 for repairs as authorized by the 81st Legislature. The proposed list of projects was submitted with the request and has been approved by the Legislative Budget Board. He stated that during the last biennium the Department had been restricted to state parks repairs. The $28 million is actually for all repairs throughout the system so that is state parks, and also natural resource areas like fish hatcheries, fishery centers, wildlife management areas and headquarters. The plan is for 68% of the funds will be used for state parks, 25% of that will be for resource divisions and 7% for headquarters. For the additional $10 million that was directed by the Legislature to repair the flood damage state parks areas and to repair them in a manner that protects them in the future.

Mr. Meister thanked Mr. McMonogle for appearing before the Board. He stated he had been at Palo Duro Canyon over Labor Day weekend and enjoyed it very much. He asked where the flood damage was located in the park. Mr. McMonogle said there were two camping loops that are subject to flooding. One of the loops has been closed down because it is covered up with sand, dirt and sediment. The other area has been reopened so the repairs will be to the re-grade around those camping loops for protection, but also involves low water crossing culvert installation or possibly a bridge, working with Texas Department of Transportation, to prevent that water from backing up. When it does rain up there, the water comes down in heavy volume and getting it through the canyon is the issue. Mr. Meister noted that the monies dedicated to the headquarter renovations were 7%, but asked for the figure. Mr. McMonogle stated there were four projects and it would be about $1.8 or $1.9 million. Mr. Meister said the $250,000 allocation for solar panels was interesting.

Mr. McMonogle said that on the list of 13-14 that 17 projects had been submitted to the State Energy Conservation Office. The SECO has received stimulus money from the federal government for alternative energy sources. TPWD submitted grants for 17 projects and only 14 projects made the list and if those projects are approved, the money from the bonds will be used to pay for the repairs and get a 80% return that will be rolled back into the capital program so that headquarters is just one of 17 total sites scheduled for grants, but the grants have not been approved yet.

Ms. Schiermeyer stated that largest portion of the headquarters' expenditure is repairing the restrooms to include water conserving, plumbing fixtures, partition finishes, energy efficient lighting and ADA modification. How much of that is capital expense, long-term capital expense? Mr. McMonogle said the repairs driving the request are the ADA modifications. The building is over 30 years old and the restrooms have been in need of repair for some time. The last Legislature did not authorize the agency to repair anything except state parks facilities so the Department is behind on ADA compliance in the headquarters. The restrooms are old and deteriorating. Ms. Schiermeyer asked how much of the repairs would be short-term expenditures being applied to long-term debt. Mr. McMonogle said he did not understand the issue. Ms. Durso asked if she was referring to portions of it that may be applied to things with a shorter useful life versus the longer useful life of the building renovations. Ms. Schiermeyer said 'yes.' Mr. McMonogle said these renovations had not been renovated for 30 years. The majority of the work in state parks is actually state parks. They are built to be bomb proof and durable grade restrooms and that is the objective here. Mr. McMonogle said he was not sure he was answering the question and that he did not really understand it. Mr. Meister asked if these were short-term fixes, but would expect to get 30 years of useful life out the $1.4 million used for the restrooms. Mr. McMonogle said this was not short-term repairs and was a complete renovation. Mr. McMonogle said he believed this money would repair six restrooms throughout the headquarters.

Dr. Wood asked what modifications had to be made to upgrade to ADA standards. Mr. McMonogle said the proper measurements, ADA was passed in 82 and then continual modifications, a lot of the modifications have to do with turning radius, many of the restrooms are very small and there is not the proper diameter for a wheelchair. Dr. Wood asked if the smaller restrooms would have to be expanded in the size of the room itself. Mr. McMonogle said the Department had not entered the design phase yet so that was unknown.

Ms. Durso asked a question about the solar panels. Will you be generating any electricity that will be returned or sold to the grid. Mr. McMonogle said 'yes.' Ms. Durso asked if a profit would be made from that process. Mr. McMonogle said he presumed so. Mr. Burns asked if a revenue stream would be created and Mr. McMonogle said 'yes.' Ms.

