

Texas Public Finance Authority

Board of Directors:

Gary E. Wood, Chair
Ruth C. Schiermeyer, Vice Chair
D. Joseph Meister, Secretary
Gerald Alley
Rodney K. Moore
Robert T. Roddy, Jr.
Massey Villarreal

Dwight D. Burns
Executive Director



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

March 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, March 4, 2010, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Dr. Gary Wood, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Tom Roddy, Member; Mr. Rodney K. Moore, Member; Mr. Gerald Alley, Member; 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; Ms. Gabriela Klein, and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Mark Ellis, Tilghman E. Naylor, Jefferies & Co.; Lance Etcheverry, JP Morgan; Claudia Gee Vassar, Cochran Baker Williams & Matthiesen; Keith Richard, Bank of America Merrill Lynch; Carlos Sharpless, Sterne Agee; Matt Johansen, Citigroup; Dale Lehman, Piper Jaffray; Art Morales, Ramirez & Co., Inc.; Cheryl Allen, Mark Nicholson, Southwest Securities; Yava Scott, Siebert Brandford; Desrye Morgan, Mesirow Financial; Curtis V. Flowers, Loop Capital; Paul Jack, Estrada Hinojosa; Rich McMonagle, Joseph Molis, Texas Parks & Wildlife Department; Terry Thornton, Greg Carey, Goldman, Sachs & Co.; Mario Carrasco, Stifel Nicholas; Courtney Cain, Morgan Keegan; Ricardo Villasenor, Cabrera Capital Markets, LLC; Clarence Grier, Jodie Jiles, RBC Capital; Robbi Jones, Kipling Jones & Co.; Liz Prado, Legislative Budget Board; Charlotte Sullivan, Stephen F. Austin State University; Paul Braden, Fulbright & Jaworski; Juan Sandoval, Kyle Owen, Allen Goldapp, Midwestern State University; Jerry Kyle, Greg Shields, Andrews Kurth; Carol Polumbo, McCall, Parkhurst & Horton; Tim Peterson, First Southwest Co.; and Tim Kelley, Coastal Securities.

Item 1. Call to order.

Dr. Wood called the meeting to order at 10:02 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. Alley moved to excuse the absence of Joe Meister. Mr. Roddy seconded. The motion passed unanimously.

Item 4. Approve the minutes of the February 4, 2010, Board meeting.

Dr. Wood asked if there were any corrections or additions to the minutes of the Board meeting of March 4, 2010. Ms. Schiermeyer moved to approve the minutes. Mr. Alley seconded. The motion passed unanimously.

Item 5. Consideration, discussion, and possible action to select a Pricing Committee, adopt a Resolution Authorizing the Texas Public Finance Authority Midwestern State University Revenue System Financing System Revenue Bonds, Series 2010, approve and authorize the distribution of a Preliminary Official Statement and Notice of Sale Relating to such Bonds and take other necessary related action, including possible amendment of the par amount requested to include the costs of issuance.

Mr. Burns stated that when he was looking over bond documents, agenda documents for this and other items that he was reminded of how much work staff puts into board packets and the documents, specifically in preparation of this board meeting, and gave special thanks to General Counsel, Susan Durso, and Paula Hatfield.

Mr. Burns stated that last month the Board gave staff permission to start working on a competitive sale and today staff asks for continuing approval to move forward in that process. Mr. Burns introduced Juan Sandoval, Vice President for Administration and Finance, Alan Goldapp, Associate Vice President for Facilities, and Kyle Owens, both engineers, from Midwestern State University to discuss its request for financing. Mr. Sandoval apologized for not appearing before the Board in February and described the request for financing to fund and complete the Phase II renovation of Ligon Coliseum of which \$7.7 million was received in their initial \$12.1 million request, which was funded with tuition revenue bonds, private gifts, and \$1.7 million financing through Master Lease for Phase I. An athletic fee was approved by student referendum and approved by the Legislature. The fee assessment, which began in January 2009, is expected to garner about a million dollars. The fee is currently \$9 and is not to exceed \$10 per semester hour. The debt service planned at \$6.7 million, not to exceed a half a million, is the structure being pursued.

