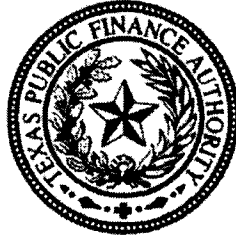


TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS:

Billy M. Atkinson, Jr., Chair
Ruth C. Schiermeyer, Vice Chair
Gerald B. Alley, Secretary
Mark W. Eidman
Walker N. Moody
Rodney K. Moore
Robert T. Roddy, Jr.



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EXECUTIVE DIRECTOR

Robert P. Coalter

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

September 5, 2013

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 10:30 a.m., Thursday, September 5, 2013, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Billy Atkinson, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Gerald Alley, Secretary; and Mr. Tom Roddy, Member.

Representing the Authority's staff were: Robert P. Coalter, Executive Director; Susan K. Durso, General Counsel; John Hernandez, Deputy Director; Pamela Scivicque, Business Manager; and Paula Hatfield.

Present in their designated capacities were the following persons: Tim Peterson, JP Morgan; Dalton Smith, Bank of America Merrill Lynch; Jorge Rodriguez, and Daniel Rodriguez, Coastal Securities; Desrye Morgan, Wells Fargo; Andy Bynam, Mesirow Financial; Richard Donoghue, McCall Parkhurst & Horton; Mark Ellis, Jefferies; Art Morales and Rick Menchaca, BOSC, Inc.; Jim Buie, Raymond James; Chris Allen, First Southwest Co.; Kathryn Garner, Haynes Boone; Robin Redford and Lorraine Palacios, Ramirez & Co.; Mark Robillard, Fidelity Capital Markets; Keith Richard, Morgan Stanley; Jim Niederle, Hutchison Shocky Erley; Tim Kelley and Danielle Bradford, Piper Jaffray; Barron Wallace, Bracewell & Giuliani; Julia Houston and Jerry Kyle, Andrews Kurth; Paul Martin, Winstead; Curtis Flowers, Loop Capital; John Daniel and Patrick Scott, Barclays; Chase Kronzer, Legislative Budget Board; Pete Gise, Texas Windstorm Insurance Agency; Angela Colmenero, Office of the Attorney General; Cheryl MacBride, Denise Hudson, Robin Cappello, and Duncan Fox, Texas Department of Public Safety; Jerry McGinty, Texas Department of Criminal Justice.

Mr. Atkinson called the meeting to order at 10:32 a.m.

Item 2. Excuse absences of board members.

Mr. Roddy moved to excuse the absence of Messrs. Eidman, Moody and Moore. Mr. Alley seconded. The motion passed unanimously.

Item 3. Approve the minutes of the August 1, 2013, Board meetings.

Mr. Atkinson asked if there were any corrections or additions to the minutes of the Board meeting of August 1, 2013. Ms. Schiermeyer moved to approve the minutes as presented. Mr. Moody seconded. The motion passed unanimously.

Item 4. Consideration, discussion and possible action to approve the Texas Department of Public Safety's Request for Financing to issue approximately \$15 million in general obligation debt pursuant Art. III, sec. 50-g, Texas Constitution, Texas Government Code 1232, S.B. 1, Art. IX, Sec. 17.02 83rd Legislature, Regular Session Art. IX, Sec. (2013) for deferred maintenance projects contingent upon Legislative Budget Board approval, select a method of sale, appoint outside consultants and take other necessary related action.

Mr. Coalter stated that TPFPA received a Request for Financing from the Texas Department of Public Safety in the amount of \$15 million for deferred maintenance projects. If approved by the Board, these projects would be funded by Series 2008 General Obligation Commercial Paper Program. Mr Coalter informed the Board that the following individuals were present to answer any questions they had concerning the Request:

Denise Hudson, Assistant Director Finance
Cheryl MacBride, Deputy Director, Services
Robin Cappello, Deputy Assistant Director, Agency Infrastructure Support
Duncan Fox, Deputy General Counsel

Ms Hudson introduced herself and asked the Board if they had any questions. Ms. Schiermeyer asked for an explanation of the use funds for painting under the Request. Ms. Cappello explained that those funds were to be used for painting an entire facility to include doors and windows.

Mr. Alley asked if the project management fees were internal costs or external fees. Ms. Cappello stated that the fees were a statutory mandated fee of the Texas Facilities Commission and not internal DPS fees.