Durso stated she was asking from the standpoint of determining whether it was taxable or non-taxable. Mr. McMonogle said he did not know, but that it was done at other parks.

Mr. Meister asked if the design phase has not been completed how is the budget derived. Mr. McMonogle said the process was interesting in that it differs from the private sector does. A list of projects is submitted to the Legislature prior to having any money to do the proper scoping so therefore the estimates are based on rough order of magnitude estimate and those estimates can be 100%, plus 100%, as high as 50%, but basically based on estimates going in there taking a look at the project itself and from that using industry accepted standards on how to do that. One of the things that causes us great trouble is that when repairs are being done, it's never known what will be encountered. The estimates is more art than science and it is something struggled with all the time.

The $1.4 million is an estimate. Mr. Meister asked if the design was completed and it was only going to cost $400,000 what would you do with the balance. Mr. McMonogle said the project list contains has 70-something projects on it. This year the total number of projects was 192 so therefore the line cut at $28 million. There is a prioritized list of projects beyond the one submitted. Likewise, when we get the reimbursement from SECO for these grants, we will continue to move project up.

Mr. Meister asked Ms. Durso if the Legislature had already passed on the full amount of the authorized and the Board's task is just to approve the method of sale. Ms. Durso said that in all these financings, the bodies that authorize the expenditures, for example, in this case, the Legislature, has already approved this. It is a matter of approving the financing, but based on the response to my question, it might be necessary for the Authority to split out the $10 million request from the $28 million request because that request may need to be reviewed further to determine if commercial paper is appropriate given the fact that it may create some sort of revenue stream. Dr. Wood said the revenue stream would be from the sale of electricity back to the grid. Mr. Meister said that if the restrooms were designed to look like the bathrooms in the Bellagio admission could be charged to create another revenue stream. Mr. McMonogle said the project lists are dynamic, emergencies come up and things change. He said the Legislative Budget Board knows the proposed project list is subject to change.

Ms. Schiermeyer moved to approve the $10 million in commercial paper on behalf of the Texas Parks & Wildlife to finance weather related facilities repairs as described and as authorized by Art. III section 50-G of the Texas Constitution and the General Appropriations Act passed by the 81st Legislature in Regular Session. Mr. Meister seconded. The motion passed unanimously.

Ms. Durso stated a recommendation would be brought to the Board on the second request at the next meeting. Mr. Meister asked if there were any time sensitivities. Ms. Durso said the matter could wait. Dr. Wood asked how critical were the restrooms. Mr.

McMonogle stated that delaying one month for the Authority actually costs the Parks and Wildlife Department two months because of the Bond Review Board process, but there are five years to complete these projects. Mr. Meister said it was important to get it right and Ms. Durso said it was possible to work with the Bond Review Board to schedule another meeting that would move it forward even though currently a March meeting is set.

Mr. Burns said they have a history of scheduling special meetings. Mr. Villarreal asked if it was possible to make a motion pending General Counsel's review. Ms. Durso stated she would recommend that this item simply be tabled until the next meeting. The Board tabled the matter to the next meeting.

Item 10. Consideration, discussion, and possible action on revised fees for Master the Lease Purchase Program.

Pamela Scivicque, Business Manager for TPFA, directed Board's attention to the second page behind Tab F. As the Board may recall, the Authority's Master Lease Purchase Program is a commercial paper vehicle that finances the purchase of equipment for state agencies and universities. Since implementing the program in 1992, the agency eliminated the 1.2% cost of issuance fee and reduced its administrative fee from 1% at that time to .5% in 1997. This is the fee collected from participating agencies and universities and it was reduced to more closely align with the program costs.

Due to an increase in Comptroller liquidity fees from 4bps to 12bps in the 2010 fiscal year and the continued reliance on master lease appropriated receipts to fund agency operations to minimize the impact on general revenue, the Authority is seeking Board approval to authorize an increase in master lease administrative fees to 1%. The Authority has sufficient statutory authority to increase the fee and sufficient appropriation authority to pay the increased program administrative fee. The 1% fee will be assessed and collected with the August 1, 2010 debt service.