Mr. Roddy asked when the \$12.1 million had been requested and if this was to complete the work on the \$12.1 million project? Mr. Sandoval stated \$7.7 million was received in 2006, and \$918,000 represented gifts. Mr. Sandoval further stated that the \$7.7 million was to finish the work started the \$12.1 million project, but it is more like \$17 million. Mr. Goldapp, Associate Vice President for Facilities, stated that the first phase of the project addressed primarily infrastructure after analysis by a consulting firm. The estimate was to bring the facility up to Texas's accessibility code, air conditioning and other systems in place. The \$7.7 million was exceeded. With the additional funds, a large percentage of that infrastructure work, including roofing, was completed. The second phase is going to be focused on the architecture, which is the dressing rooms and other facilities of that type for the coliseum, public areas, restrooms, accessibility, HVAC in the actual renovation rooms, and electrical upgrades. Mr. Alley asked how the services would be delivered. Mr. Goldapp stated the work would be competitively bid. Dr. Wood asked what happens if the competitive bids are lower than the \$6.7 million. Mr. Goldapp stated it would be up to the administration to review. There are a few facilities in this building and infrastructure items that did not make the list for renovation because the jobs are not critical to the operation of the building such as windows. The administration or the Board of Regents would decide how to apply the money.

Ms. Durso stated that the bond resolution limits use of the proceeds. The proceeds can be used by anything covered by the resolution so it is possible to have a substitute project. Mr. Alley asked what happens if the reverse occurs and renovation costs exceed funds available. Mr. Goldapp stated that projects were removed from the renovation list.

Mr. Burns asked Ms. Durso to speak to the competitive issue. Ms. Durso stated that the Authority received a request to consider appointing a pricing committee for this sale. The current policy of the Board is to use a pricing committee with a negotiated sale. In order to use a pricing committee on a competitive sale, the Board would need to adopt a policy to do that and change the current policy. Ms. Durso stated she was not suggesting by her comments today that it was not a good idea, but just a caution on changing a policy without due deliberation. The reason for having a pricing committee is that it allows flexibility in setting the date of sale. In this particular case, First Southwest representatives present can speak to the flexibility issue. One aspect of the competitive sale is that the bids are received electronically and selected on the basis of the lowest true interest cost. Historically, the bid is brought to the Board in an open meeting that is set the same day following the competitive sale and the Board is free to accept the lowest bid or reject it and the Board adopts the resolution. The Pricing Committee cannot adopt the resolution. The Board will still have to meet after the sale to adopt the resolution. This particular sale has not been set up to change the policy at this time. It would be better for the Board to review the policy and set it up so the flow of documents is correct.

Ms. Durso did confirm that Texas Tech, University of North Texas, and Texas A&M University have used a delegated pricing committee on competitive sales because they issue

their own bonds, adopt a resolution, and are able to appoint a single employee to accept a bid based on the parameters of the sale. The difference is that the Authority must adopt a resolution simultaneously or on the same date as the Board of Regents of the University. This sale is not structured to change the policy at this time. Last, but not least, the language in the Authority's statute that allows for delegation to a pricing committee without violation of the open meetings act speaks to delegating authority for the negotiation of a contract in the sale of an obligation. Although bond counsel has conferred with the head of the Public Finance Division of the OAG and believes the language is broad enough for that to be applied not only in a competitive sale where there is not really any negotiation, and also the negotiated sale. Ms. Durso stated she is not assured herself that the opinion expressed for the Attorney General's office has been run all the way up to the top and the reason that is important is because even though the public finance division ultimately blesses the sale documents, if the Open Meetings Division determined that we violated the Open Meetings Act, then any action taken in violation of the open meetings would be voidable. Therefore, without all those issues being properly vetted, caution should be exercised.