Ms. Schiermeyer moved to approve the Request for Financing to approve the Department of Public Safety's Request for Financing to issue \$15 million in general obligation debt for deferred maintenance projects and accept staff's recommendation to issue that debt under the Authority's Series 2008 General Obligation Commercial Paper Program, contingent upon approval by the Legislative Budget Board. Mr. Alley seconded. The motion passed unanimously.

Item 5. Consideration, discussion and possible action to approve the Texas Department of Criminal Justice's Request for Financing to issue approximately \$50 million in general obligation debt pursuant Art. III, sec. 50-g, Texas Constitution, Texas Government Code 1232, S.B. 1, Art. IX, Sec. 17.02 , 83rd Legislature, Regular Session (2013) for capital repairs and renovations contingent upon final approval by the Legislative Budget Board, select a method of sale, appoint outside consultants and take other necessary related action.

Mr. Coalter stated that TPFPA received a Request for Financing from the Texas Department of Criminal Justice in the amount of \$50 million for capital repair and renovation projects. This request was approved under the 83 Legislative Appropriation Act. If approved by the Board, these projects would be funded by Series 2008 General Obligation Commercial Paper Program. Mr Coalter informed the Board that Mr. Jerry McGinty, Chief Financial Officer of TDCJ was present to answer any questions they had concerning the Request.

Mr. Jerry McGinty stated that TDCJ had received these type funds for the last 25 years to repair their facilities from the Legislature. The \$50 million will be used for major repairs and not minor repairs such as:replacing roofs and fire alarm systems, renovations to TDCJ's kitchens and water systems. Mr. Coalter added that TPFPA had received approval from the Legislative Budget Board for this Request.

Ms. Schiermeyer asked how Mr. McGinty determined the expenditure schedule of \$2.5 million monthly and to provide a further breakdown of categories of expenditures. Mr. McGinty explained that TDCJ has had over 20 years of experience with these projects and their expenditure rate. In particular, over the last two years TDCJ had have averaged around a \$2.5 million expenditure pattern, and they expected this rate to continue for the next two years. TDCJ does have project specifics which correspond to the category totals, for example the \$18 million for roofing corresponds to projects at 9 different facilities. The LBB approval has allowed the monies to be given to TDCJ in one lump sum so TDCJ can prioritize the expenditures at the particular units which allows TDCJ the flexibility to deal with emergencies as they arise. Mr. Coalter stated that the staff reviews the projects before the commercial paper is issued.

Mr. Roddy moved to approve the Request for Financing to approve the Department of Criminal Justice's Request for Financing to issue \$50 million in general obligation debt for capital repairs and renovations and accept staff's recommendation to issue that debt under the Authority's Series 2008 General Obligation Commercial Paper Program as approved by the Legislative Budget Board. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 6. Consideration, discussion, and possible action to approve a request for financing to issue Post-Event Class 1, Class 2 and Class 3 public securities for the Texas Windstorm Insurance Association and the Adoption of One or More Resolutions Relating Thereto and Delegating Certain Matters to an Authorized Official of the Authority, Appoint Outside Consultants, and Take Other Action as Necessary.

Ms. Durso stated that the Board had received a Request for Financing from the Texas Windstorm Association (TWIA) in May 2013 to issue debt to finance claims for the 2013 storm season. At that time, the Insurance Commissioner was Ms. Eleanor Kitzman, and Commissioner Kitzman approved post event debt but not pre-event debt. Since that time, Governor Perry has appointed a new Commissioner of Insurance, Julia Rathgeber, whose appointment has been confirmed by the Senate. Commissioner Rathgeber has requested that TPFA go forward exploring post-event debt, since the state is in the middle of the hurricane storm season and it would take some time to prepare for the issuance of any debt. Staff is requesting Board approval at this time for the continuing of contracts with our consultants. First Southwest has been TPFA's financial advisor on this transaction, and staff would like to continue to retain their services to assist in the development of the documents and structure for post event transaction. Winstead has been our bond counsel with Sheldon & Valdez as our co-bond counsel. Staff is requesting a change in our co-bond counsel, as a result of a move by one of the partners from Winstead to Andrews Kurth who has been heavily involved in our work with TWIA. This request is to ensure continuity of experience with this type of debt and in developing the documents. Winstead would be bond counsel with Paul Martin as the lead counsel, and Andrews Kurth would be co-bond counsel. Andrews Kurth is in our bond counsel pool, and TPFA has a great deal of experience with Andrews Kurth's public finance section. Staff would like your approval to go forward with those consultants for 2013-2014.