Mr. Burns said he wanted to provide background. In order to offset the costs associated with the master lease program by which we have a commercial paper program we have participating state agencies throughout state government even beyond our statutory agencies that we typically issue bonds for, they participate, we provide financing for various equipment, machinery purchases and to help off set the costs of that, the cost the Comptroller office gives us with regard to the fee on liquidity for the commercial paper fee, we charge a fee to the participating agencies and heretofore and currently the fee is 5% of outstanding par amount of the debt that they've incurred and quite frankly. Ms. Scivicque stated it was .5%. Dr. Wood said 50 bps. Mr. Burns said quite frankly with the current level of assessment during the biennium we are going to run short of funds to offset the expenses necessary to carry out the program. To offset the increase activity we've had from the master lease program over the years, we started trailing off and the number of agencies that have asked to participate in the program and also because one of the major growth items associated with the master lease has been the energy related contracts for a while were slowed down because there were concerns about energy contracts financings for HVAC systems with energy savings components throughout state government not just with ours so they are starting to work through issues concerning those energy contracts and will start to see an increase in that but heretofore we have seen just an overall decrease in the use of the master lease program and also increased cost. Pamela mentioned the increase fee associated with the commercial paper program from 4 bps to 12 bps with regard to this program is a significant cost. And we would were asking that point .5% be increased to 1% fee and help me with the details of when we assess, when and also the conservative estimates that we ask the agencies to use in their own budgetary processes that would end up not being a significant impact when all is said and done.

Ms. Scivicque stated that fee is assessed on all leases that are entered into and outstanding on or before May 31. The principal outstanding on any lease that state agencies and universities have will be a 1% administrative fee if the Board chooses to increase the fee. Mr. Burns did state the program is experiencing a significant decline in the balance in the administrative fee account. Projections indicate that in 2012-2013 biennium the account will be short. Action needs to be taken now in order to have the fee increase the balance for this current biennium and the following one especially considering the additional impact that the Legislature places on master lease appropriated receipts for the Authority's budget.

Mr. Burns said in terms of real money with the .5% assessment currently we were projecting that would generate the $559,000 and if we were to assess it at the 1% level it would be about $1.1 million dollars. We have a history in the past of being conservative about the anticipated fee cost that we provided to the agencies and because of that we have had a system in place help me out here that we have actually provided a credit back to the agencies.

Ms. Scivicque stated that the budget reduction exercise that agencies and universities have been asked to perform specifically excludes any debt service and master lease payments to the authority so there would be no impact on the participating agencies needing to cut additional funds out of budgets to make lease payment appropriations.

Mr. Hernandez stated that TPFA asks agencies to budget 5% on each amortization schedule entered into with each purchase request. Lately, we've seen interest payments less than .5%. Increasing the administration rate from .5% to 1% added to our current year interest expense would cost the agencies an overall effective rate of 1.5% so that if they budgeted at 5% we should be well within the budget figure and consistent with the effective rate charged to agencies last year of 1.5%, I believe that answers your question unless I missed something.

Mr. Meister asked what the effective rate during the most recent year. Mr. Hernandez said it was 1.5%. Mr. Meister asked if after the increase from 50 bps to 1% what would the effective rate be and Mr. Hernandez said 1.5% estimated based on our year-to-date interest expenses. Our average rolls have come in under half one percent. Mr. Burns said we are throwing around percents. We are talking about two different percents here, but talking about the interest rate on the commercial paper. He was quoting those percentages, but separately the assessment percentage. Mr. Meister said he thought the effective rate was combining the Authority's fee with the interest rate. Ms. Scivicque confirmed that was the case.