Mr. Burns gave an overall view of what the Board is being requested to do, especially for the newer members of the Board that may not have been party to a competitive bond sale. Mr. Burns provided a quick review of the difference between competitive and negotiated sales and, since he had been employed less than a year, he wanted to be sure the Board the due diligence of looking at both options. Over the years, there have been discussions, even arguments, about which is better and when each one should be used. In this case, it would be a good opportunity for the Board to see how a competitive deal performs. Afterwards, the actual costs incurred can be compared with negotiated deals just to give the Board an idea perhaps what costs savings are or are not with using competitive sale. So, as Ms. Durso laid out, staff was flirting with the idea of instead of simply having the Board at next month's meeting sign off on the low bid, give flexibility on the date. There are market instabilities that come up that a pricing committee could then set the date, but in this circumstance, in addition to the concerns of the General Counsel, there are more logistical issues that would make a traditional approach okay.

The Sunset Advisory Commission is requesting that the Board be present at its hearing on April 6th so it is more convenient for the Board to be available the next day. Mr. Burns further stated that market conditions heretofore have been stable enough that perhaps that level of flexibility might be okay. Also, as the General Counsel indicated, if the Board desires a policy change and start establishing a pricing committee for these competitive sales, maybe the Authority should step away from a sale environment when timing is an issue and give the Board a chance to ask more questions about a policy change.

Mr. Alley asked if there were a few high points that could be outlined of the competitive and negotiated processes. Mr. Burns asked Tim Peterson, First Southwest, to address the issue as financial advisor.

Tim Peterson stated that the Authority has historically done more negotiated transactions sometimes due to size, a function of the market. One of the strong advantages of a negotiated sale is that the Board has and retains complete flexibility; the markets over the past few years have been very volatile. On the cost side, discussion about whether money is being saved on the competitive structure and allowing the whole world to bid on the bonds instead of a chosen syndicate. There are pros and cons in different markets at different times.

Mr. Peterson further stated that from the perspective of managing the transaction process as financial advisor, it is generally easier for the financial advisor to work through a senior underwriter and a syndicate that the Board chooses. At the moment of pricing when the sale is competitive, the bidders tell the financial advisors what coupon is wanted while complying with the bidding parameters stated. Then, the University is informed about the debt service structure that generates and does that comply with whatever revenue that is indicated for the repayment of this debt. Adjustments to the principal amounts that may occur after the actual bid comes in. If in a negotiated environment, advance work with the underwriters and through the actual pricing of those bonds before a firm bid to underwrite the structure.

Mr. Peterson said the transaction was set up to be a 25 year bond issue out to 2035; it has about a sixteen year average life, and a true interest cost of 5%. This transaction may be insured or may not be insured. The bidder's option determines the insurance. Mr. Roddy asked who would insure the bonds and Mr. Peterson answered "Assured Guaranty."

Ms. Schiermeyer asked about using the pricing committee for the competitive sale, which is what is being asked to be considered. Dr. Wood said that was not being asked in this case. Staff's recommendation is for no pricing committee and the financial advisors are asking for a pricing committee. Mr. Peterson explained that Midwestern had shared its timeline for funding and as consultants First Southwest said additional flexibility could be attained by having a pricing committee.

Mr. Roddy asked if staff was looking for a motion to change the policy. Ms. Schiermeyer and Mr. Burns said "no." Mr. Burns stated he wanted the idea brought forth for discussion. Mr. Peterson said bids would be taken on the morning of April 7 at approximately 10 a.m. in TPFA offices. Then the bids will be presented to the Board in open meeting and, once the award has been made, the underwriter, and the University will be contacted.

Ms. Schiermeyer moved to revise the Preliminary Official Statement and Notice of Sale to reflect a competitive sale without appointment of a pricing committee to schedule the bids to be taken via the Parity Electronic Bidding System prior to the April 7, 2010, Board meeting authorizing the distribution of the Preliminary Official Statement, Notice of Sale and Bid Form, as revised, for the sale of the Texas Public Finance Authority Midwestern State

University Revenue System Revenue Bonds. Mr. Villarreal seconded. The motion passed unanimously.

