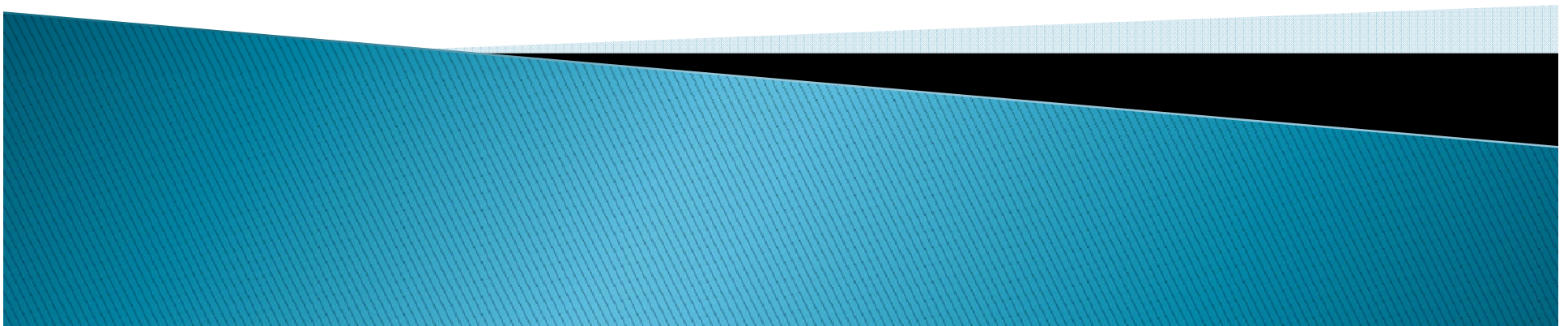


# Texas Public Finance Authority

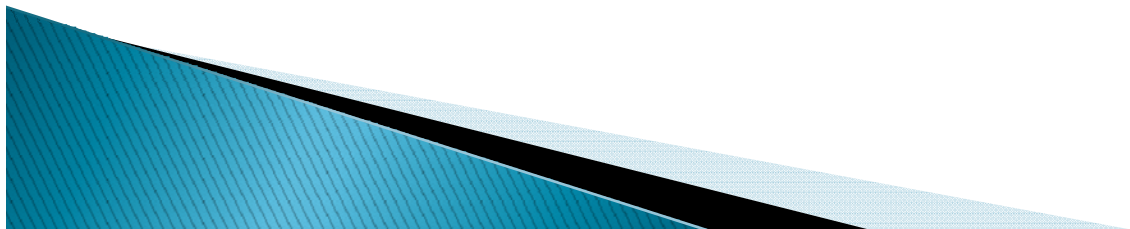
Agency Orientation  
April 2010



# Texas Public Finance Authority

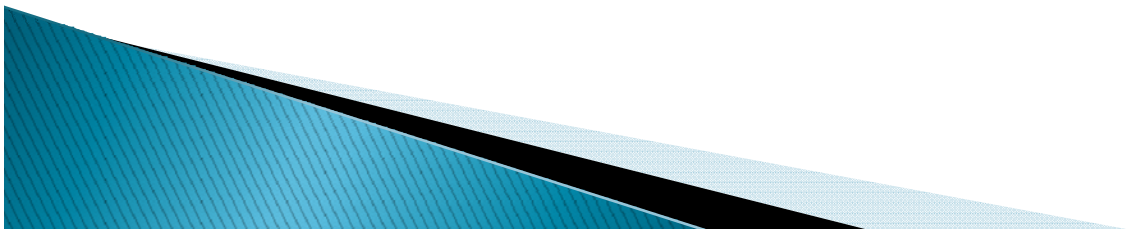
▶ Dwight D. Burns	Executive Director	463-5700
▶ Susan K. Durso	General Counsel	463-5681
▶ John Hernandez	Deputy Director	463-3101
▶ Gabriela Klein	Sr Financial Analyst	463-3142
▶ Loan Nguyen	Financial Analyst	463-8297
▶ Chris Gilliland	MLPP Coordinator	463-5695
▶ Ophelia Guerrero	Financial Reporting	305-9469
▶ Pamela Scivicque	Business Manager	463-3141
▶ Ricky Horne	Budget Analyst	463-3925
▶ Paula Hatfield	Executive Assistant	463-3143

[www.tpfa.state.tx.us](http://www.tpfa.state.tx.us)  
[firstname.lastname@tpfa.state.tx.us](mailto:firstname.lastname@tpfa.state.tx.us)



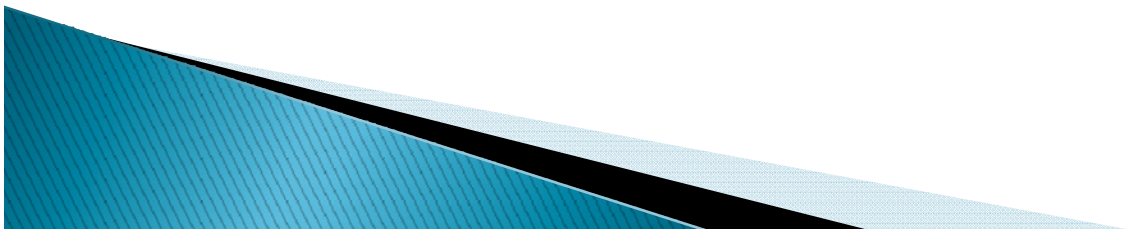
# Agenda

- I. Debt Overview
- II. TPFA Debt Programs
- III. TPFA Debt Issuance Process
- IV. Financing Documents
- V. Ongoing Debt Administration



# Texas Public Finance Authority

1. State agency created in 1983 by the Texas Legislature
2. Seven-member board of directors appointed by the Governor; 15 FTEs
3. Provides capital financing to other state agencies, as directed by the Legislature
4. Capital financing used to:
  - construct, acquire, or renovate facilities and equipment;
  - make loans or grants;
  - provide capital funding for programs such as unemployment compensation, workers compensation, and other insurance programs.

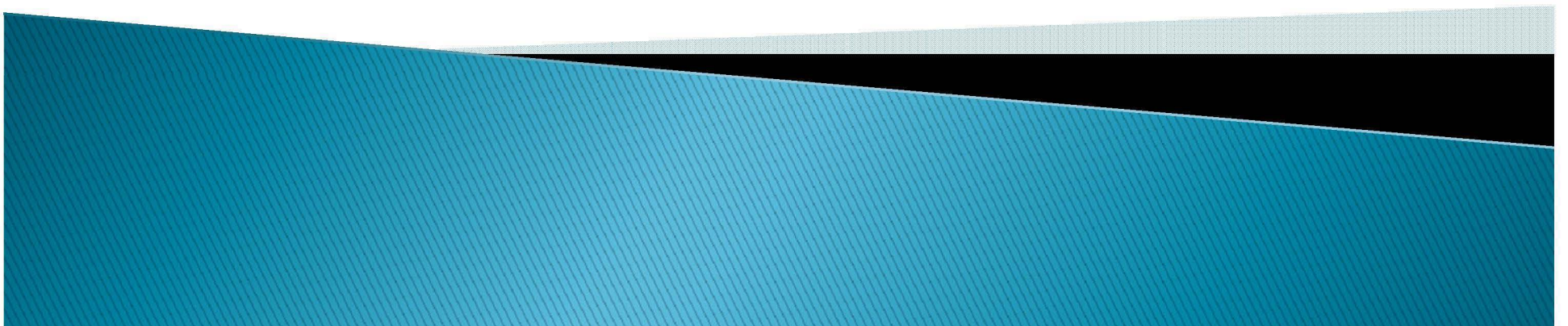




# TPFA Client Agencies

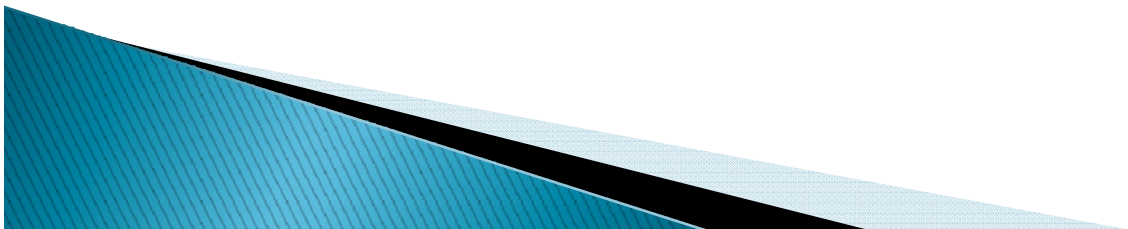
1. Adjutant General/Military Facilities Commission
2. Cancer Prevention and Research Institute of Texas
3. Department of Aging and Disability Services
4. Department of Agriculture/Texas Agricultural Finance Authority (TAFA)
5. Department of Public Safety
6. Department of State Health Services
7. Health and Human Services Commission
8. Midwestern State University
9. School for the Blind and Visually Impaired
10. School for the Deaf
11. State Preservation Board
12. Stephen F. Austin State University
13. Texas Department of Criminal Justice
14. Texas Department of Transportation/Office of the Governor (Colonias Roadway Grant Program)
15. Texas Facilities Commission
16. Texas Historical Commission
17. Texas Military Preparedness Commission (Texas Military Value Revolving Loan Fund)
18. Texas Parks and Wildlife Department
19. Texas Southern University
20. Texas Windstorm Insurance Association
21. Texas Workforce Commission
22. Texas Youth Commission
23. TPFA Charter School Finance Corporation

# I. Debt Overview



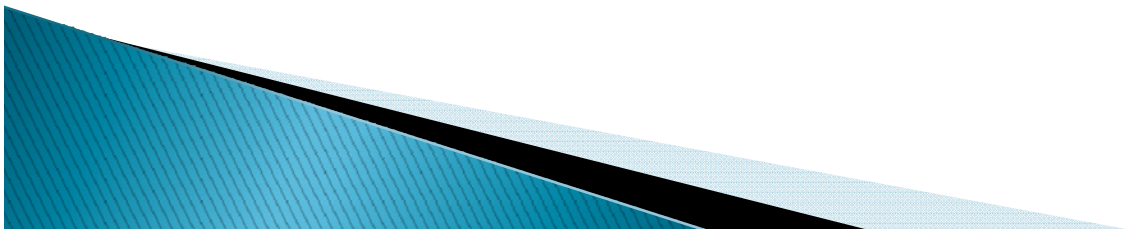
# TPFA Debt Instruments

- ▶ Bonds: Long term (5+ years), fixed or variable interest rate
- ▶ Notes: Intermediate Term (1–5 years), fixed or variable interest rate
- ▶ Commercial Paper: Short Term (1–270 days), variable interest rate



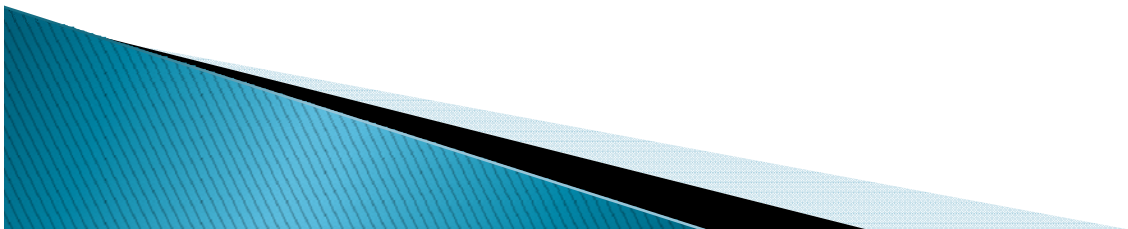
# Commercial Paper (CP)

- ▶ Functions like a bank line of credit; funds are borrowed as agency needs them to pay invoices
- ▶ Maturity ranges from 1 to 270 days
- ▶ At each maturity the CP can be paid off or reissued (“rolled over”) at a new interest rate
- ▶ Issued in tranches as small as \$1,000,000 and in \$100,000 increments

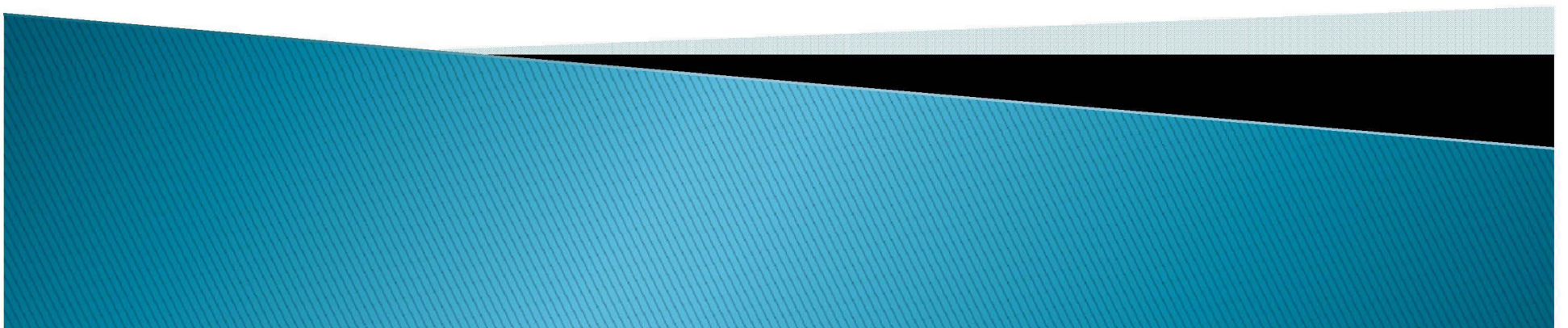


# Refunding Bonds

- ▶ Refinance - Issue new bonds to pay off old bonds
  - Lower interest rate
  - Change Bond Covenants
  - Change Repayment Schedule (“Restructure”)
  - Fix out commercial paper
- ▶ One Time - Federal tax law prohibits tax-exempt bonds issued after 1986 from being advance refunded more than one time.



## II. TPFA Debt Programs





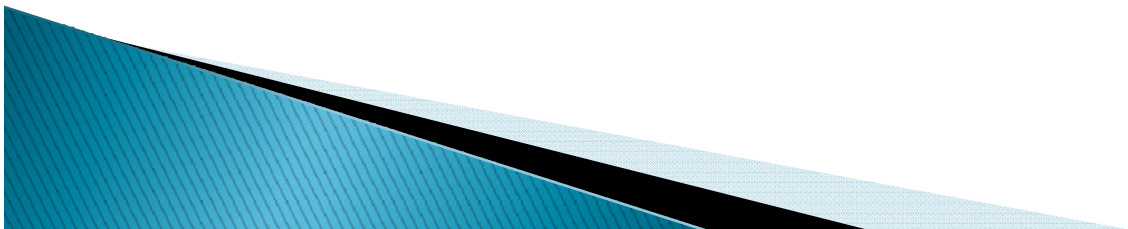
# TPFA Debt Management Policy

- ▶ TPFA uses a combination of fixed and variable rate debt
- ▶ Commercial Paper also used to provide exposure to variable interest rates
- ▶ Long-term fixed rate bonds issued to “fix out” commercial paper, provide additional CP capacity or lock in low, long term interest rates
- ▶ Currently: \$1.86 billion fixed rate, \$360 million variable rate

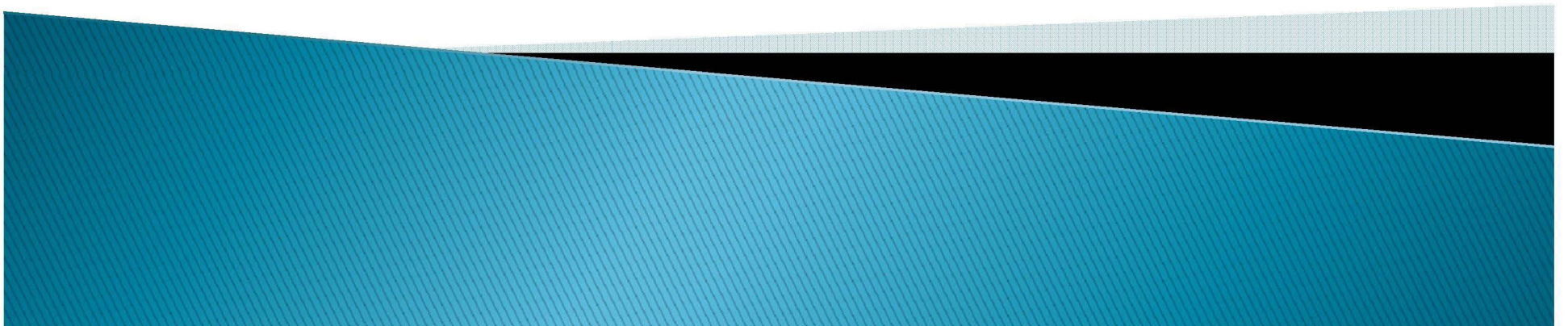


# TPFA Debt Programs

1. General Obligation
2. Lease Revenue
3. University Revenue Financing Systems
4. Master Lease Purchase Program



# 1. General Obligation Bonds



# What are GO Bonds?

- ▶ **Constitutional Pledge:** Legally secured by a constitutional pledge of the first monies coming into the State Treasury that are not constitutionally dedicated for another purpose
- ▶ **Voter Approval:** Must initially be approved by a 2/3 vote of both houses of the legislature and by a majority of the voters; after this approval, debt may be issued in installments as determined by the issuing agency or institution
- ▶ Used to finance **general government functions:** prisons, veterans' housing and land programs, parks, roads, grants and loans