Ms. Schiermeyer asked what money was in previous years was collected. Mr. Hernandez said that in FY07 collections were $550,000; in FY08 collections were $544,000 and FY 09 collections were $592,000 and it is estimated that in FY10 collections will be, I apologize, let me re-state. Ms. Schiermeyer asked for figures further back. In FY01 collections were $265,000; FY02 collections were $212,000; in FY03 collections were $318,000. You will see the amounts will start going up because our outstanding balance started increasing with the addition of energy performance contracts that Mr. Burns alluded to earlier. In FY04, $292,000, in FY05, 319,000; in FY06 collections were $450,000, in FY07, $551,000; in FY08 collections were $608,000; in FY09 collections were $617,000 and current projections at the .5% for FY10 is $559,000. So, you will see the declining balance and the effect on the administrative fee. Overall, anticipated expenses including ongoing costs, administrative expenses and fringe benefits will to be in the neighborhood of about $750,000.

Mr. Meister asked what the cost driver was again. Why is the Authority seeing these escalating costs. Is it because the Comptroller has bumped up charges. Mr. Hernandez said the most recent adjustment and the greatest number was the Comptroller's increase in liquidity fees. It fee will increase from approximately $60,000 a year to approximately $224,000 a year.

Mr. Villarreal asked how many agencies are involved and is there an average cost per agency that is going to make this number up. Mr. Hernandez said 'yes' and that it was going to be based on outstanding balance. So, it is direct one-to-one relationship to the dollar. As to number of agencies, I need to ask Chris Gilliland, Master Lease Coordinator. Mr. Gilliland indicated there were 21 agencies participating in the Master Lease Purchase Program. Mr. Hernandez asked if any of those agencies were expected to stop participating in the program and Mr. Gilliland said 'yes.' Mr. Gilliland said he expected to see a declining balance unless energy performance contracts. Mr. Hernandez added or other equipment contracts coming through. The million dollar amount quoted by Mr. Burns earlier anticipates how many additional leases coming through. Mr. Gilliland stated that he estimated $5 million between now and May 31.

Mr. Meister asked what the process was for using the Master Lease Purchase Program. Do agencies have to use us or what are their alternatives? Mr. Hernandez stated they have outside banks, such as JP Morgan, Chase, they have Comptroller Office State Energy Conservation Office which Parks and Wildlife alluded to earlier and lots of corporations offer lease financings. If a certain dollar threshold or term on their lease agreement they are required to appear before the Bond Review Board and when presenting the Bond Review Board they are asked if they have compared outside lease arrangement to the master lease program. Mr. Meister asked if TPFA has an idea of what percentage of TPFA versus non-TPFA leases they receive. Mr. Meister asked where the Authority was in the mix. Mr. Hernandez said he had recently talked to JP Morgan Chase and they asked how we handled the leasing process and we asked them what their rates were. Our rate is based on our fees. Referring to his conversation with JP Morgan Chase, Mr. Hernandez added, we them what they are charging potential agencies and they said is the rate is market driven, based on the asset and the term, it can vary,

Mr. Meister stated he was aware of the increase in the fees charged by the Comptroller's office for liquidity and the fact there are less aggregate dollars in the pool now than previously and that seems to be continuing trend. He said that if trend continues, the costs are only going to increase and for the people who remain in the pool, the Authority would have to raise its administrative expense each year in order to avoid getting into a negative territory. Why is that happening? Mr. Hernandez said Mr. Burns alluded to part of it earlier. The Bond Review Board was entertaining requests for financings from agencies who wanted to enter into energy performance contracts. There are various contractors out there who will guarantee energy savings. BRB felt that the contracts between agencies and the Energy Performance Contractors were not consistent. They wanted the State Auditor's Office to review the contracts. BRB is also working together with the State Energy Conservation Office to try to achieve uniformity among all Energy contracts. I think Chris has spoken with the director of the Bond Review Board and he indicated we might see some of these leases coming in. Mr. Gilliland said the latest estimate is the summer. Mr. Hernandez said we have seen an increase in years with a budget shortfall. If that trend continues, I would expect there to be an increase this next biennium, but that is not guaranteed obviously. That is a big driver. Ms. Schiermeyer asked how the 1% was arrived at, the 5 bps. Mr. Hernandez ran many scenarios ranging from .5 to 1%. The reason behind the 1% is because we are in a low interest rate environment we felt the burden on the agencies would be minimized. We felt that charging 1% now would create some reserves in our fund balance and cover unexpected fee increases. . Ms. Schiermeyer asked if this was going to impact any of leasing agencies because they budgeted 5%.