- Item 6. Consideration, discussion, and possible action to approve an amendment to the 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, to include a refunding of Series 1998 bonds, not to exceed \$4.1 million in additional debt.**

Mr. Burns stated the negotiated bond sale for approximately \$35 million was approved last month. The Board is now being asked to approve the \$4.1 million refunding. Mr. Peterson, First Southwest Co., stated that Robbi Jones, Kipling Jones Co., co-financial advisor is present as well. The refunding is for \$3.4 million of 1998 tuition revenue bonds with 5% coupon, presently callable. A refunding opportunity at a much lower cost of financing or a 2.8% cost of financing in the refunding component, is a logical step down in the rate and corresponding savings. In this case, some unused tuition revenue bond appropriation is available for the biennium and will shorten the refunding bond issuance. The new debt goes out two years less than the refunded debt so there is a significant savings not only in the interest rate reduction but the number of years paying on the debt. Consequently, about a half million dollar gross debt service savings is generated for the state and that translates to \$300,000 in present value savings.

Ms. Schiermeyer moved to approve the staff recommendations to authorize the issuance of refunding bonds in amount not to exceed \$4.1 million. Mr. Moore seconded. The motion passed unanimously.

- Item 7. Consideration, discussion, and possible action to select a Pricing Committee, adopt a Resolution and approve the Preliminary Official Statement for the Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds Series 2010 and Revenue Financing System Revenue Refunding Bonds, Series 2010A, and take other necessary related action.**

Mr. Burns introduced this request that the Board approved last month for funding for the construction of a residence hall and parking garage and stated the Board would need to appoint a pricing committee. Ms. Charlotte Sullivan, State Government Relations Liaison for the University. She thanked First Southwest for pointing these refunding issues out to SFA and, while it does not benefit SFA at all, it will save the State of Texas a great deal of money.

Mr. Burns stated that the pricing is tentatively scheduled for Monday, March 29, 2010, in the Dallas offices of Estrada Hinojosa, the senior book-running manager of the underwriting syndicate. The pricing committee will consist of Ms. Schiermeyer (in person),

Mr. Roddy and Mr. Moore (via telephone). The alternates are Joe Meister and Massey Villarreal. Ms. Schiermeyer reminded the Board it was a Board policy decision that one member of the pricing committee would always be present at any pricing.

Mr. Moore moved to adopt the resolution and approve the pricing committee selected. Mr. Villarreal 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-g, Texas Constitution, 81st Legislature, Regular Session, 2009, select a method of sale, appoint outside consultants, and take other necessary related action.

Mr. Burns stated that last month the Board approved the \$10 million portion of the request from Texas Parks & Wildlife. Staff asked that the \$18 million portion of the request be tabled pending research about the use of proceeds being tax-exempt eligible. Staff is now comfortable about recommending the use of the Authority's commercial paper program to finance this request.

Ms. Schiermeyer moved to accept staff's recommendation to fund the request with the Authority's commercial paper program. Mr. Moore seconded. The motion passed unanimously.

Item 9. Consideration, discussion, and possible action to select team members to analyze refunding opportunities and take other necessary related action.

Mr. Burns stated the Authority had identified refunding opportunities and asked Mr. Tim Kelley, Coastal Securities, to describe the potential refunding. Mr. Kelley reviewed a set of numbers provided to the Board for refunding of about \$250 million general obligation bonds. The potential transaction could produce a \$12 million present value savings with over \$14 million in total debt service savings. Mr. Kelley indicated that the percentage is approaching 5% and the true interest cost is in the 250 range with the best candidates available.

Staff recommends Barclays as the book-running senior manager, Piper Jaffray, Morgan Keegan, Jeffries, Loop Capital, Cabrera Capital, Citigroup, and Ramirez & Co. to serve as the underwriting team; Coastal Securities to serve as financial advisor and McCall Parkhurst & Horton to serve as bond counsel.