# Current TPFA GO Programs

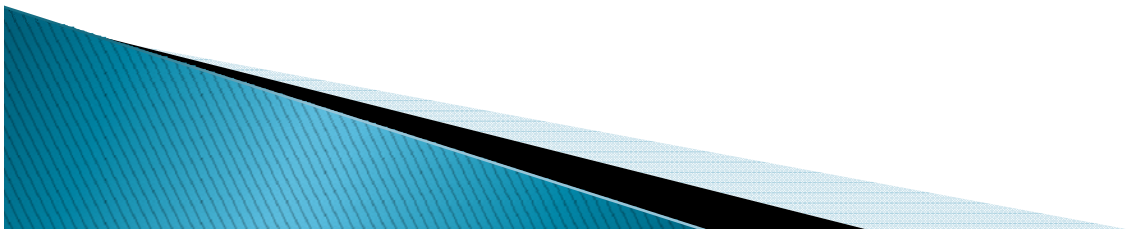
As of 3/31/10

Program	Purpose	Authorized	Issued	Unissued
General Government \$850,000,000 Art. III, Sec 50-f (2001)	Repair, Construction, and Equipment for specified State Agencies	\$850,000,000	\$750,001,702	\$99,998,298
General Government \$1,000,000,000 Art III, Sec. 50-g (2007)	Repair, Construction, and Equipment for specified State Agencies	\$1,000,000,000	\$360,580,000	\$639,420,000
Colonias Roadway Grants \$175,000,000 Art. III, Sec 49-l (2001)	Grants to specified border counties for county roads	\$175,000,000	\$124,000,000	\$51,000,000
Texas Military Value Revolving Loan Fund \$250,000,000 Art. III, Sec 49-n (2003)	Loans to defense communities affected by BRAC	\$250,000,000	\$49,595,000	\$200,405,000
Cancer Research \$3,000,000,000 Art III, Sec. 67 (2007)	Fund the Cancer Prevention and Research Institute of Texas	\$3,000,000,000	\$12,700,000	\$2,987,300,000

# General Government Agencies

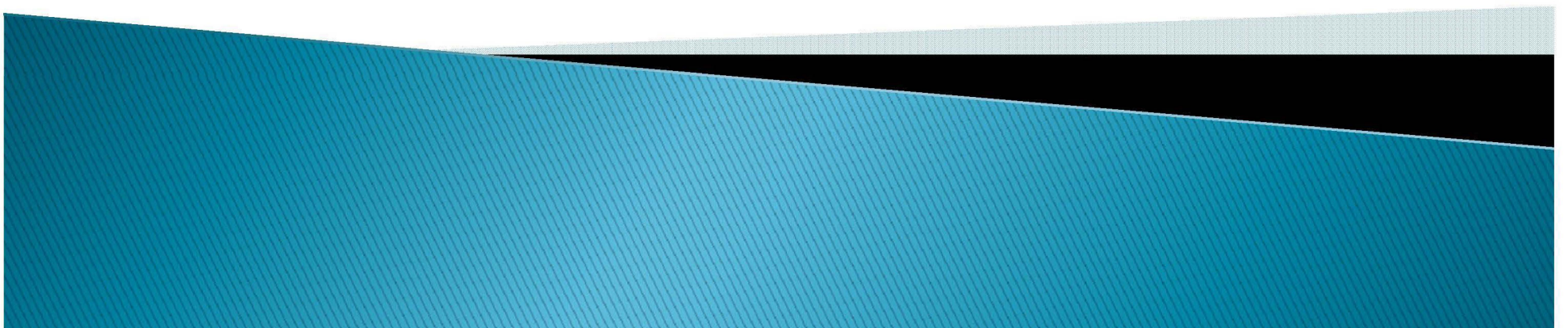
## Texas Constitution Art. III, Sections 50–f (2001) and 50–g (2007)

- ▶ Texas Facilities Commission
- ▶ State Preservation Board  
*(Art. III, Sec.50–f only)*
- ▶ Texas Historical Commission
- ▶ Dept. of State Health Services
- ▶ Dept. of Aging and Disability Services
- ▶ Texas School for the Deaf
- ▶ Texas School for the Blind and Visually Impaired
- ▶ Adjutant General's Dept.
- ▶ Texas Dept. of Criminal Justice
- ▶ Dept. of Public Safety
- ▶ Texas Youth Commission
- ▶ Dept. of Agriculture
  - ▶ *(Art. III, Sec.50–f only)*
- ▶ Parks and Wildlife Dept.



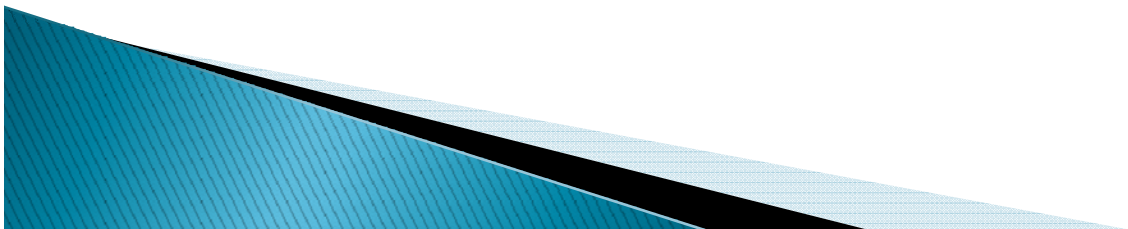


## 2. Revenue Bonds



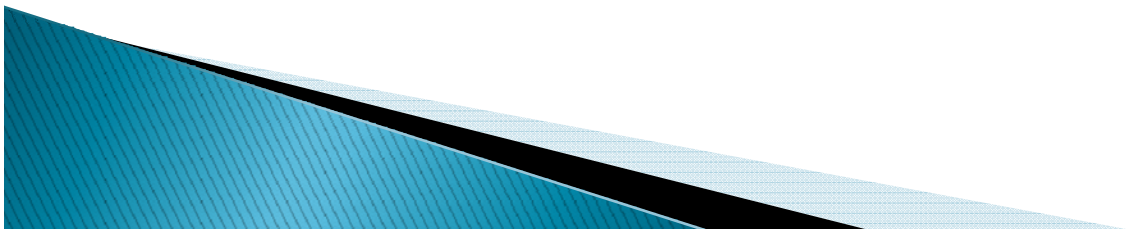
# What are Revenue Bonds?

- ▶ Legally secured by a specific revenue source
- ▶ Do not require voter approval
- ▶ Enterprise Activities: utilities, airports, toll roads, colleges and universities
- ▶ Lease Revenue or Annual Appropriation Bonds



# Examples of TPFA Revenue Bonds

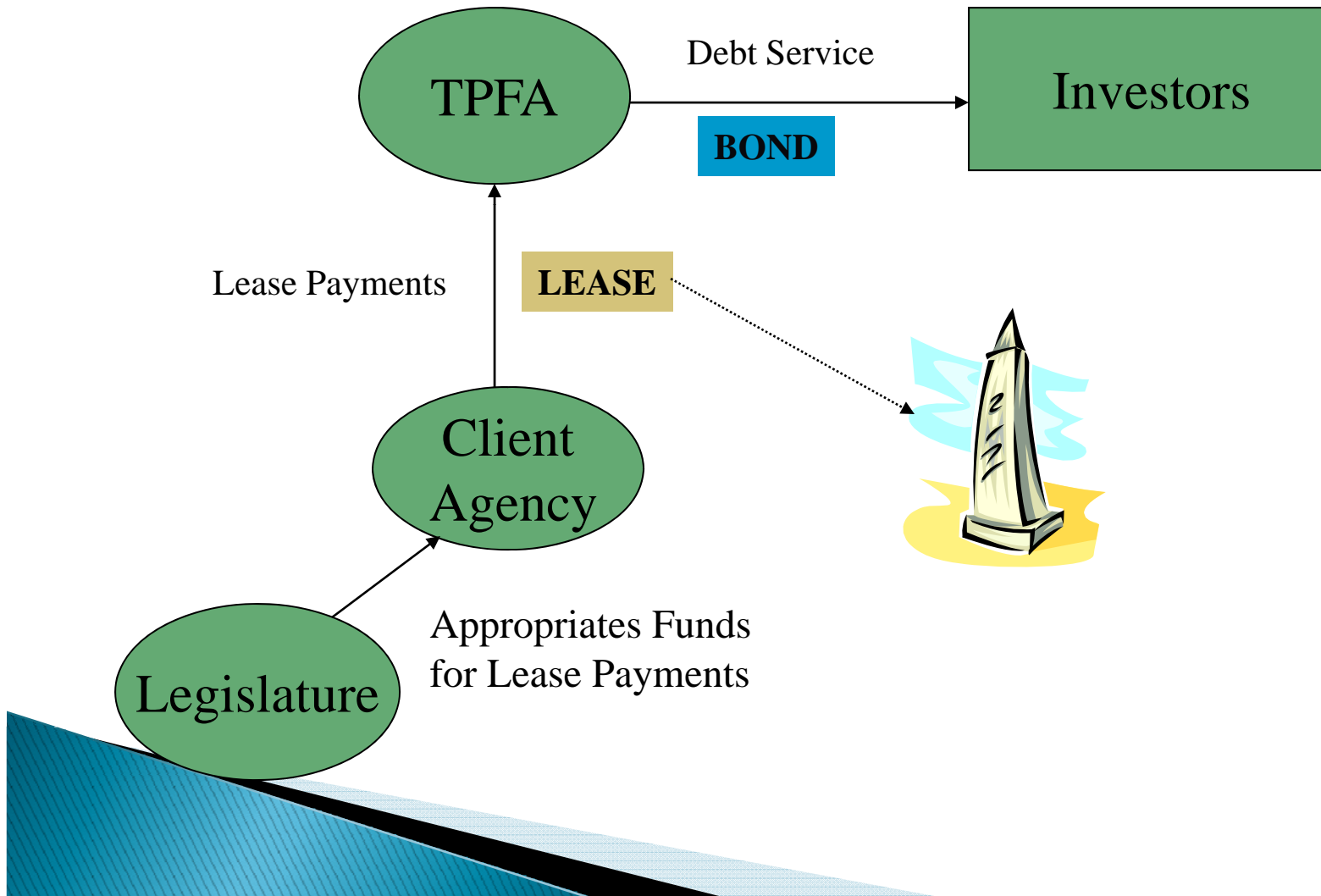
1. Lease Revenue Bonds
2. University Revenue Financing Systems
3. Master Lease Purchase Program
4. Other programs – Example: Texas Workforce Commission



# TPFA Lease Revenue Bonds

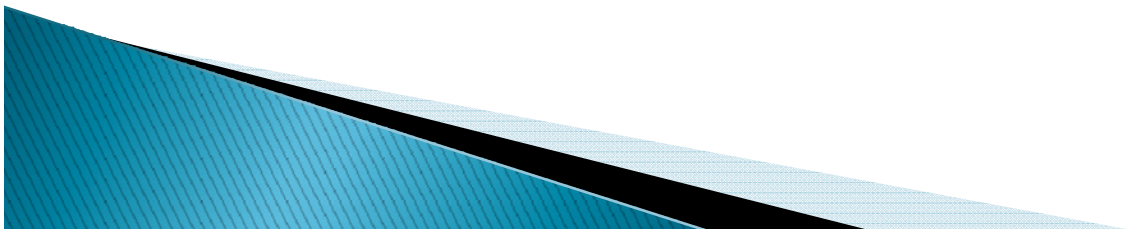
- ▶ TFC – Since 1985 for State Office Buildings
- ▶ TPWD – 1998 \$60m Repair and Rehabilitation
- ▶ SPB – 1997 \$80m Texas State History Museum
- ▶ TDCJ – 1998 lease refunding
- ▶ TMFC – Armory Construction/Improvements (now Adjutant General)
- ▶ THC – \$9m Admiral Nimitz Museum (TPWD transfer)
- ▶ DSHS – 1996 and 1998 \$40m for Health Laboratory

# TPFA Lease Revenue Bonds



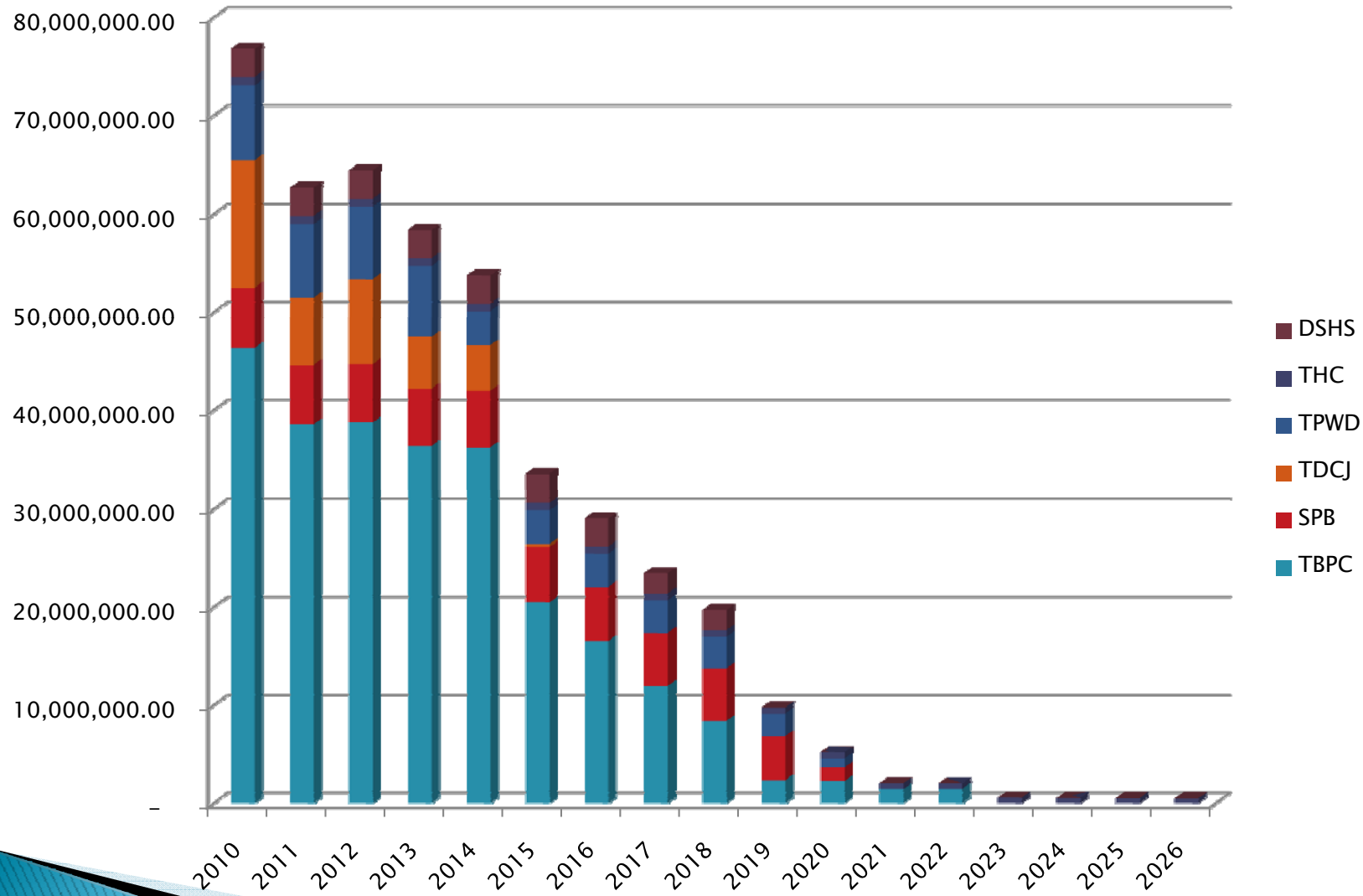
# TPFA Lease Revenue Bonds

1. TPFA issues bonds
2. TPFA provides bond proceeds to client agency to construct or acquire the facility
3. TPFA takes title to the facility
4. TPFA leases the facility to the client state agency
5. Legislature appropriates lease payments to the client state agency each biennium (no legal obligation to do so)
6. Client agency makes lease payments to TPFA
7. TPFA uses lease payments to pay debt service on the bonds