Mr. Meister stated that his view of the discussion thus far concerned what is happening to the Authority's costs, what is needed to put it at a sustainable level. Now combining that information with the request from the Governor, Lt. Governor and the Speaker to reduce the agencies or proposed a scenario where agency operating budget would be reduced by 5%. He stated the connection between the two as understood, the revenues from the Master Lease program would be increased and that helps cushion the blow from the scenario where the Authority proposes a 5% reduction. Mr. Burns said that was exactly the scenario I was going to bring up in the next item about the budget reduction the Authority has been asked to do. Mr. Burns asked if he should tie that in with the current discussion. Mr. Burns stated that the Authority, along with every other agency, has received correspondence from State leadership asking for a 5% overall reduction in expenditures related to general revenue and general revenue dedicated funding sources. And we are undertaking the exercise of identifying expenditure savings to meet that deadline and submit our proposal back to state leadership through the Legislative Budget Board in a couple of weeks. Mr. Meister asked what the dollar amount of the 5% reduction. Ms. Scivicque answered "$56,360 for the biennium or about $27,000 a year." Mr. Meister said the Authority would more than make up for that by increasing the fee on the master lease. Ms. Scivicque stated this was an option. Other agencies are in a similar position administering programs where fees are charged and are authorized to increase fees to offset that. The impetus behind asking for an increase in the fee is to address the liquidity fee and to address of the Legislature's continued reliance on master lease as part of the agency operating budget. Initially when the master lease first began, the Authority did not receive administrative appropriations to fund agency operations. The Authority was funded from bond proceeds. Over the last decade the master lease appropriated receipts to fund the agency from 2% to 40% today. Mr. Meister stated that the master lease currently funds 40% of the agency operating expenses. Ms. Scivicque stated this was correct.

Ms. Scivicque stated that in past legislative sessions when the Authority has demonstrated cuts and we are not able to reduce anything other than salaries because salaries make up about 96% of the operating budget the costs were shifted over to master lease appropriated receipts.

Mr. Meister stated his concern was that the spirit of the Governor's request be fulfilled. If the fees of the master lease program need to be increased, then that is a separate item. Mr. Meister stated he was concerned if the Authority is increasing the fee to in any way or in part to offset a 5% reduction requested by leadership. Mr. Burns said the Authority was going to identify specific operating savings to meet the savings of the 5% reduction goal to be true to the spirit of what leadership has asked us to do. The Legislative Budget Board will make sure that our requests are living up to that spirit. With regard to the request here with response to real significant concerns about maintaining enough money to uphold the Authority's responsibility to service the debt and pay the real increases in issuing costs. Also, I should say that we have a history to explain the logistics mechanics in the past we have credited agencies.

Mr. Hernandez stated when the master lease purchase program was first created the Authority would charge an estimate 5% fee and one year after collecting the Authority would true-up or rebate to the agencies the difference between the actual payments and the estimated budget. In recent years, that has changed so the truing up process is performed in the same pay period so there is no waiting time. The Authority is able to calculate the true cost, and assess the net amount to reimburse each pay period. Mr. Meister asked if the Authority has explored other alternatives such as whether we are stuck with the Comptroller's Office for the liquidity piece. Mr. Burns said that while this increase is significant with regard to the fund and revenues we generate here, the 12 bps paid in liquidity is miniscule compared to what would paid out in the private market. Twelve bps versus 100 bps. Mr. Meister asked about growing the portfolio.

Mr. Burns stated growing the master lease program had been an ongoing discussion. Mr. Meister asked what the outcome of those discussions had been. Mr. Hernandez stated there is nothing final yet, but we have discussed the option of marketing the program. TPFA has relied on relationship with various agencies, but agencies have been very consistent and the number has not grown. Marketing ourselves to agencies and working with the Legislative Budget Board to see if there are any other ways we could benefit the State are points we've discussed.