Mr. Alley asked if TPFA was satisfied with Sheldon & Valdez services and how the selection of firms were determined. Ms. Durso said that the agency was satisfied with the work Sheldon & Valdez performed. Ms. Durso stated that TWIA was a unique credit with many challenges. Ms. Durso also pointed out that TPFA was experienced with working with co bond counsels. Mr. Martin of Winstead and Ms. Houston of Andrews Kurth have and do work well together. Ms. Durso stated that the division of the work between the two firms will not be a problem.

Mr. Atkinson asked if Mr. Coalter had anything to add to the issue. Mr. Coalter agreed with the comments Ms. Durso made. Mr. Coalter stated that the loss of Ms. Houston's knowledge would be detrimental to the transaction.

Mr. Alley asked if there was a backup plan for legal counsel should a particular attorney leave a firm in use. Mr. Coalter stated that we do have contingencies in mind with our counsel. Ms. Durso stated that Winstead is fully capable of handling the transaction without the use of Andrews Kurth. Ms. Houston was located in Austin, and Mr. Martin is San Antonio which provided some flexibility for meetings. This is an atypical client, situation, and transaction.

Mr. Roddy asked if this was a continuation of what TPFA was doing with a change in just one firm. Ms. Durso answered in the affirmative.

Mr. Alley asked if all parties are comfortable with the change in counsel. Ms. Durso stated that all parties are comfortable with the change, and there are no conflicts with either firm.

Mr. Atkinson asked for a motion to approve staff's request for the appointment of consultants to assist staff in preparation for the issuance of post-event Class 1, 2, and 3 public securities on behalf of the Texas Windstorm Insurance Association as discussed.

Ms. Schiermeyer moved approval of the appointment of consultants to assist staff for the preparation for the issuance of Post-Event Class 1, Class 2 and Class 3 public securities on behalf of the Texas Windstorm Insurance Association as discussed, and Mr. Roddy seconded the motion. The motion passed unanimously.

Item 7. Consideration, discussion, and possible action to appoint an underwriting syndicate for the sale of Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2013..

Mr. Coalter stated that at the August 1st Board meeting, the Board had approved the selection of Coastal Securities as Financial Advisor and McCall Parkhurst & Horton as Bond Counsel on the 2013 General Obligation Refunding and direct staff to determine a plan for refunding TPFA's outstanding General Obligation debt. Staff and consultants had done an initial analysis of the possible refunding and determined that the transaction should be broken into three parts. The 2003 and 2003A bonds are currently refundable with a small negative arbitrage which results in the best cost savings. The 2006 and 2007 bonds have a high negative arbitrage which will decrease considerably as their call dates approach. A fix-out of commercial paper would be considered at a later date depending on capacity. The initial transaction would be a small transaction of approximately \$45 million dollars to include the 2003 and 2003A bonds.

Mr. Coalter stated that staff and our consultants recommend the underwriter syndicate of Piper Jaffray as book-runner, with Fidelity Capital Markets and Ramirez & Company as co-managers. Piper Jaffray was recommended as book-runner due to their strong capital capacity and large commercial and institutional sales network. Mr. Coalter also stated that Piper Jaffray had submitted an in depth and insightful analysis of the transaction to the Authority. Fidelity Capital Markets was recommended because it also has strong capacity with a large retail network which would be advantageous to this transaction. Ramirez & Company was recommended because of its expertise with this type of credit and market. In addition, Ramirez & Company brings diversity to the transaction. Mr. Coalter introduced Jorge Rodriguez from Coastal Securities, Tim Kelly from Piper Jaffray, Robin Redford and Lorry Palacios from Ramirez & Company, and Mark Robillard from Fidelity.

Mr. Roddy asked how much the interest rate needed to increase to make the arbitrage negligible on the other two issues. Mr. Rodriguez explained that Coastal had performed a negative arbitrage analysis from the current time to the call date and determined that interest rates would need to increase approximately 125 to 130 basis points.

Mr. Roddy moved approval of the appointment of Piper Jaffray as the book-running senior manager and Ramirez & Company and Fidelity Capital Markets to serve as co-managers for the negotiated sale of the Texas Public Finance Authority General Obligation Refunding Bonds, Series 2013, and Mr. Alley seconded the motion. The motion passed unanimously.

Item 8. Staff Report, including a market update.

Mr. Coalter stated that TPFA expected to receive five Requests for Financing from agencies at the October meeting from the Texas Facilities Commission, Department of Aging and

Disability, Department of State Health Services, Adjutant General, and Texas Parks & Wildlife. At the December meeting TPFA expects to receive a Request for Finance for the Texas Juvenile Justice Department, and July the Texas Historical Commission.