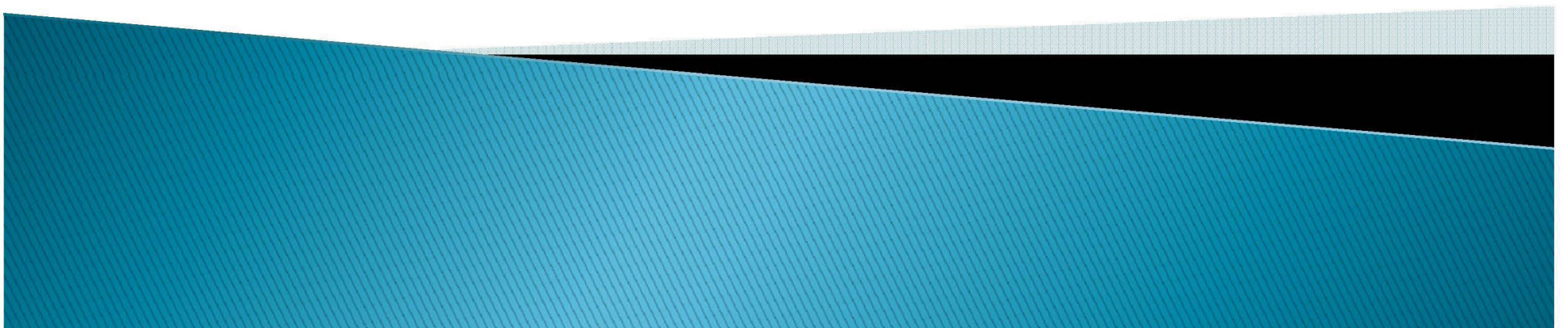


# Texas Public Finance Authority Remaining Revenue Bond Debt Service



excludes universities

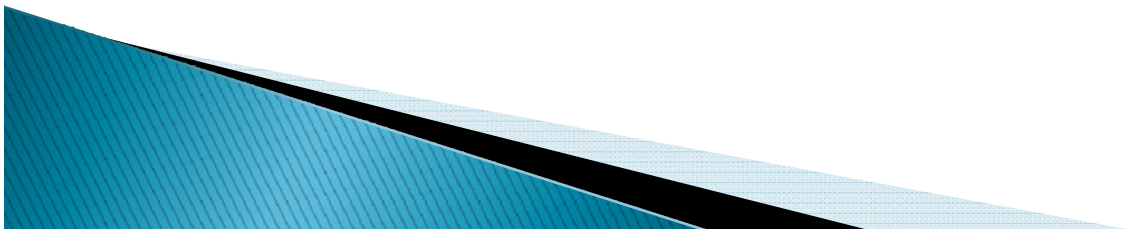
# 3. University Bonds



# University Debt

- ▶ Midwestern State University
- ▶ Stephen F. Austin State University
- ▶ Texas Southern University

Revenue Financing System,  
which includes Tuition Revenue Bonds

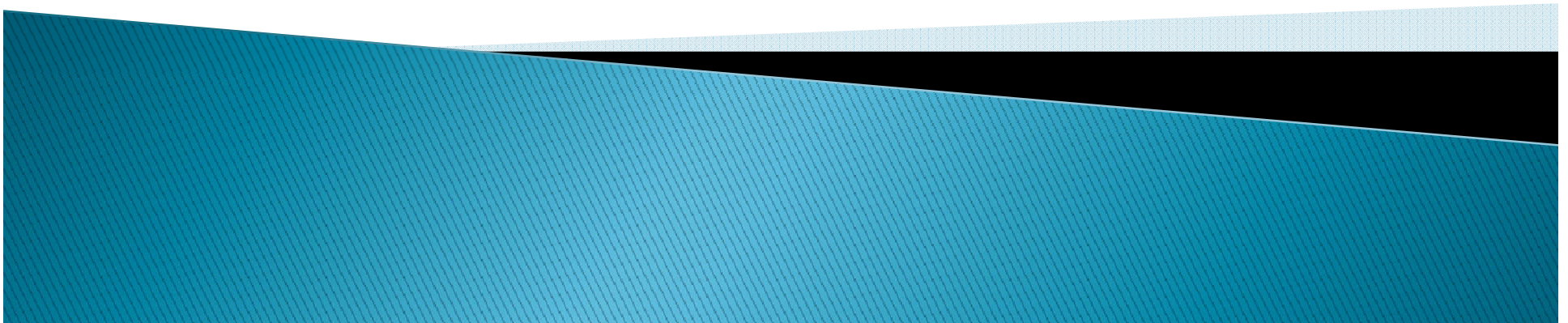


# University Debt

- ▶ **Revenue Bonds:** Under Chapter 55 of the Education Code, universities may issue revenue bonds or notes to finance permanent improvements for their institution(s). Most universities have established system-wide revenue financing programs that pledge all system-wide revenue, except legislative appropriations to the repayment of the revenue bonds and notes (“Revenue Financing System”).
- ▶ **Tuition Revenue Bonds (TRB):** The Legislature may also authorize “tuition revenue bonds,” usually for specific purposes or projects, and appropriate general revenue to offset the institution’s debt service; legislative appropriations made directly for debt service would be unconstitutional. Universities issue TRBs under their revenue financing systems.
- ▶ **PUF/HEAF:** The University of Texas and Texas A&M Systems may issue obligations backed by income from the Permanent University Fund (PUF), in accordance with Texas Constitution, Art. VII, 18. Texas’s other institutions may issue Higher Education Assistance Fund (HEAF) bonds, in accordance with Texas Constitution, Art. VII, 17. TPFA does not issue HEAF bonds.

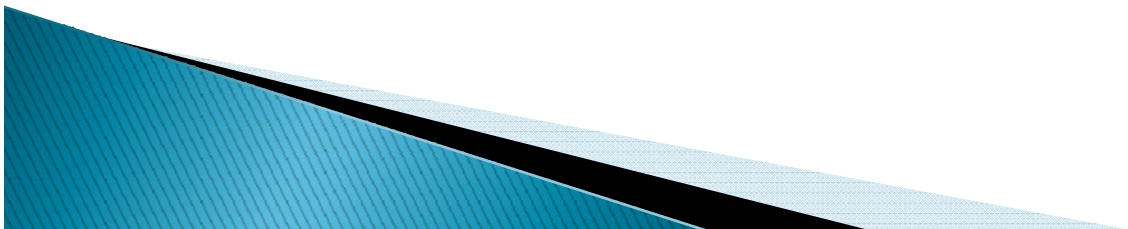
# 4. Master Lease Purchase Program

Chris Gilliland, Program Coordinator  
[chris.gilliland@tpfa.state.tx.us](mailto:chris.gilliland@tpfa.state.tx.us)  
512.463.5695



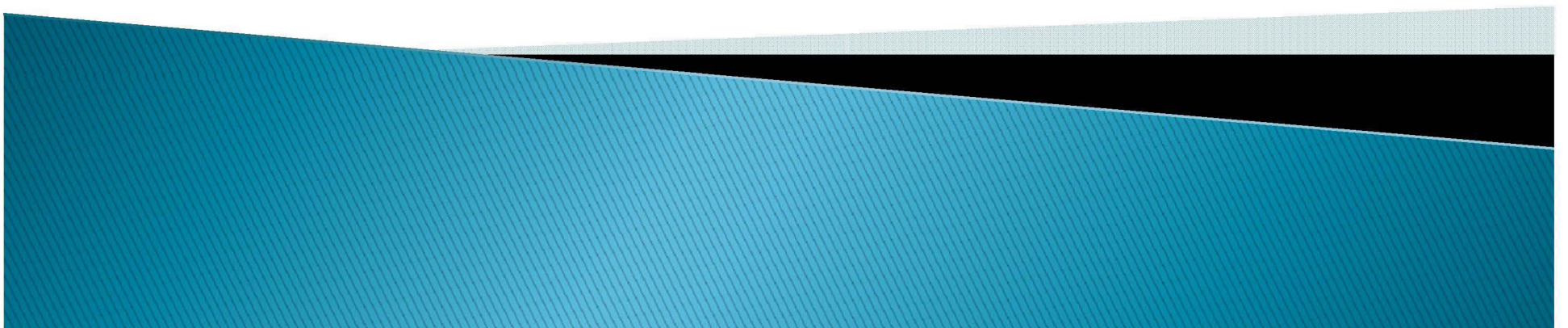
# MLPP Agenda

1. Program Overview & Eligible Projects
2. Financing Process
3. Using MLPP for Energy Performance Contracts
4. Implementing a Master Lease and Program Mechanics



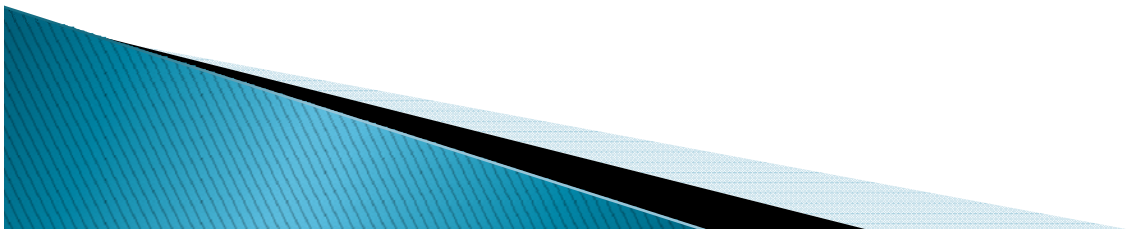


# 1. Program Overview & Eligible Projects



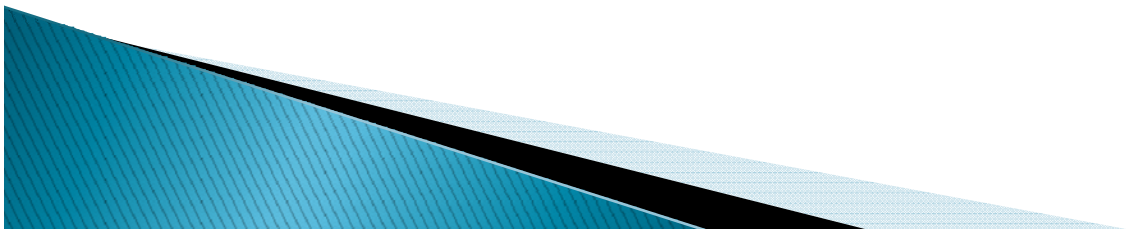
# Lease Purchases

- ▶ Lease purchases are the purchases of assets over time through lease payments that include principal and interest.
- ▶ Lease purchases are typically financed through a private vendor or through TPFA's Master Lease Purchase Program.
- ▶ Examples: State prisons and office buildings have been financed using lease-purchasing; equipment, vehicles, software financed through the TPFA's Master Lease Purchase Program



# Master Lease Purchase Program

- ▶ The Master Lease Purchase Program ("MLPP") is a lease revenue financing program established in 1992, primarily to finance capital equipment acquisitions by state agencies. (Texas Gov't. Code, §1232.103.)
- ▶ MLPP also may be used to finance other types of projects that have been specifically authorized by the Legislature and approved by the TPFA Board.
- ▶ The financing vehicle for the MLPP program is a tax-exempt revenue commercial paper program. (Commercial paper is a short-term variable rate debt instrument)

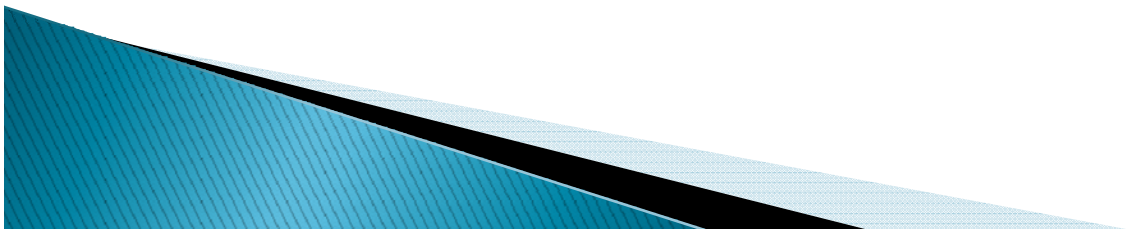


# Who May Use MLPP?

## State Agencies and Universities

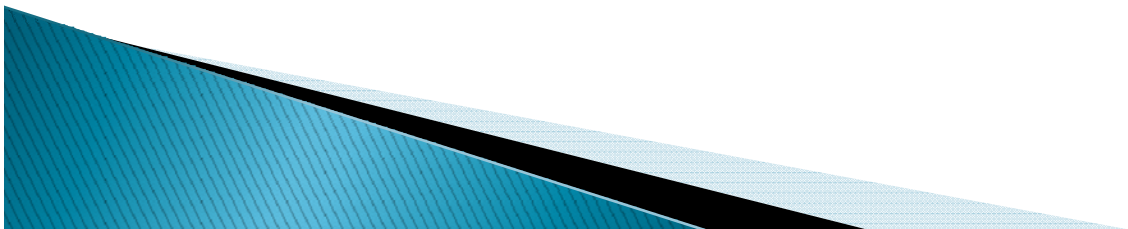
A “state agency” is any board, commission, department, office, agency, institution of higher education, or other governmental entity in the executive, judicial, or legislative branch of state government.

MLPP is not available to political subdivisions; i.e., junior colleges, community colleges, cities, counties, school districts.



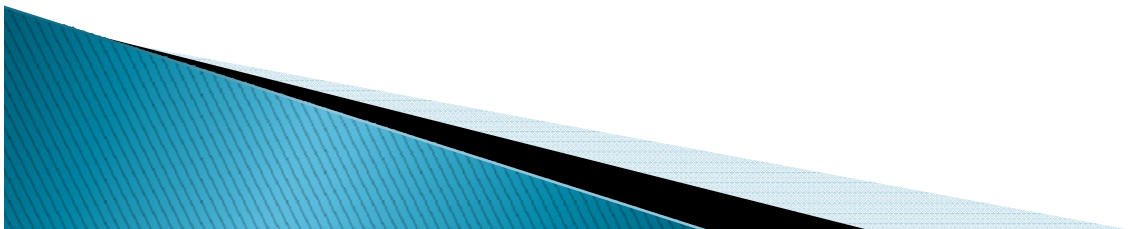
# MLPP – What May Be Financed?

- ▶ **Equipment** – fixed asset, other than land or a building, used by a state agency to conduct state business. The term includes computer equipment. Texas Govt. Code Sec. 1232.003(7).
- ▶ **Computer equipment** – Telecommunications device or system, automated information system, hardware and software. Texas Govt. Code Sec. 1232.003(5).
- ▶ **Energy Saving Performance Contracts**, as defined by Texas Govt. Code Sec. 2166.406 (for state agencies) and Texas Education Code Sec. 51.927 (for institutions of higher education).
- ▶ **Other projects**, such as real estate or construction, may be financed through MLPP if the specific project has been authorized by the Legislature and approved for MLPP financing by the TPFA Board.



# Examples of MLPP Projects

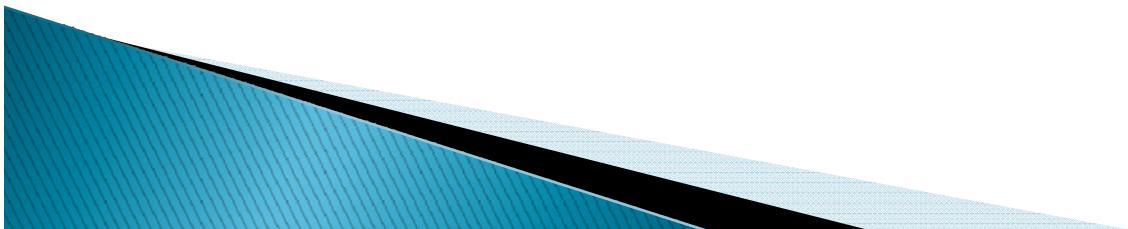
- ▶ Computer Hardware (not associated with data consolidation)
- ▶ Computer Software
- ▶ Telecommunication Equipment
- ▶ Vehicles
- ▶ Energy Retrofit Projects, including Energy Savings Performance Contracts
- ▶ HVAC, chillers, boilers
- ▶ Heavy Machinery
- ▶ Office Equipment
- ▶ Furniture and Equipment