Ms. Schiermeyer asked if this proposed increase has been shared with participating agencies to see if there is a negative response. Ms. Scivicque replied 'no.' Mr. Hernandez said that because the effective rate was going to stay consistent with the same as last years, it is still our estimate that it will be for at least for this first year, we felt it was not going to be a burden on our client agencies. Mr. Burns said it does take resources to market so that is one issue. It is also a policy decision that has been from state leadership in the past to make sure I am saying this correctly, that we were the only show in town with regard to this kind of financing and there was a policy decision above us and personally I think it was a good decision that if the market can provide the service as well or better than we can then the markets can provide then because of that if there is a legitimate or over the longer term perhaps there should be a conversation with the Legislative Budget Board saying that if we are not going to be the sole provider of these kinds of services that we should not or our budget should not be so reliant on it and maybe this is the wrong time to talk about it and in this kind of environment but perhaps some times during the line we should have our general revenue appropriations take care of these, real operating salaries. Than relying on this revenue stream that may not be growing robustly and that is a longer term conversation.

Mr. Meister said one thing that is still a trouble to me is that for the market to provide the service that the Authority does under the master lease purchase program, the liquidity fee and the administrative work that it entails, is not likely given the Comptroller's liquidity fees. But, clearly, that has been happening since more and more agencies have been going to the private sector. Ms. Durso stated this was not the case because it was actually that the agencies were not getting the authorization to purchase and therefore, there is no financing here or on the outside. It's the fact that with the tightening budgets, an agency when they want to have a capital appropriation or make a capital investment they go through the legislative process and at that time they present to their analyst a proposal to purchase a fleet of cars and they propose to do it under the master lease program. Because we are all tightening our belts at this level there are fewer requests going through and fewer being approved at the budget level. It is not that the agencies are choosing a different financier it is that nothing is being purchased. When the energy programs were suspended that reduced one of the places that was being approved on a regular basis and so that now they are not approving it and so that is not happening. That is the explanation.

Ms. Schiermeyer asked if the Authority had charged 1% in the past and then reduced it. Ms. Durso said she thought Ms. Scivicque could address that and it was reduced when the fund had a cushion and when it was not costing as much. The purpose is to keep this balanced, not to just to raise money for the sake of raising money, but to be sure the program costs can be funded.

Mr. Burns said that was a good point and we have a history of reducing the rate when it warrants it. Ms. Schiermeyer moved to accept staff's recommendation to increase the administrative fee for the Master Lease Purchase Program as recommended by staff to 1% of the outstanding principal balance of each lease, for leases entered into on or before May 31, 2010. Mr. Villarreal seconded. The motion passed unanimously.

Mr. Meister offered an amendment to the motion to keep the request from state leadership to reduce the budget of the agency by 5% from depending upon any part of the increase revenue associated with this rate increase on the master lease purchase program. So in other words, if the Authority is getting 40% of the Authority's budget from the Master Lease Purchase Program now, that when numbers are presented to State leadership, that percentage should be kept static.

Dr. Wood asked if that was practical. Ms. Scivicque asked for clarification and whether that meant not to shift that 5% cost to the master lease program. Mr. Meister and Ms. Schiermeyer said 'yes.' Mr. Meister asked Ms. Schiermeyer if it were feasible. Dr. Wood asked if it was feasible to accept an amendment like that and build that into expenditures as we go forward or are we set up to account for that. Ms. Durso stated she was a little concerned because at this moment, the Authority is simply making a proposal and no one has been asked to make cuts. The Authority has not been instructed what to cut or when to cut and so I have some concerns tying this increase to something unrelated, but it is entirely up to the Board if you want to use the opportunity to direct staff in that way. Ms. Schiermeyer asked if it had been used for general revenue in the past. Ms. Scivicque stated she did not understand. Mr. Burns said for operating expenses. Ms. Scivicque stated that was not exactly correct. The agency operating budget is 60% general revenue and 40% of fees that are collected from Master Lease Purchase Program participating agencies. It is a direct line item appropriation that comes from that revenue stream. Separately, we have another appropriation to pay the ongoing costs associated with operating the Master Lease program. Several biennium ago, the Authority utilized additional balances in the Master Lease appropriate receipts to boost our budget. That has not been done in several biennia.