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

Item 10. Consideration, discussion, and possible action to appoint two new board members for the Texas Public Finance Authority Charter School Finance Corporation.

Ms. Durso stated that there are two members of the Charter School Finance Corporation Board who have chosen not to continue their service but have agreed to continue to serve until new members are in place. After receiving direction from the Board, a notice seeking volunteers and interested persons who were qualified was posted in the Texas Register, on the TPFA website, and it was also shared with the Association of Charter Schools. Since only two parties responded and as there is no business before the CSFC Board until the fall, staff recommends reopening to allow a deeper pool of prospective candidates.

Dr. Wood stated it was a good idea to solicit more candidates for consideration.

Item 11. Consideration, discussion and possible action on the Sunset staff report.

- a. Update regarding the SEE report
- b. Market Update

Mr. Burns stated the staff report was received from the Sunset Advisory Commission. The Authority will prepare a formal response in advance of the public hearing with the Commission. The Sunset Commission recommends that the Authority continue its existence for another twelve years and secondly, the other major recommendations are two categories giving TPFA more responsibility, to issue debt for other agencies and to make some changes to statutes that would allow the Authority to carry out our responsibilities easier and faster.

Mr. Burns thanked Pamela Scivicque for her leadership on the response to the Sunset Commission.

Mr. Burns stated the Authority received results of the Survey of Employee Engagement from the University of Texas's Department of Social Work. This survey is included in the Authority's Strategic Plan. The Authority had 100% participation in the survey. After staff reviews the report, it will be shared with the Board.

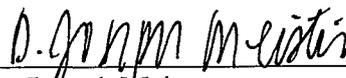
Mr. Burns shared an article from the Texas Lawyer highlighting Susan Durso as one of the leading attorneys in the state.

Ms. Durso stated the Board would be informed of the exact time of the Sunset Commission hearing on April 6.

Item 13. Adjourn.

The meeting adjourned at 11:05 a.m.

The foregoing minutes were approved and passed by the Board of Directors on April 7, 2010.



D. Joseph Meister
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Current Meeting Notices

Agency Name: Texas Public Finance Authority

Date of Meeting: 03/04/2010

Time of Meeting: 10:00 AM (Local Time)

Board: Texas Public Finance Authority

Status: Active

Street Location: Capitol Extension RM E2.028

City Location: Austin

Meeting State: TX

TRD ID: 2010001590

Submit Date: 02/24/2010

Emergency Meeting?: No

Original Meeting TRD#: 2010001586

Additional Information: If you need additional information contact Paula Hatfield, 512/463-5544, 300-W. 15th St., Suite 411, Austin, TX 78701

Obtained

From:

Agenda:

TEXAS PUBLIC FINANCE AUTHORITY
THURSDAY, MARCH 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 February 4, 2010, Board meeting.
- 5.Consideration, discussion, and possible action to select a Pricing Committee, adopt a Resolution Authorizing the Texas Public Finance Authority Midwestern State University Revenue System Financing System Revenue Bonds, Series 2010, approve and authorize the distribution of a Preliminary Official Statement and Notice of Sale Relating to such Bonds and take other necessary related action, including possible amendment of the par amount requested to include the costs of

issuance.

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7. Consideration, discussion, and possible action to select a Pricing Committee, adopt a Resolution and approve the Preliminary Official Statement for the Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds Series 2010 and Revenue Financing System Revenue Refunding Bonds, Series 2010A, 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-g, 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 select team members to analyze refunding opportunities and take other necessary related action.

10. Consideration, discussion, and possible action to appoint two new board members for the Texas Public Finance Authority Charter School Finance Corporation.

11. Consideration, discussion and possible action on the Sunset staff report.

12. Staff Reports

a. Update regarding the SEE report

b. Market Update

Executive Session:

13.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

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

15. 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. If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, TX 78701.

For comments and or questions about this website please contact *Texas Register*
register@sos.state.tx.us