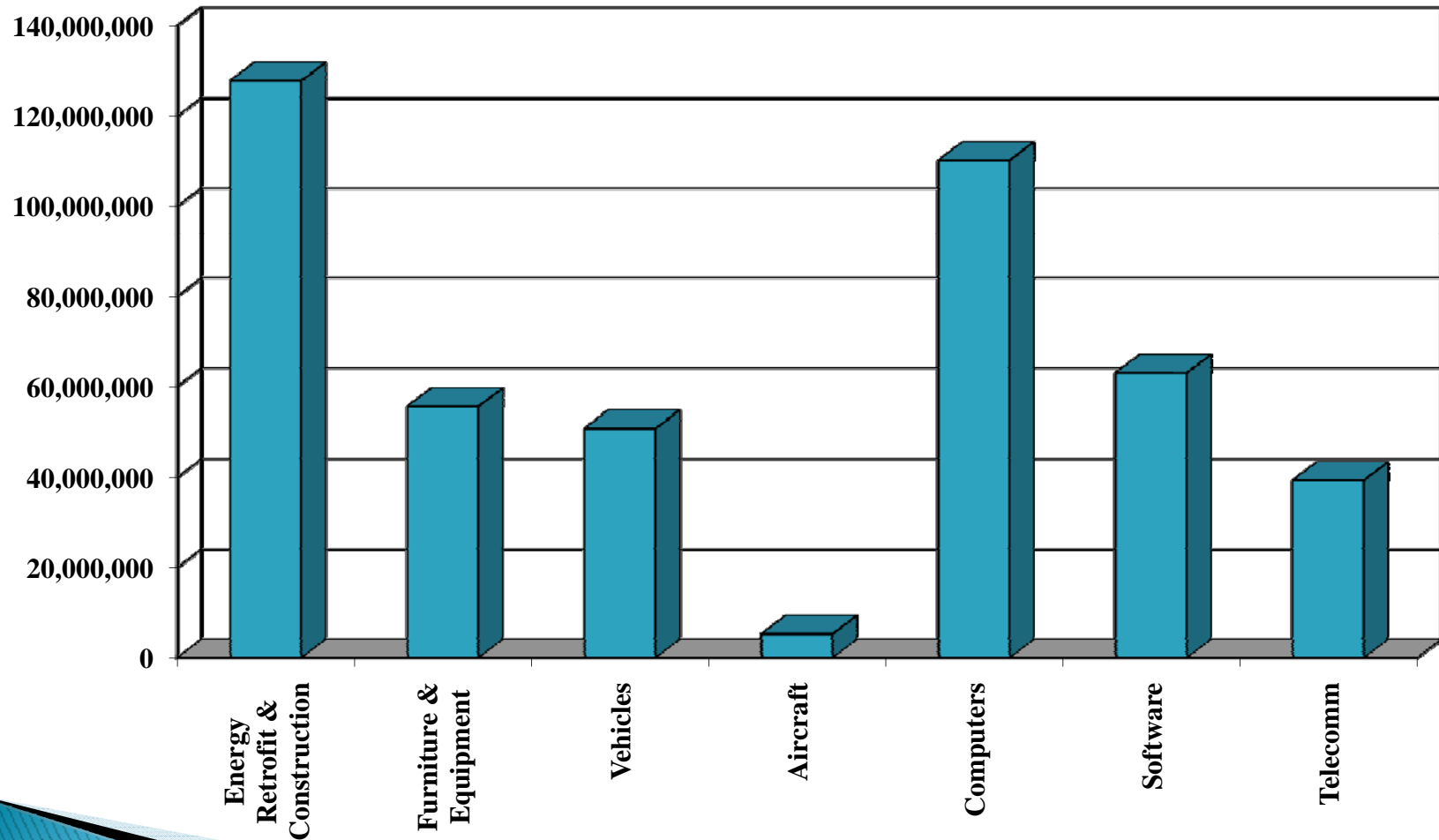
# Eligibility

- ▶ Project Cost (Contract/PO)
  - \$10,000 minimum
- ▶ Individual Item Cost
  - \$100 minimum
- ▶ Useful life
  - 3 years minimum



# Assets Financed via MLPP

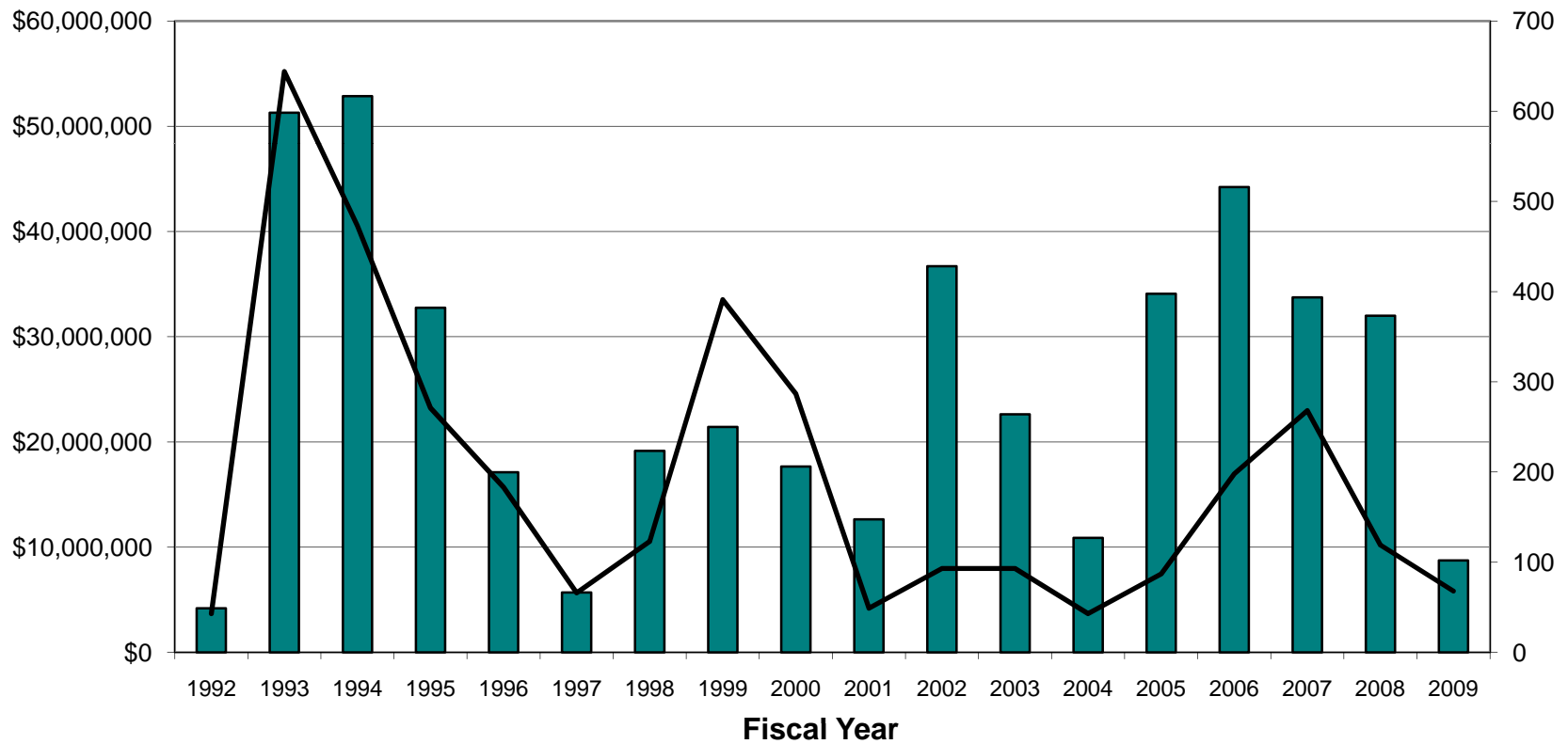
1992 - 2009



# History of MLPP Volume

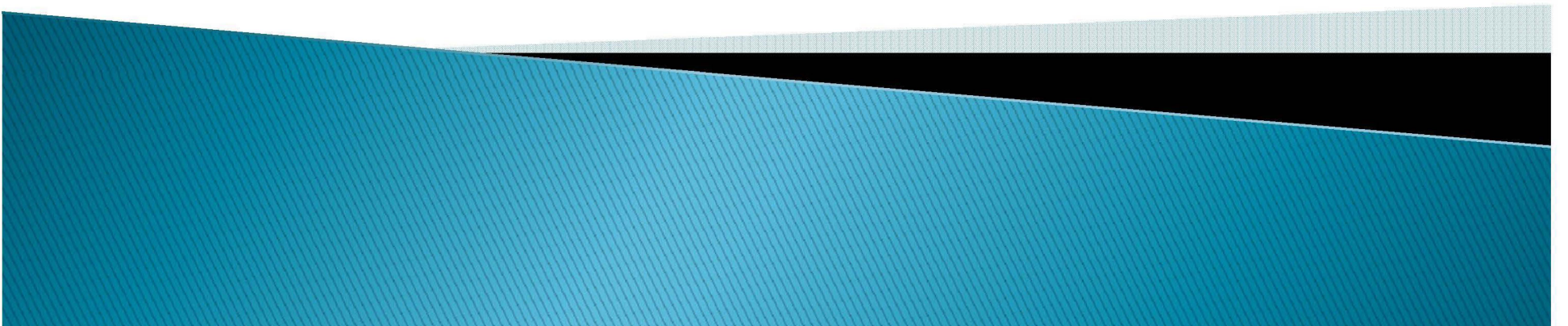
## History of MLPP Volume

As of 08/31/2009

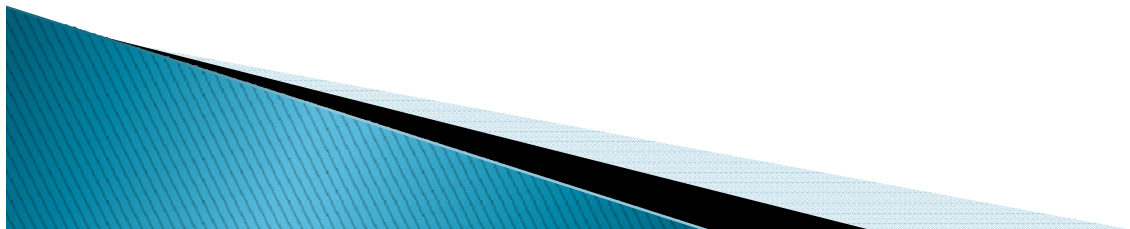
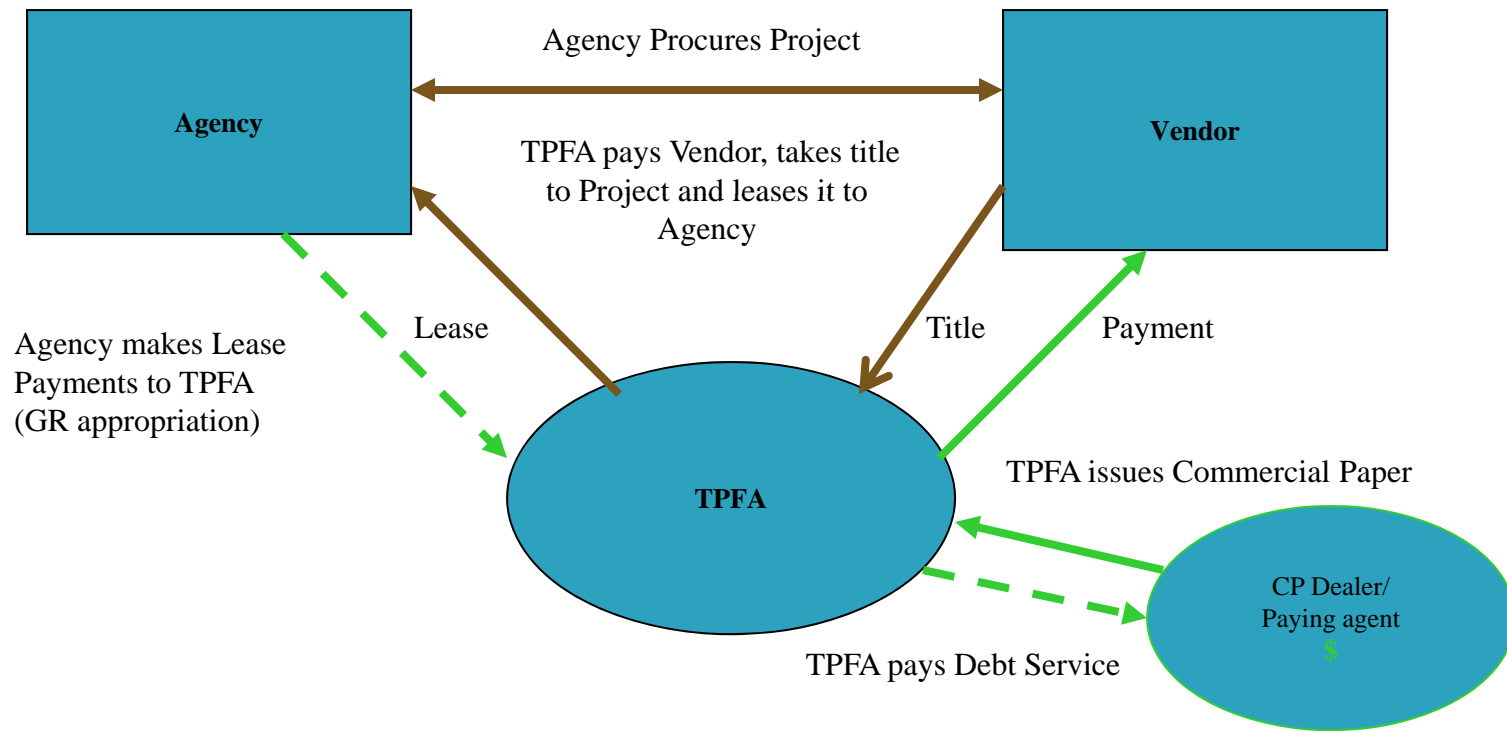


Value of Leases Processed      Number of Leases Processed

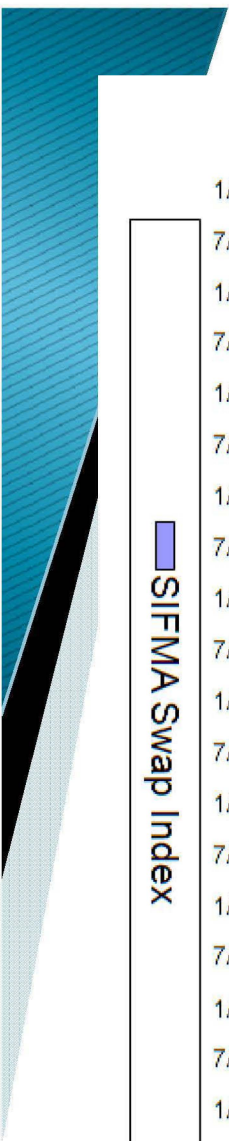
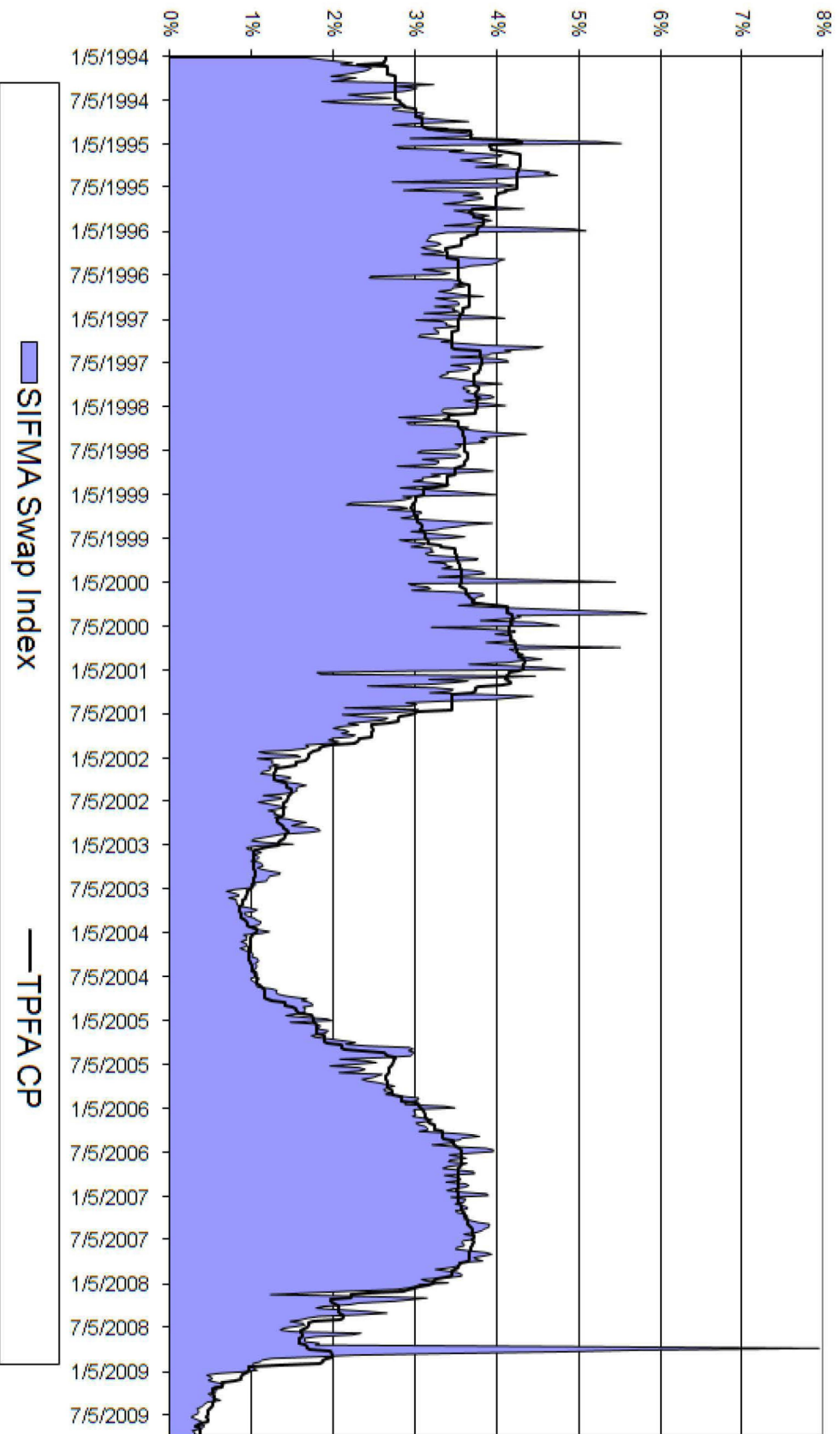
## 2. Financing Process



# The Master Lease Process



# Master Lease Commercial Paper





# Master Lease Payments

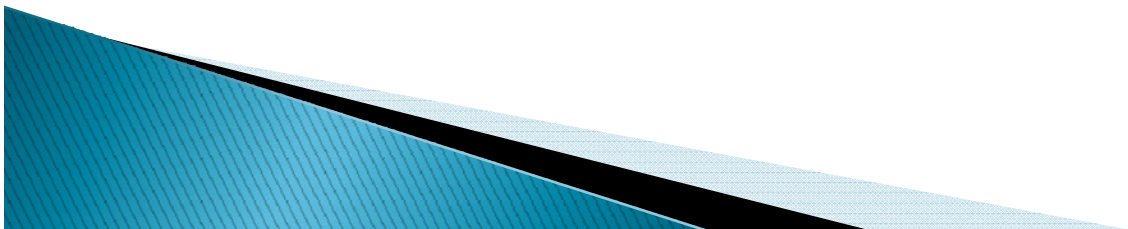
- ▶ **TPFA collects lease payments at 6.0% \***
  - 5.0% interest rate (rate as of March 2010)
  - 1.0% administrative fee
- ▶ **Lease payments are collected annually, on August 1<sup>st</sup>.**
- ▶ **Leases can be prepaid at any time without penalty**

\* TPFA may adjust the lease payments under a lease supplement as a result of a change in market interest rates, a refinancing, or a change in administrative costs. When lease payments are adjusted, TPFA will provide an amended amortization schedule reflecting the adjusted lease payments to each client agency.