Currently, all we are paying for agency operations is what we are appropriated out of the Master Lease appropriation. Mr. Meister asked to restate. He said currently we get approximately 40% of the Authority's operating budget from the Master Lease program. So, let's talk conceptually. Conceptually, I do not want, speaking as one member, I would prefer to direct the staff when considering the proposal that state leadership has asked us to make, I don't' want us to have a proposal that includes a 5% reduction on the portion of our budget that comes from general revenue only to make up or offset that amount by increasing the portion of our budget that comes from the master lease program. I understand that the Master Lease Program increase of administrative fees because it is not sustainable and that is fine with respect to that, but I want the proposal that goes to state leadership to not assume an increase in the portion of the operating budget that comes from the Master Lease program. Otherwise, I believe we are circumventing the spirit of the request.

Mr. Burns said this was a policy decision for the Board. The spirit of the reduction request does anticipate that some agencies will make up some general revenue reductions with increases. Mr. Villarreal tabled the motion so discussion could continue. Mr. Villarreal stated that he was in support of the motion as stated, but would like to ask that colleagues consider an executive session item to direct staff on how we want this to move forward. Ms. Durso stated she was not sure this was an appropriate item for Executive Session. If you want to seek legal counsel on what your authority is related to that decision making that can be discussed in Executive Session. Mr. Meister asked if Mr. Villarreal wanted legal counsel. Mr. Villarreal said that he thought Mr. Meister's points were valid, perception wise if looking asking state for 5% cut and get a 5% increase it is a wash. It is very inappropriate timing unfortunately. I understand the value of having the fund being sufficient, but

Dr. Wood said he did not know if it could be in the form of a motion or not, but to limit the percentage of contribution to the operating budget that comes from Master Lease Program to the same percentage that it is now… Mr. Meister said yes, to hold it static.

So, if additional funds are picked up from the increase from 50 bps to a percent and we don't need that money to cover the operating costs of the master lease program then effectively we would have to reduce the amount of money from general revenue. Ms. Durso stated the budget for this biennium has already been appropriated and is set. The budget for the next biennium is not on this agenda other than as a non-action item. When we go through the Legislative Appropriation Request (LAR) process and we develop a proposed budget, the Board will have an opportunity to vote on that proposed budget before it goes to the Legislative Budget Board. The sentiment being discussed is appreciated, but it is not an action item.

Mr. Meister asked if the proposal would be put together and Ms. Durso said 'absolutely.' Ms. Schiermeyer stated that when it was posted and comes forward that is when the Board has the opportunity to discuss it. This action item is not going to change the current biennium's budget at all because that has already been approved. Mr. Meister said he understood, but that he thought staff would do well to hear what members of the Board are saying today. No member has spoken up and been opposed and all agencies are being asked to pair back. Mr. Burns stated that in preparing to respond to the 5% cut request the anticipated savings is about $27,000 which demonstrate to the Board that shifting is not happening. My one concern I would have since we are only talking about $27,000 in the general revenue cut it is a blunt tool try to make adjustments to that with change in the assessment being requested. The magnitude of numbers is just too far apart to and I think we'd have to go out to the third or fourth decimal place to assess that and with ultimately we are trying to cover a variable rate structure we have in place it cannot be that precise. More than anything else, that is my, it would be difficult for me to try to show you that, but I can with regard to expenditure cuts we will present to the leadership.

Mr. Meister withdrew his amendment. He restated the motion to accept staff's recommendation to increase the administrative fee on the Master Lease Purchase Program. Mr. Villarreal seconded. The motion passed unanimously.

Item 11. Staff Reports

- **a. Budget Reduction Request**
- **b. Market Update**
- **c. Sunset Review Update**

Mr. Burns stated that staff, in coordination with our financial advisors, continues to observe market conditions looking for opportunities to refund existing debt including general obligation debt and, if conditions are optimal, may come before the Board to consider refunding long-term.