Mr. Coalter informed the Board that the draft questionnaire had been finalized concerning the debt management system. Staff's next step would be sharing the questionnaire with TPFA's consultants to obtain their input on the questionnaire. Once this input is received, the questionnaire would be sent out to other state and organizations to see what tools they are using. Staff continues to work on the Debt Life Cycle, and Mr. Coalter stated that once the document was completed, he would provide a copy to the Board.

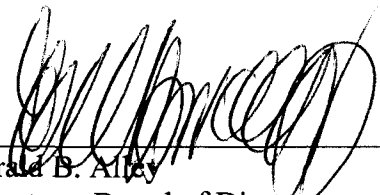
The Board began an Executive Session at 10:59 a.m. with Ms. Durso and Mr. Coalter from TPFA and Angela Cominaro from the Office of the Attorney General in order to take up agenda items for which the Board seeks the advice of counsel pursuant to Government Code section 551.007(2), and pursuant to section 551.074, to take up personnel issues, including the duties, responsibilities and performance of the Executive Director, the General Counsel and duties, responsibilities and performance of other staff.

The Board adjourned the Executive Session at 11:56 a.m. and reconvened in open meeting at 11:59 a.m. As a result, of the Executive Session, the Board took no action.

The next Board meeting is scheduled for October 3, 2013.

The meeting adjourned at 12:01 p.m.

The foregoing minutes were approved and passed by the Board of Directors on November 7, 2013.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A

Current Meeting Notices

Agency Name: Texas Public Finance Authority
Date of Meeting: 09/05/2013
Time of Meeting: 10:30 AM (Local Time)
Board: Texas Public Finance Authority
Status: Active
Street Location: Capitol Extension Hearing Room E2.028
City Location: Austin
Meeting State: TX
TRD ID: 2013005806
Submit Date: 08/28/2013
Emergency Meeting?: No
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.
Agenda: TEXAS PUBLIC FINANCE AUTHORITY
 THURSDAY, SEPTEMBER 5, 2013, 10:30 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.028
 STATE CAPITOL
 AUSTIN, TEXAS 78701

AGENDA

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members, if necessary.
3. Approve the minutes of the August 1, 2013, Board meeting.
4. Consideration, discussion and possible action to approve the Texas Department of Public Safety's Request for Financing to issue approximately \$15 million in general obligation debt pursuant Art. III, sec. 50-g, Texas Constitution, Texas Government Code 1232, S.B. 1, Art. IX, Sec. 17.02 83rd Legislature, Regular Session Art. IX, Sec. (2013) for deferred maintenance projects contingent upon Legislative Budget Board approval, select a method of sale, appoint outside consultants and take other necessary related action.
5. Consideration, discussion and possible action to approve the Texas Department of Criminal Justice's Request for Financing to issue approximately \$50 million in general obligation debt pursuant Art. III, sec. 50-g, Texas Constitution, Texas Government Code

1232, S.B. 1, Art. IX, Sec. 17.02 , 83rd Legislature, Regular Session (2013) for capital repairs and renovations contingent upon final approval by the Legislative Budget Board, select a method of sale, appoint outside consultants and take other necessary related action.

6. Consideration, discussion, and possible action to approve a request for financing to issue Post-Event Class 1, Class 2 and Class 3 public securities for the Texas Windstorm Insurance Association and the Adoption of One or More Resolutions Relating Thereto and Delegating Certain Matters to an Authorized Official of the Authority, Appoint Outside Consultants, and Take Other Action as Necessary.

7. Consideration, discussion, and possible action to appoint an underwriting syndicate for the sale of Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2013.

8. Staff Report, including a market update.

9. Executive Session:

a. Pursuant to Texas Government section 551.071(2), the Board may convene in closed session at any time during this meeting to obtain legal advice from its counsel concerning any matter, listed on this agenda, in which the duty of its attorney under the Texas Disciplinary Rules of Professional Conduct conflicts with Texas Government Code, chapter 551.

b. Pursuant to Texas Government section 551.074, the Board may convene in closed session at any time during this meeting to deliberate personnel issues, including the duties, responsibilities and performance of the Executive Director, the General Counsel and the duties and responsibilities and performance of other staff.

10. Reconvene Open Meeting:

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

11. Discussion of future meeting dates and times.

12. Adjourn.

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

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