# MLPP Rebate

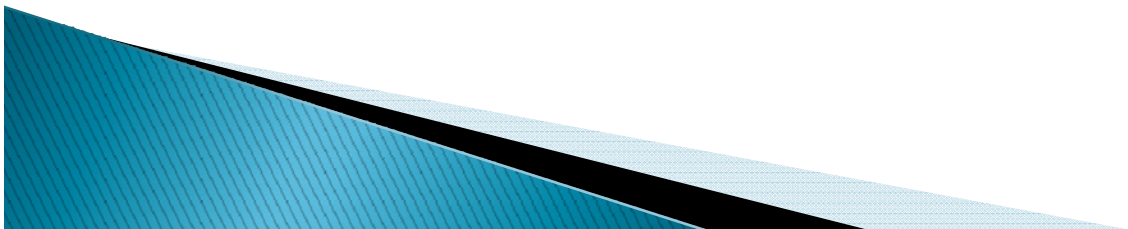
- ▶ A “rebate” is credited to each lease payment.
- ▶ The rebate amount is the difference between the interest rate charged and the actual rate paid by TPFA on the CP, plus any interest earnings on project and administrative funds, during a specific year.
- ▶ Effective interest rate, i.e. the interest rate less the rebate amount, is usually lower than the 5% rate.



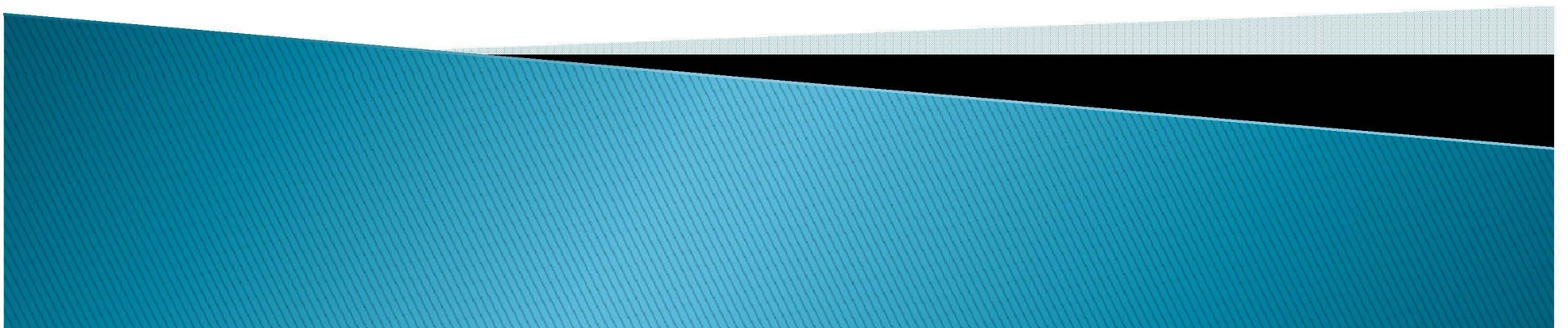
# Rebate Example: FY 2006

(Applied to 08/01/07 lease payment)

- ▶ Total Interest Collected (@5.0%):  
\$4,039,000
- ▶ Total Interest Paid (3.1% Wtd. Avg.):  
\$3,237,000
- ▶ Interest Earnings on Project Fund:  
\$276,000
- ▶ Total Amount available to Rebate:  
( $\$4,039,000 - \$3,237,000 + \$276,000 = \$1,078,000$ )
- ▶ Rebate distributed on a pro-rata basis to leases outstanding on next lease payment date (August 1); applied as credit to lease payment.

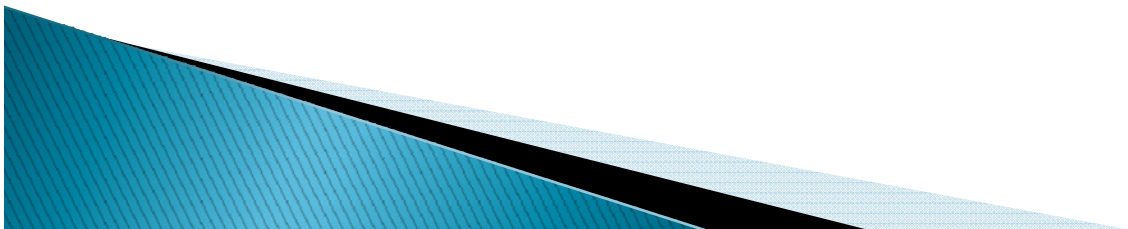


# 3. Using MLPP for Energy Performance Contracts



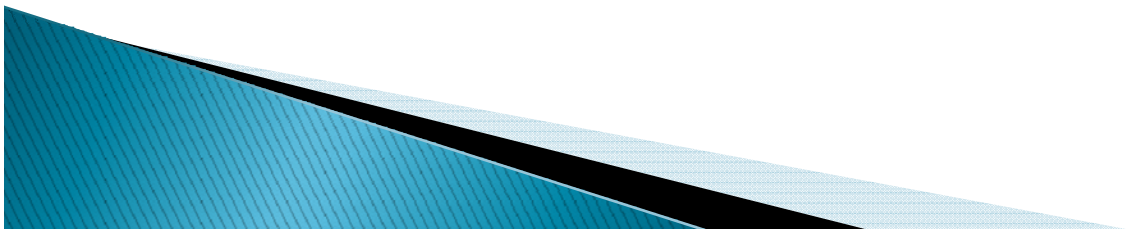
# Legal Authority

- ▶ Energy Performance Contracts are authorized in:
  - Texas Gov't Code Ch. 2166.406 (state agencies)
  - Texas Education Code Sec. 51.927 (institutions of higher education)
- ▶ Specifically authorize lease purchase financing, including TPFA MLPP



# Related Authority

- ▶ Gov't Code 2113.301 – State Agency capital projects may be financed with utility savings.
- ▶ FY 2010–2011 Appropriations Act, Art. IX, Sec. 14.03(k), p. IX–58 – appropriations for utilities can be used for MLPP payments for EPC.
- ▶ Energy Conservation Plan required by Executive Order RP–49 (November 2005) and
- ▶ Resource Efficiency Plan required by State Energy Conservation Office rules. 34 TAC ch.19





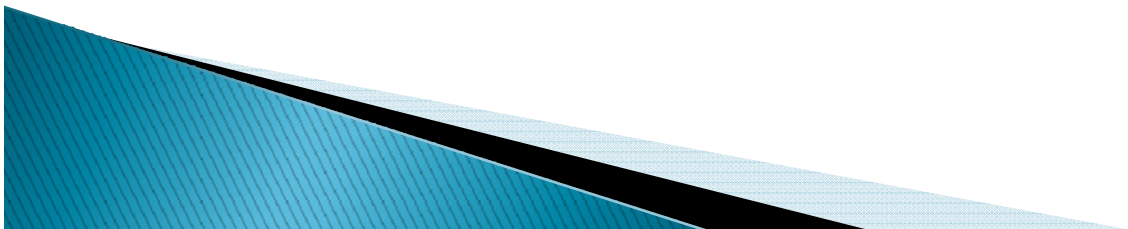
# MLPP Energy Projects

▶ University of North Texas May 1997	\$ 9,050,000
▶ UNT Health Science Center Dec 1999	\$ 3,200,000
▶ TSTC – Harlingen March 2000	\$ 990,755
▶ Texas Woman's University July 2001	\$ 16,530,143
▶ Lamar University May 2004	\$ 13,747,258
▶ Parks and Wildlife Dept. July 2004	\$ 1,350,000
▶ DADS/DSHS overseen by HHSC Oct 2004	\$ 74,780,270
▶ Midwestern State University Sept 2005	\$ 3,700,000
▶ Angelo State University Sept 2006	\$ 8,000,000
▶ TSTC – West Jan 2007	\$ 1,400,000
▶ Texas Tech University May 2007	\$ 583,643

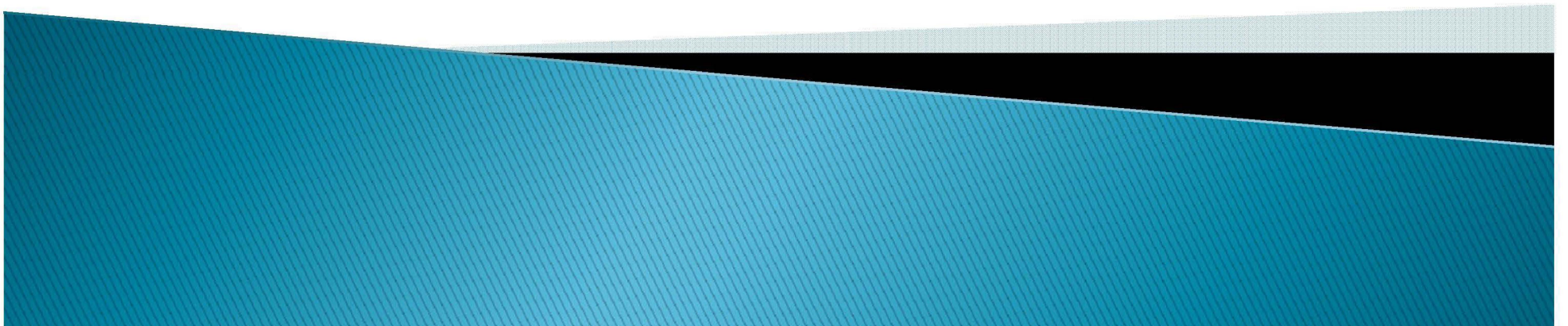


# Other Resources

- ▶ State Energy Conservation Office (SECO)
  - [http://seco.cpa.state.tx.us/sa/sa\\_pc.php](http://seco.cpa.state.tx.us/sa/sa_pc.php)
- ▶ Bond Review Board
  - application for lease purchaces related to energy savings performance contracts
  - <http://www.brb.state.tx.us/bfo/allforms.aspx>



# 4. Implementing a Master Lease and Program Mechanics



# Steps to implement a Master Lease financing

1. **Notify TPFA:** Inform the MLPP Program Coordinator of your intent to finance as soon as feasible.
2. **Resolution:** Agency governing body must adopt a Resolution authorizing the participation in MLPP and approve the request(s) for financing.
3. **Bond Review Board approval:** Required if the project is over \$250,000 or the term of the lease is more than 5 years ([www.brb.state.tx.us](http://www.brb.state.tx.us))
4. **Master Lease Agreement:** Signed by the authorized agency representative who is named in the Resolution. (First financing only)
5. **Acquisition:** Agency must follow its normal procurement procedures. TPFA has no involvement in the client agency procurement process.
6. **Lease Supplement:** Agency submits Lease Supplement to TPFA.
7. **Payment:** TPFA processes the Lease Supplement and pays the vendor using the due date determined by the agency. TPFA returns a copy of the lease supplement, which includes a copy of the purchase voucher and amortization schedule, to the Agency.

Sample Resolution and Master Lease Agreements can be found on our website: [www.tpfa.state.tx.us/masterlease.aspx](http://www.tpfa.state.tx.us/masterlease.aspx)

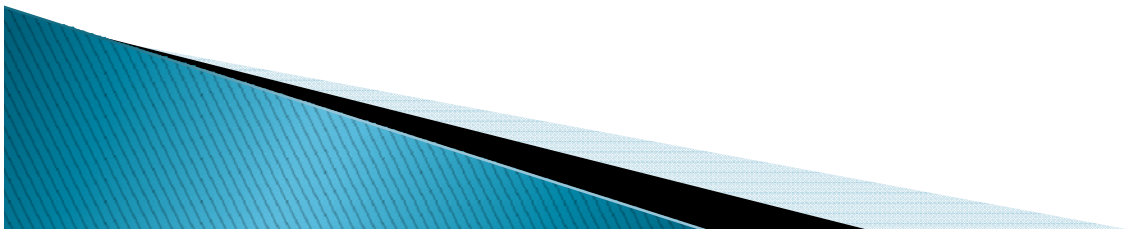


# Existing MLPP Agencies

For those agencies that have previously used the Master Lease Purchase Program:

Review your agency's MLPP Resolution for:

1. Agency Name
2. If the Resolution is not an "evergreen" resolution, check:
  - a) Project scope
  - b) Dollar limits
  - c) Expiration date

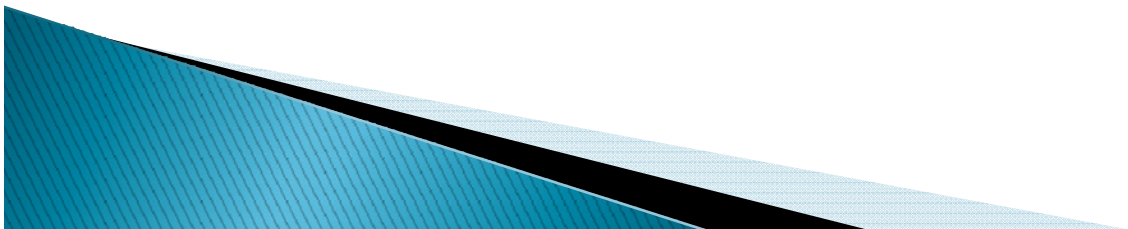


# Bond Review Board Process

- ▶ Agency Submits Notice of Intent to BRB
- ▶ Agency Submits BRB State Lease Purchase Application
  - Contact TPFA for debt repayment schedule
- ▶ Attend BRB Board Planning Meeting
- ▶ Attend BRB Board Voting Meeting
- ▶ BRB Approval Letter issued
- ▶ Agency submits Final Report to BRB

Calendar of Submission Deadlines and Meetings

[www.brb.state.tx.us/agency/calendar.html](http://www.brb.state.tx.us/agency/calendar.html)



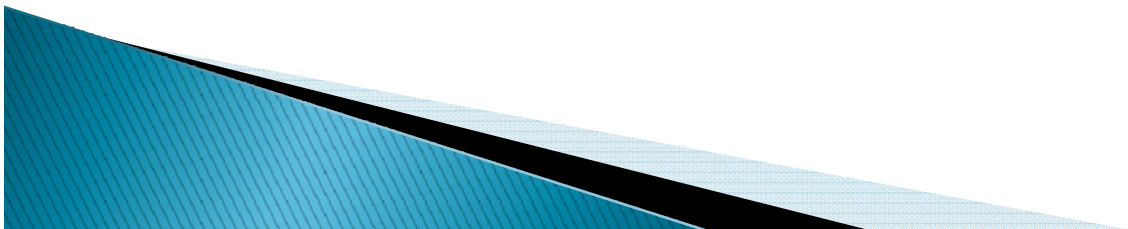


# Lease Processing

A Lease Supplement is required with an original signature.

## Document Order

- Page 1 of Lease Supplement
- BRB Approval letter (if required)
- Project Information Sheet (page 2 of lease supplement)
- Original Invoice
- Memo waiving 30 day prompt payment (if applicable)
- Any agency correspondence
- Project Payment Analysis (if more than 1 payment will be processed for a project)
- Budget information and signature page (last page of lease supplement)

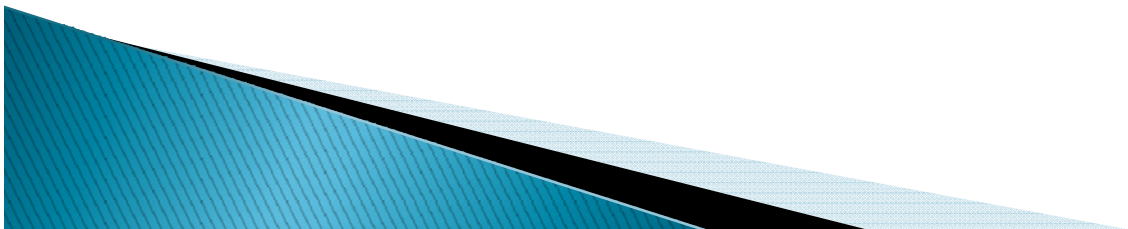


# Project Payment Analysis

This report is used to track the remaining project balance.