Ms. Durso stated that we are awaiting the Sunset staff report which is anticipated to be issued within the next few weeks and will be submitted to each member of the Sunset Commission. the meeting for public testimony is scheduled for April 6. It is generally the expectation of the members of the Commission that all members of our Board be present. As soon as we have the date and time, we would like you to calendar it, plan to be here. It's really quite important that we demonstrate to the Sunset Commission your understanding of the importance of the process. Depending upon what the will of that Commission is it is possible for any of you to be asked to address some of our measures, budget and other things of that nature. The Authority will be preparing documents and sending them to you for studying and consider in anticipation of the potential questions.

The Board went into closed session at 12:13 p.m. The Board re-convened in open meeting on February 4, 2010, at 12:45 p.m.

As a result of the closed session, Ms. Schiermeyer made a motion to direct staff to prepare documents for an annual evaluation of the Executive Director, ask the Executive

Director to conduct a self-evaluation and appoint Dr. Wood and Mr. Meister to interview staff as a part of the evaluation. Mr. Meister seconded and the motion passed unanimously.

Item 12. Adjourn.

The meeting adjourned at 12:46 p.m.

The foregoing minutes were approved and passed by the Board of Directors on March 4, 2010.

D. Joseph Meister

D. Joseph Meister
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A

Open Meeting Archive

Agency Name:	Texas Public Finance Authority
Date of Meeting:	02/04/2010
Time of Meeting:	10:00 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:	01/27/2010
Additional Information Obtained From:	If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, TX 78701.
Emergency Mtg:	N
Agenda:	TEXAS PUBLIC FINANCE AUTHORITY THURSDAY, FEBRUARY 4, 2010, 10:00 A.M. Capitol Extension Hearing Room E2.028 AUSTIN, TEXAS 78701

1. Call to order.

2. Confirm meeting posting compliance with the Open Meetings Act.

3. Excuse absences of board members.

4. Approve the minutes of the January 7, 2010, Board meeting.

5. Consideration, discussion and possible selection of financial advisors FY2010-2011 biennium with the option to renew for 2012-2013 biennium.

6. Consideration, discussion, and possible action to approve a Request for Financing from Stephen F. Austin State University to issue approximately $35 million of tuition revenue bonds to finance a freshman residence hall and parking garage, select a method of sale, appoint outside consultants, and take other necessary related action.

7. Consideration, discussion, and possible action to approve a Request for Financing from Midwestern State University to issue approximately $6.7 million of

tuition revenue bonds to finance Phase II of the DL Ligon Coliseum Project, select a method of sale, appoint outside consultants, and take other necessary related action.

8. Consideration, discussion, and possible action to approve a Request for Financing from Texas Parks & Wildlife Department to issue approximately $28,006,000 of general obligation bonds to finance facility repairs, pursuant to Article III, Section 50-f, Texas Constitution, 81st Legislature, Regular Session, 2009, select a method of sale, appoint outside consultants, and take other necessary related action.

9. Consideration, discussion, and possible action to approve a Request for Financing from Texas Parks & Wildlife Department to issue approximately $10 million of general obligation bonds to finance facility weather-related damage repairs, pursuant to Article III, Section 50-f, Texas Constitution, 81st Legislature, Regular Session, 2009, select a method of sale, appoint outside consultants, and take other necessary related action.

10. Consideration, discussion, and possible action on revised fees for Master the Lease Purchase Program.

11. Staff Reports
a. Budget Reduction Request
b. Market Update
c. Sunset Review Update

Executive Session:
12. a. Pursuant to Texas Government 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 551.074, the Board may convene in closed session at any time during this meeting to deliberate regarding the duties and performance of the Executive Director or General Counsel, including evaluation of performance.

Reconvene Open Meeting
13. The open meeting will be reconvened for final action of the Board concerning matters deliberated in the Closed Meeting, if such action is required.

14. Adjourn.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Paula Hatfield or Donna Richardson 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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