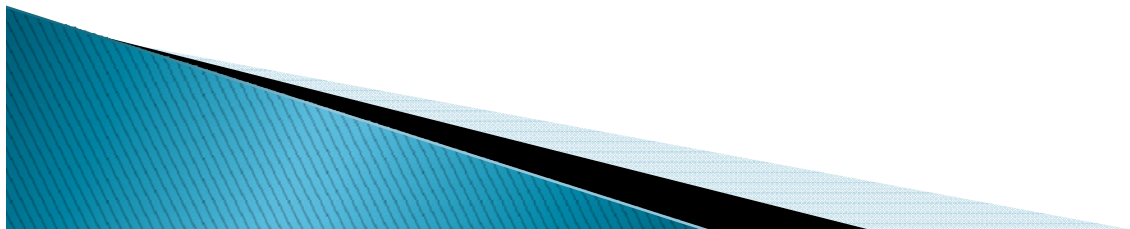
This report should include:

- Amount approved by BRB
- Itemized lease supplements and amounts
- Description of purchase
- Invoice number
- Remaining project balance



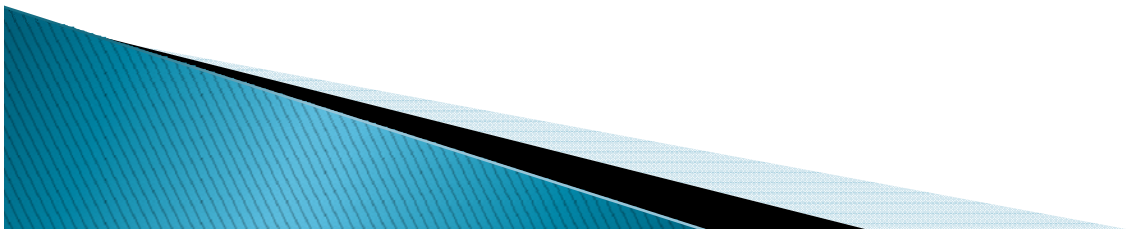
# Sample Project Payment Analysis

<u>Pmt #</u>	<u>Vendor</u>	<u>Invoice #</u>	<u>Invoice Amt</u>	<u>Running Bal</u>	<u>Lease Desc</u>
				\$2,500,000	
Beginning Balance					
1	Dell	564939	\$75,000	2,425,000	Dell Servers
2	Dell	564941	\$150,000		Mainframe Installation
	Hughes	564942	<u>\$100,000</u>		
	Total Pmt #2		\$250,000	2,175,000	
3	Hughes	564945	\$175,000	2,000,000	HVAC Equipment
Total Contract/Authorization				\$2,500,000	
Total Leases Processed				<u>500,000</u>	
Balance Remaining as of _/_/_				\$2,000,000	



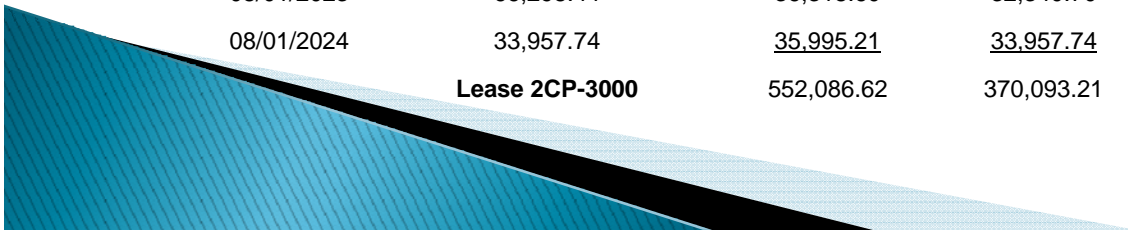
# Draw Schedule Update

- ▶ TPFA's Program Coordinator may periodically request updates regarding your agency's financing plans.
- ▶ This information is used to manage the timing of issuing commercial paper and to keep the cost of borrowing at a minimum.



# Sample Amortization Schedule

<b>Agency</b>	300	ABC Agency				
<b>Description</b>	ABC Asset					
<b><u>Lease #</u></b>	<b><u>Purchase Date</u></b>	<b><u>Maturity Date</u></b>	<b><u>Admin Rate</u></b>	<b><u>Interest Rate</u></b>	<b><u>Vendor Price</u></b>	
2CP-3000	04/16/2010	08/01/2024	1%	5%	370,093.21	
<b><u>Tran Date</u></b>	<b><u>Outstanding Balance</u></b>	<b><u>Payment Due</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Admin Amt</u></b>	<b><u>Rebate</u></b>
08/01/2010	370,093.21	23,660.55	17,150.97	5,424.65	1,084.93	0
08/01/2011	352,942.24	39,185.04	18,008.51	17,647.11	3,529.42	0
08/01/2012	334,933.73	39,004.97	18,908.94	16,746.69	3,349.34	0
08/01/2013	316,024.79	38,815.88	19,854.39	15,801.24	3,160.25	0
08/01/2014	296,170.40	38,617.33	20,847.11	14,808.52	2,961.70	0
08/01/2015	275,323.29	38,408.85	21,889.46	13,766.16	2,753.23	0
08/01/2016	253,433.83	38,189.96	22,983.93	12,671.69	2,534.34	0
08/01/2017	230,449.90	37,960.13	24,133.13	11,522.50	2,304.50	0
08/01/2018	206,316.77	37,718.80	25,339.79	10,315.84	2,063.17	0
08/01/2019	180,976.98	37,465.40	26,606.78	9,048.85	1,809.77	0
08/01/2020	154,370.20	37,199.33	27,937.12	7,718.51	1,543.70	0
08/01/2021	126,433.08	36,919.95	29,333.97	6,321.65	1,264.33	0
08/01/2022	97,099.11	36,626.62	30,800.67	4,854.96	970.99	0
08/01/2023	66,298.44	36,318.60	32,340.70	3,314.92	662.98	0
08/01/2024	33,957.74	<u>35,995.21</u>	<u>33,957.74</u>	<u>1,697.89</u>	<u>339.58</u>	0
	<b>Lease 2CP-3000</b>	552,086.62	370,093.21	151,661.18	30,332.23	



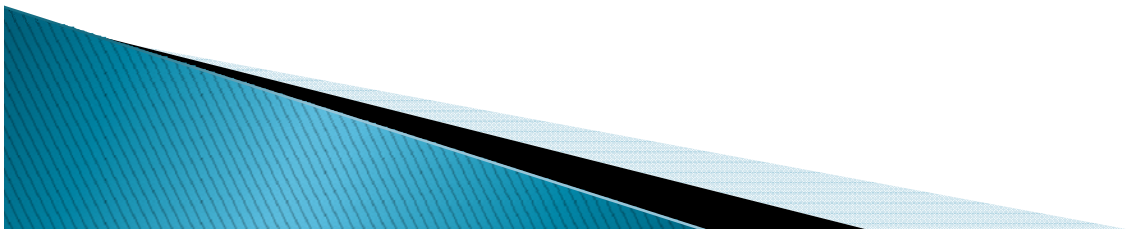
# Debt Service Transfer

TPFA will notify agencies of the anticipated transfer date prior to August 1<sup>st</sup> of each year. TPFA will initiate a transfer in USAS via a journal voucher. An example of the voucher is provided below:

## Agency

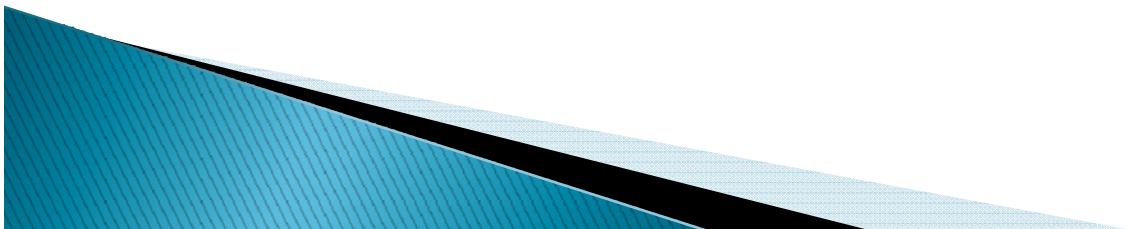
<u>Fund</u>	<u>T-Code</u>	<u>AY</u>	<u>COBJ</u>	<u>AOBJ</u>	<u>Index/PCA</u>	<u>Agency</u>
Client	448	AY	7964	Client	Client	Client
347	449	AY	3964	TPFA		

TPFA will forward copies of the transfer document to the agency MLPP contact after all transfers have processed.



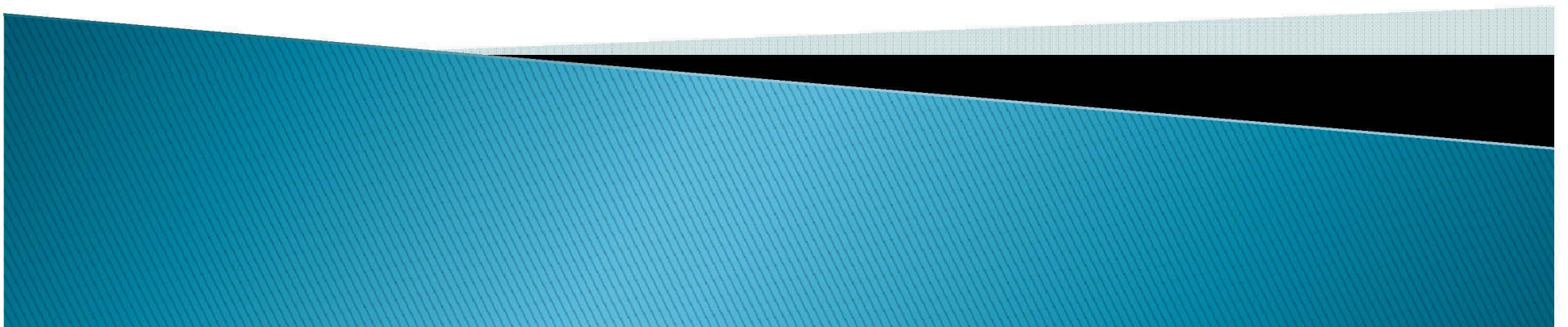
# MLPP – Reporting Requirements

- ▶ **AFR** – see section 6.13 in the July 2009 Reporting Requirements for Annual Financial Reports of State Agencies
- ▶ **SPA** – see section 1.8 in the February 2008 SPA Process User's Guide



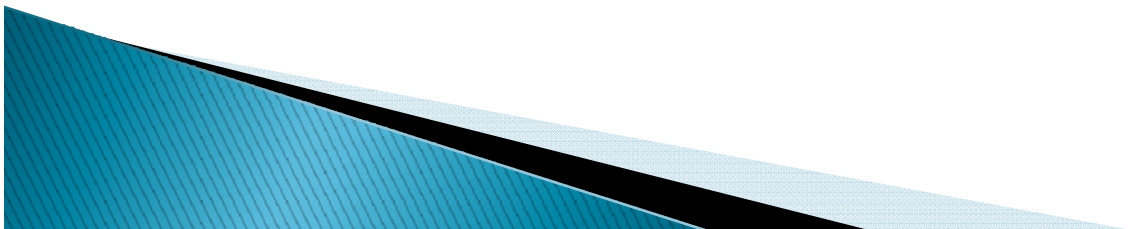


# Summary



# Eligibility Recap

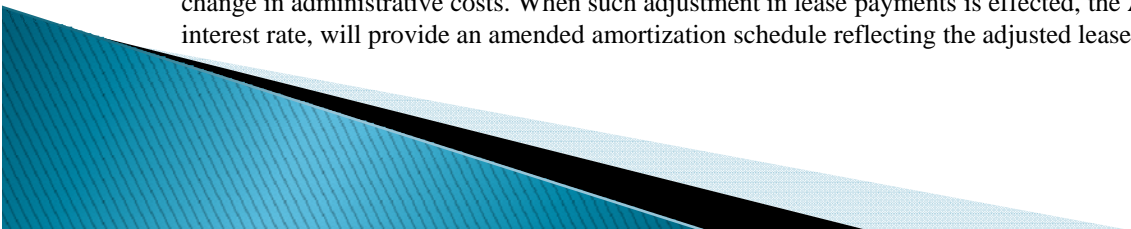
- ▶ Project Cost (Contract/PO)
  - \$10,000 minimum
- ▶ Individual Item Cost
  - \$100 minimum
- ▶ Useful life
  - 3 years minimum



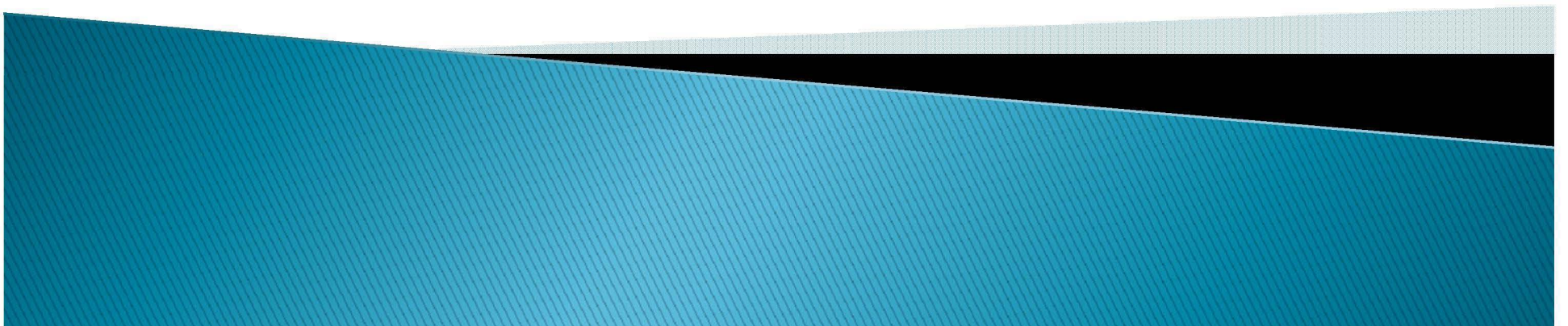
# Debt Service Summary

- ▶ Collected Annually on August 1<sup>st</sup>
- ▶ Interest Rate\*
  - (currently 5%)
- ▶ Administrative Fee\* (currently 1.0%)
- ▶ TPFA calculates rebate, credits the difference between the actual short-term interest rate and the designated fixed interest rate.\* TPFA initiates the lease payment transfer in USAS.
- ▶ TPFA forwards copies of transfer.

\* The Authority may adjust the lease payments under a lease supplement as a result of a change in market interest rates, or a refinancing, or a change in administrative costs. When such adjustment in lease payments is effected, the Authority, concurrently with establishing the new interest rate, will provide an amended amortization schedule reflecting the adjusted lease payments to each client agency.

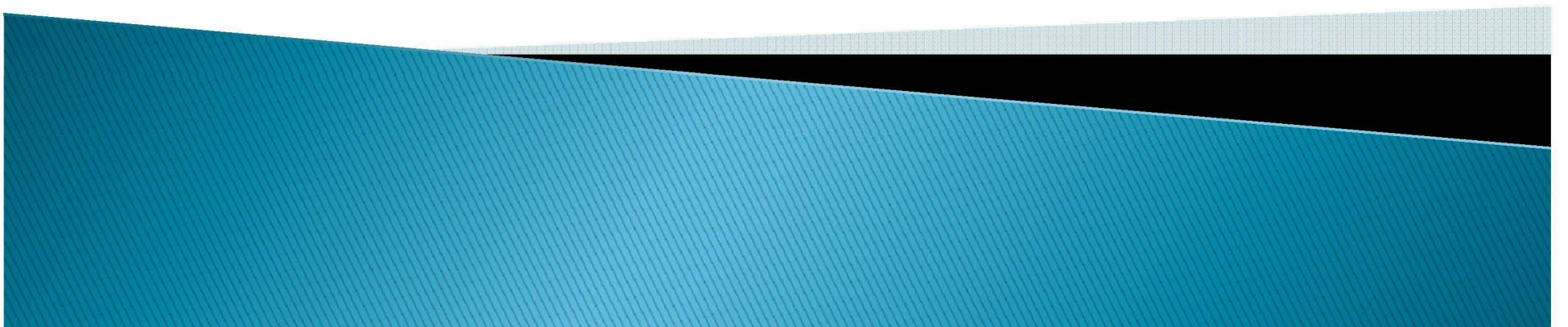


# Questions & Answers

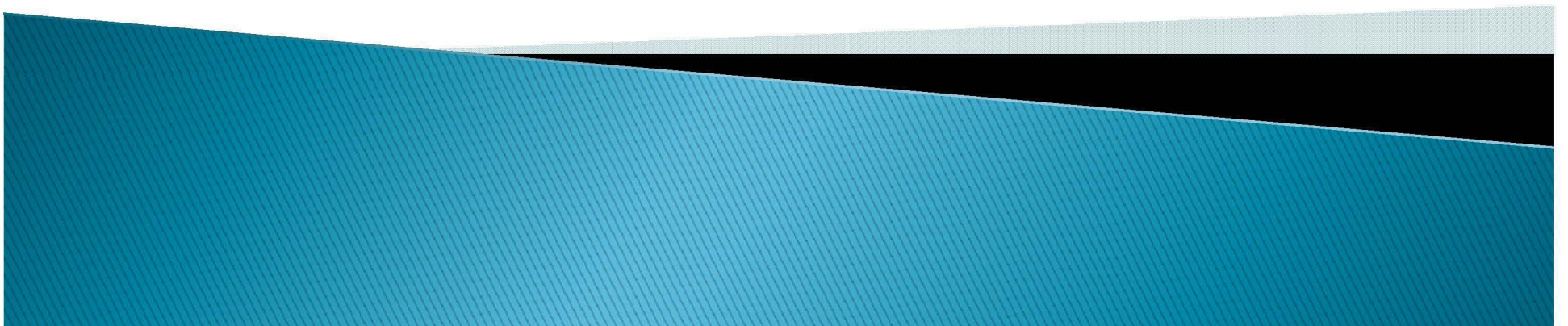




**BREAK**



# III. TPFA Debt Issuance Process



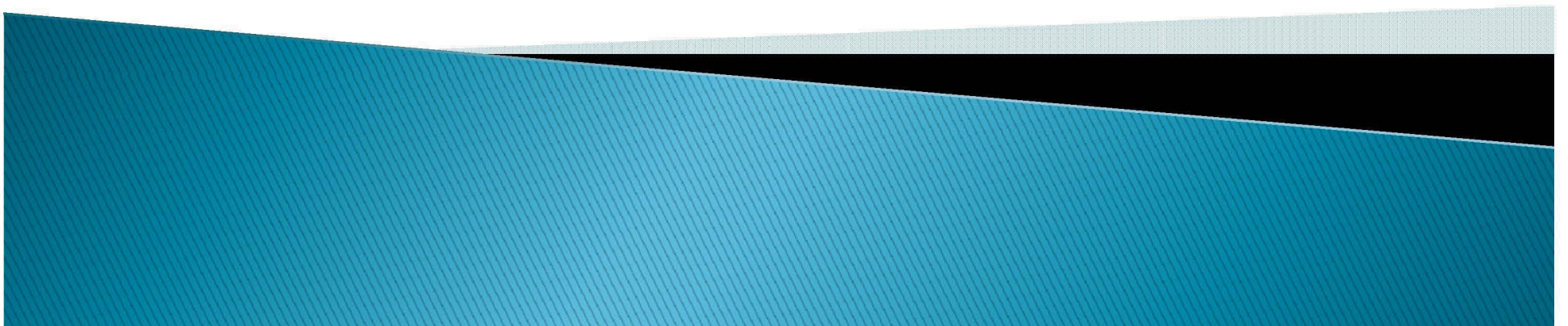
# TPFA Debt Issuance Process

1. Legislature authorizes the project or program and the issuance of debt
2. Agency governing body adopts a resolution authorizing request for financing\*
3. Agency submits request for financing to TPFA
4. TPFA Board approves request, determines type of debt instrument and sale process
5. TPFA structures the debt issue
6. Bond Review Board approves issuance of debt
7. Financing Documents (Bond sale/closing)

*\* GO Bonds appropriated by Art. IX, Sec 17.11, GAA, 81<sup>st</sup> Leg., R.S., need LBB approval of projects before bonds are issued.*



# 1. Legislative Authorization



# Four Components of Legislative Authorization

*The Legislature must authorize the specific project for which bonds are to be issued and either the estimated cost of the project or the maximum amount of debt that can be issued for a project or program*

- ▶ Approve the project\*
- ▶ Approve the use of bond financing\*
- ▶ Appropriate bond proceeds
- ▶ Appropriate debt service

*\*In Statute or Appropriations Bill*

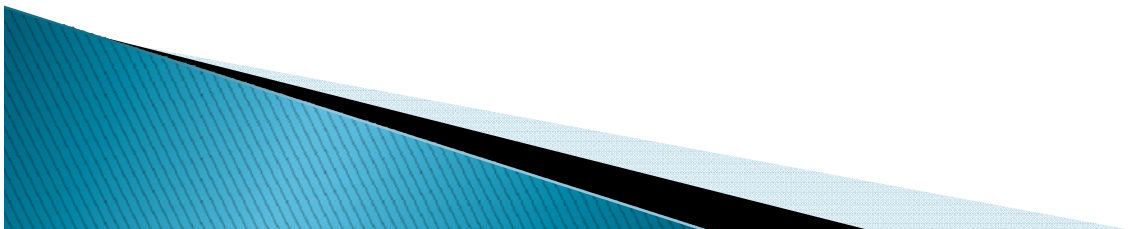
# Legislative Authorization

**Legislature must approve the project and use of bond financing; appropriate debt service and bond proceeds**

	GO Bonds	Lease Revenue Bonds	Tuition Revenue Bonds
Project Authorization	Agency	Agency	University
Proceeds Appropriated	Agency	Agency	University
Debt Service Appropriated	TPFA	Lease Payment appropriated to Agency	Reimbursement appropriated to University

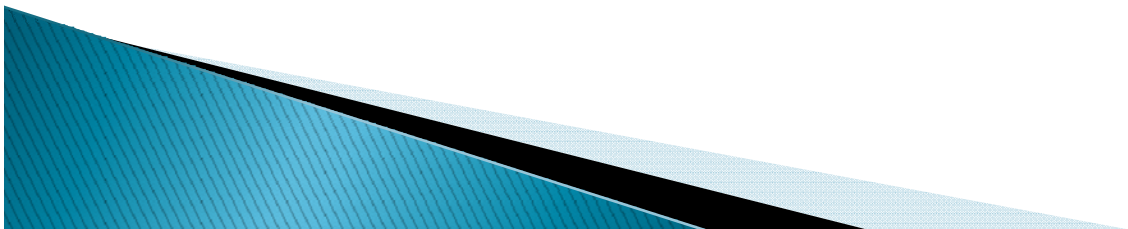
# Appropriations

- ▶ Refer to handouts for examples of appropriation of bond proceeds and debt service



# Pre-planning for new bond authority

- ▶ **Project description**
  - What do you need the money for?
- ▶ **Timing of funding**
  - How much money will the agency need?
  - When is it needed?
- ▶ **Special information**
  - Eg.: use of facility by entities other than state or local governments; management contracts; repayment sources other than General Revenue
- ▶ **Agency Contacts**
  - Finance/Budget and Accounting, Project Manager, and General Counsel

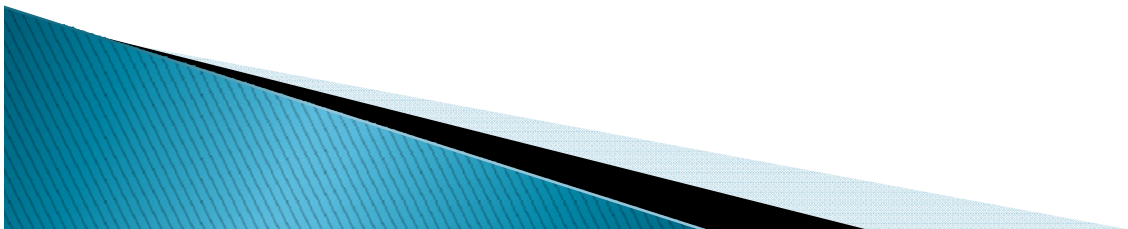


# Requesting New Bond Authority

- ▶ Agency should provide TPFA staff with:
  1. a draft of proposed authorizing language (Statute or Appropriations Act),
  2. the amount requested,
  3. a short description of the project,
  4. a projected quarterly expenditure schedule, and,
  5. an estimate of when the bond proceeds will be spent.
  
- ▶ TPFA will prepare an issuance schedule and corresponding debt service estimates
- ▶ Note possible non-general revenue funds that might be used for debt service
- ▶ The earlier TPFA is involved in the process, the more likely it can achieve an efficient, cost effective financing.

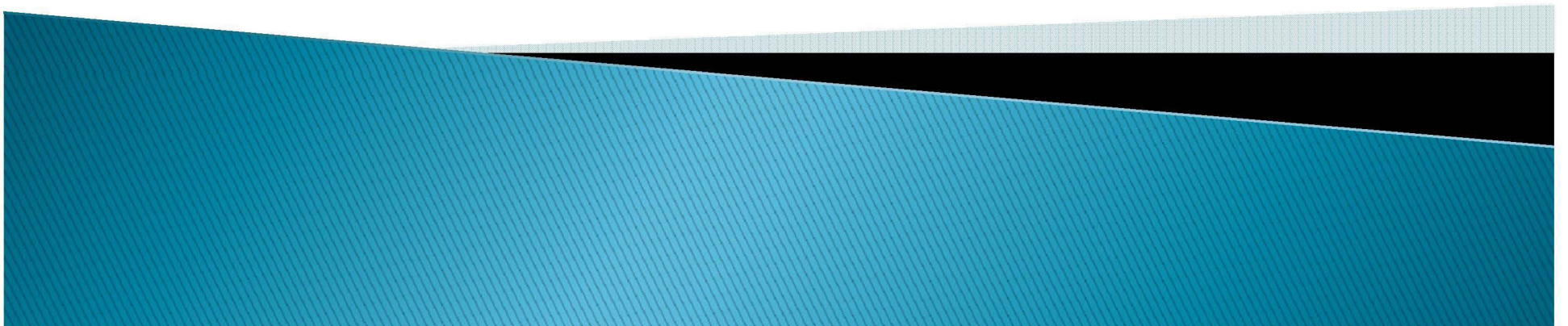
# Existing Bonds

- ▶ Debt Service
  - GO Bonds: TPFA will estimate debt service on outstanding GO bonds and CP, and will include in TPFA's LAR.
  - Revenue Bonds: On or before April 1 preceding each regular Legislative session, TPFA will notify client agency of the lease payment due in the next biennium. Agency must request this lease payment in its LAR.
  
- ▶ If the agency has not issued or encumbered all bond proceeds prior to the end of the biennium, the agency needs to ensure its ability to issue and expend those proceeds for the project in a subsequent biennium is continued; usually done by "U.B." rider in agency's bill pattern.
  
- ▶ If the full amount authorized has not been approved by TPFA and BRB prior to the end of the biennium, agency will need to ensure the authorization is continued; also usually done in the agency's bill pattern.





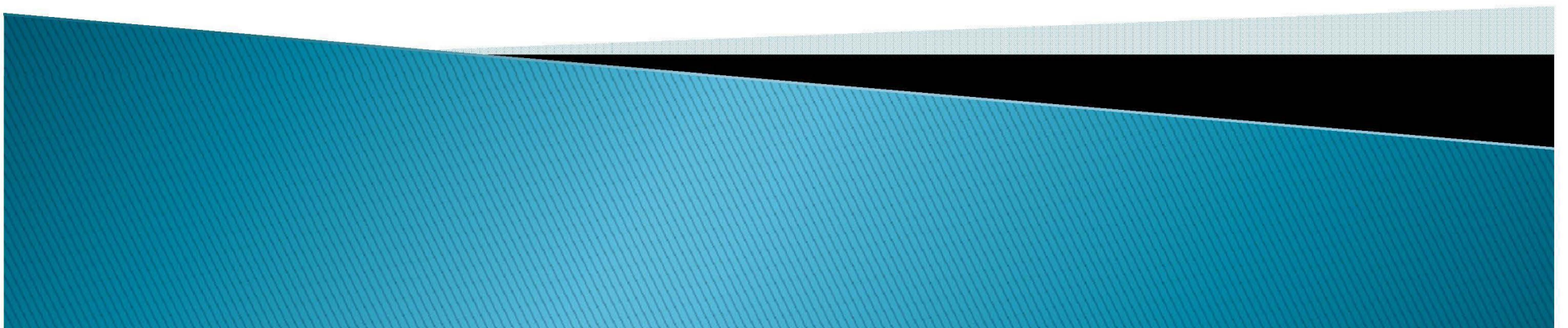
## 2. Agency Resolution



# Agency Resolution

- ▶ Governing body of the agency adopts a resolution
- ▶ Authorizes the agency to submit the request for financing to TPFA and delegates authority to sign required documents and take other required action to accomplish the financing
- ▶ Specifies the amount of the request and the legal authority for project and financing
- ▶ May also need to adopt a Reimbursement Resolution (resolution declaring expectation to reimburse expenditures with proceeds of future debt)
- ▶ See Examples (Handouts and [www.tpfa.state.tx.us/sampledocs.aspx](http://www.tpfa.state.tx.us/sampledocs.aspx))

# 3. Request for Financing



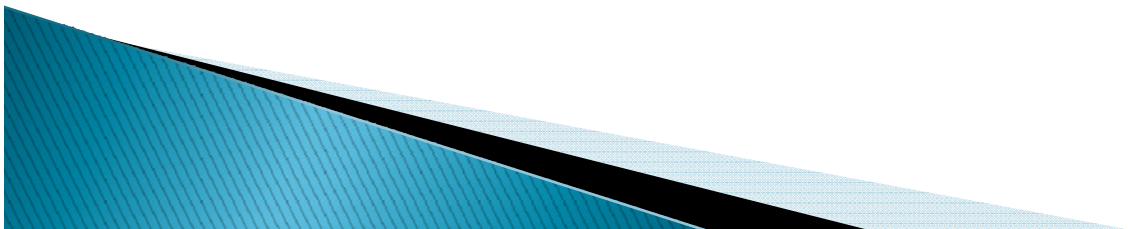
# Request for Financing

- ▶ The Request for Financing is required by TPFA Board Rules, 34 Texas Admin. Code, Section 221.3  
([www.tpfa.state.tx.us/statutes.aspx](http://www.tpfa.state.tx.us/statutes.aspx))
- ▶ Submit at least 12 weeks before funds are required
- ▶ TPFA Board meets monthly.
- ▶ TPFA staff will review request in draft form and include on agenda if received at least 18 days before the board meeting

# Request for Financing

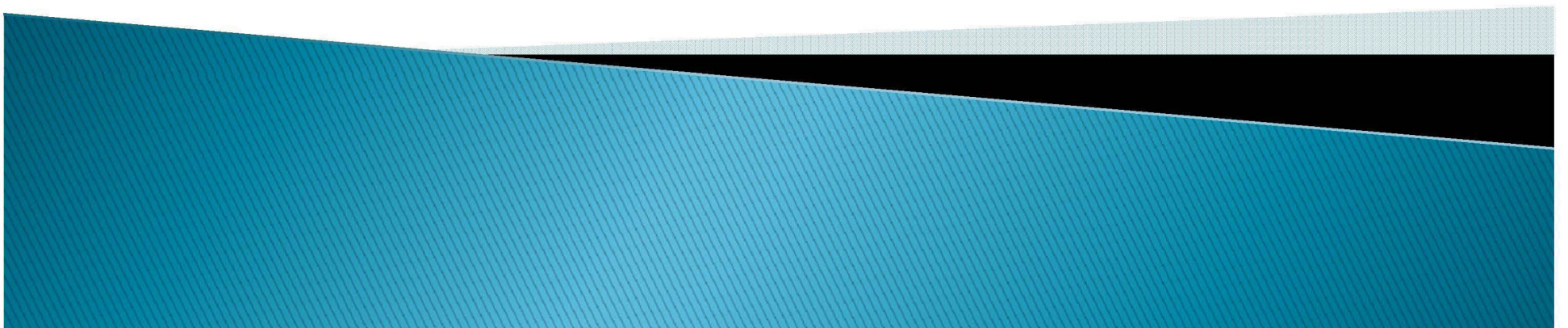
The package should include:

- Signed Agency Resolution delegating authority
- Legal Authority for Project
- Project Analysis (i.e., Project Description and Project Budget)
- Disbursement (also referred to as “Expenditure” or “Draw”) Schedule
- See example in handouts



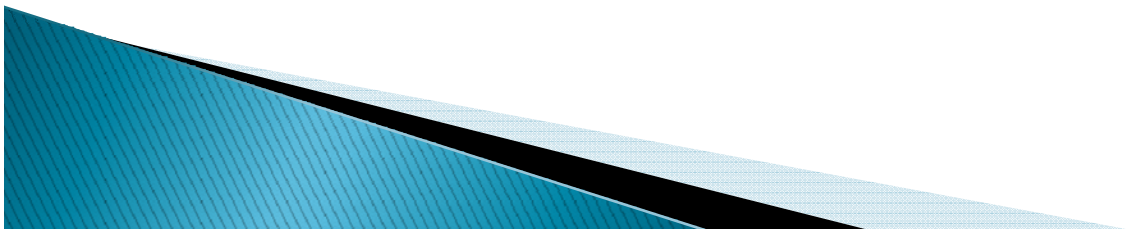


# 4. TPFA Board Approval



# 4. TPFA Board Approval

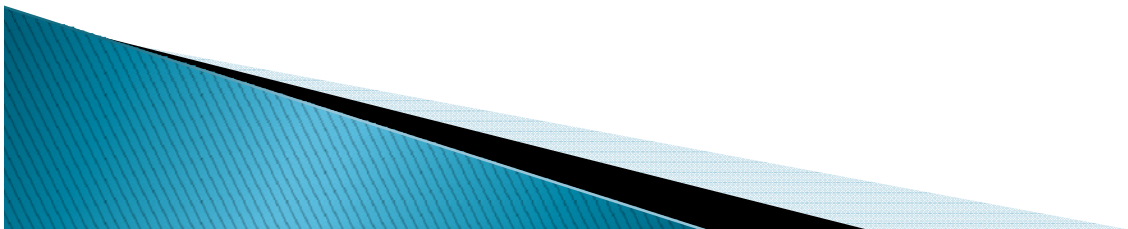
- ▶ TPFA Board meets monthly
  - currently 1<sup>st</sup> Thursday of the month
- ▶ Client agency staff should attend the TPFA meeting and be prepared to make a short presentation and answer questions.
- ▶ Recommended staff attendance, as applicable
  - Finance, budget or accounting
  - Construction or Project Manager
  - Legal





# 4. TPFA Board Approval

- ▶ Approve Request for Financing
- ▶ Determine debt instrument: Commercial Paper or Bonds
- ▶ Select Method of Sale: Competitive or Negotiated
- ▶ Select Financing Team
  - Financial Advisor
  - Bond Counsel
  - Underwriting Team

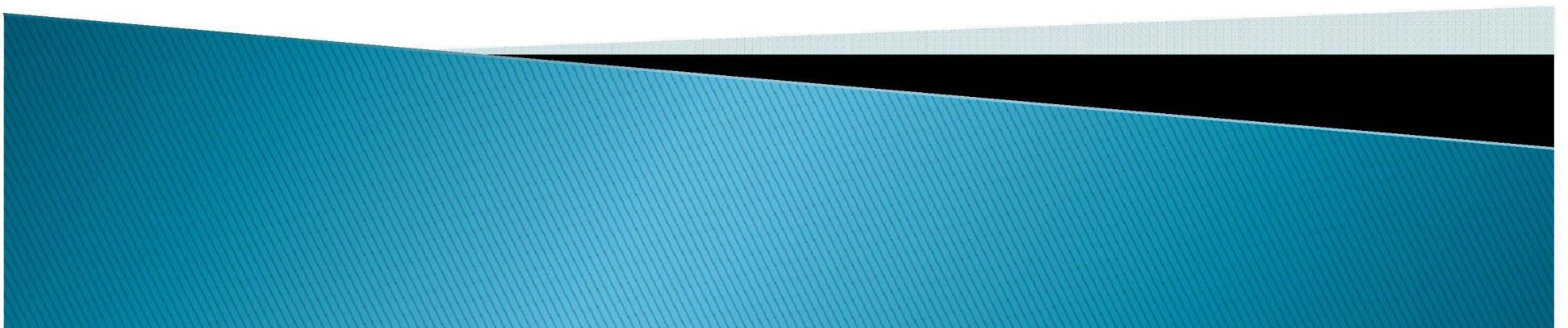


# TPFA Debt Issuance Process (Recap)

1. Legislature authorizes the project or program and the issuance of debt
2. Agency governing body adopts a resolution authorizing request for financing\*
3. Agency submits request for financing to TPFA
4. TPFA Board approves request, determines type of debt instrument and sale process
5. TPFA structures the debt issue
6. Bond Review Board approves issuance of debt
7. Financing Documents (Bond sale/closing)

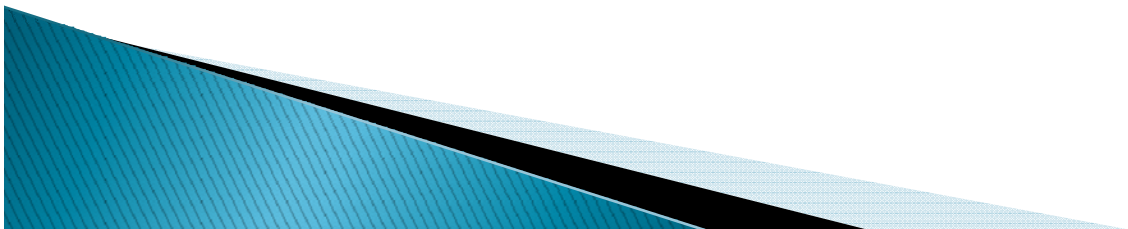
*\* GO Bonds appropriated by Art. IX, Sec 17.11, GAA, 81<sup>st</sup> Leg., R.S. need LBB approval of projects before bonds are issued*

# 5. Structure the Bond Issue



# 5. Structure the Bond Issue

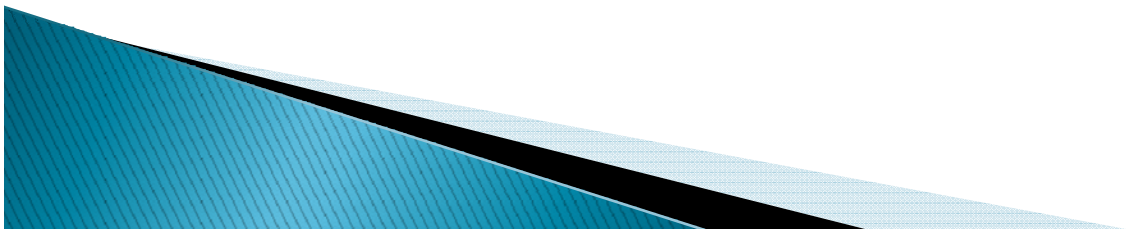
- ▶ Bonds vs. Commercial Paper (see handouts)
  - Expenditure Schedule
  - Arbitrage Rebate
- ▶ Debt Service Appropriation
- ▶ Legal requirements or constraints (federal tax law as well as state law)



# Sizing the Bond or CP issue

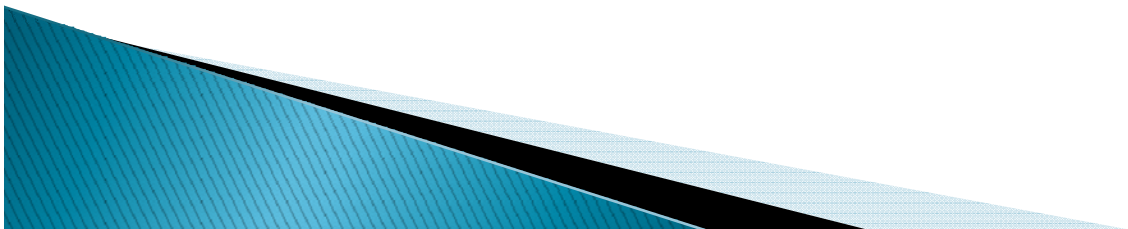
- ▶ TPFA determines the amount of debt to be issued based on:
  - Client agency expenditure schedule
  - Federal arbitrage guidelines
  - Market conditions
- ▶ Net Funding:  
Bond Proceeds + Interest Earnings = Total Expenditure
- ▶ Proceeds and interest earnings are appropriated to the agency on whose behalf they are issued.\*

\* SB1, Art. IX, p.IX-40, Sec. 8.09 Acts, 81<sup>st</sup> Leg. R.S. (2009)



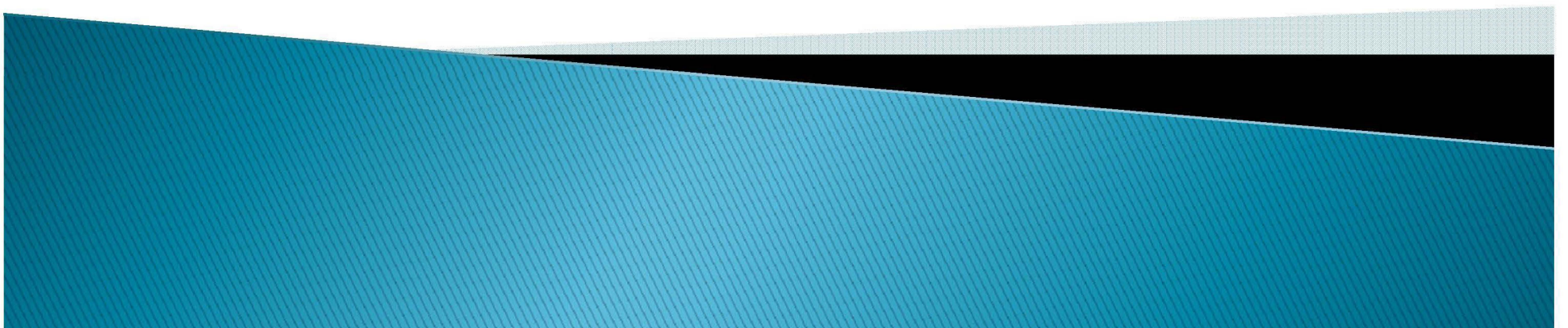
# Advantages of CP

- ▶ **Lower debt service**
  - Only borrow amount needed to pay invoices for a few months at a time
  - Short term variable interest rates are usually much lower than long term fixed interest rates
- ▶ **Flexible:** debt can be issued or paid off with very short notice and cost
- ▶ **Helps comply with arbitrage rebate requirements;** less arbitrage rebate means more available interest earnings in the project fund





# 6. Bond Review Board Approval

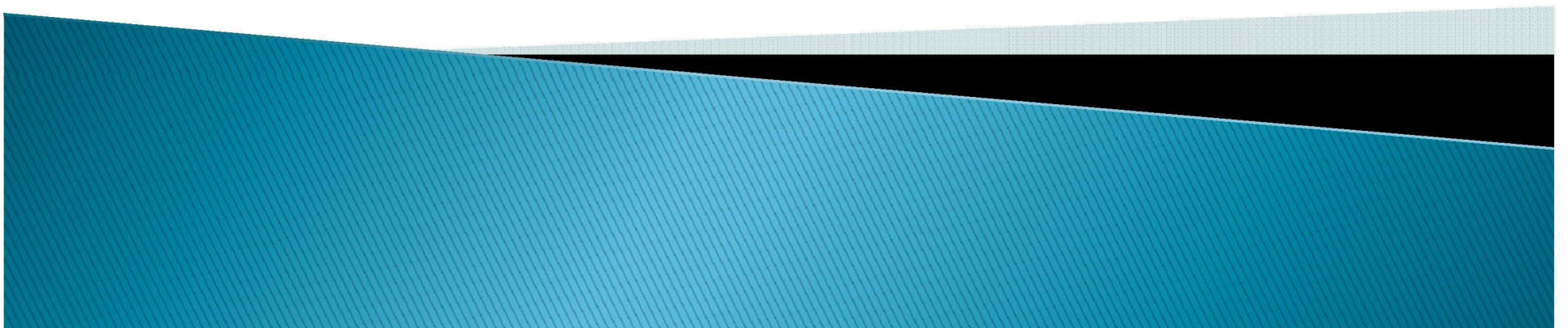




## 6. Bond Review Board Approval

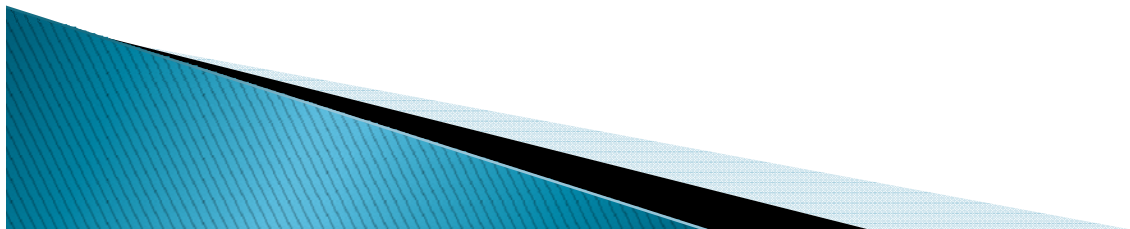
- ▶ Application due the first Tuesday of the month in which the applicant requests BRB consideration  
TPFA staff prepares and submits the application
- ▶ Planning Session – Usually the second Tuesday of odd numbered months: January, March, May, July, September, November. No vote is taken at this meeting.  
TPFA staff and client agency staff attend the planning session to present the financing and the project.
- ▶ BRB Meeting – Usually the Thursday of the week following the Planning Session. BRB votes on the application. Usually, if all questions have been answered, client agency attendance at voting meeting not required.

# **IV. Financing Documents (Bond Sale/Closing)**



# Major Documents in Bond Issue

- ▶ Request for Financing
- ▶ Memorandum of Understanding between TPFA & Client Agency
- ▶ Agency's Reimbursement Resolution (if necessary)
- ▶ Financing Agreement (GOs) or Lease Agreement (appropriation-backed lease revenue bonds)
- ▶ Resolution of the TPFA Board authorizing the issuance and sale of the Bonds and the terms and conditions thereof
- ▶ Official Statement
- ▶ Tax or "Arbitrage" Certificate

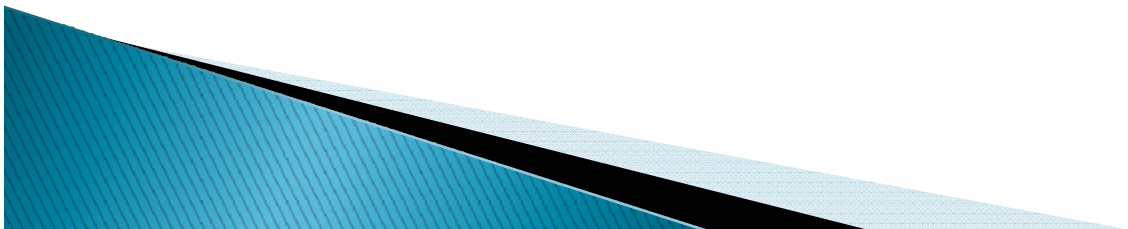


# Memorandum of Understanding

- ▶ Required by Texas Government Code, Section 1232.102
- ▶ Sets out the respective rights and responsibilities of the Agency (to construct and manage projects) and the Authority (to issue and administer the debt)
- ▶ Required for GO and Revenue Bond Issues that finance construction projects
- ▶ *Only one MOU adopted by each agency per Financing Program*

# Financing Agreement (GO Bonds)

- ▶ Sets out the conditions of the financing
- ▶ Rights and Obligations of the Agency
  - Complete the Project and spend the money
  - Operate, maintain, use the Project for intended, specified governmental purposes
  - Comply with tax covenants
- ▶ Helps TPFA comply with federal tax law requirements



# Financing Agreement (GO Bonds)

- ▶ Article III: Use of proceeds and restrictions on the use of project
- ▶ Article IV, Sections 4.03 and 4.04 – maintaining the tax-exempt status of the bonds
- ▶ Article V: Records Retention
- ▶ Exhibits:
  - A. Description of the Project
  - B. Project Completion Schedule
  - C. Approvals
  - D. Disbursement Certificate
  - E. Status Report
  - F. Project Completion Certificate
  - G. Project Substitution Certificate

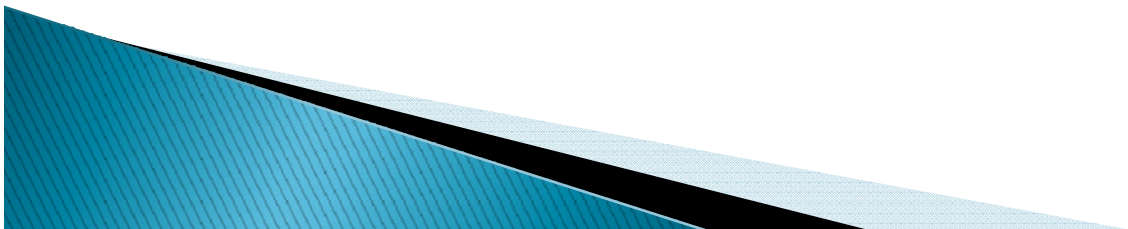
(See Sample Financing Agreement Handout)



# Lease Agreement

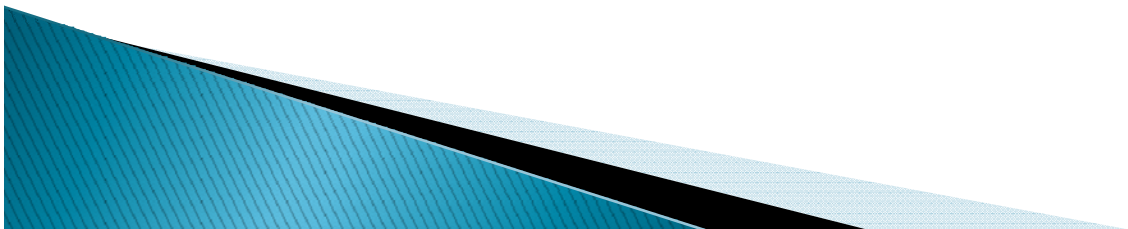
## (Revenue Bonds)

- ▶ TPFA leases the financed facility to the Agency
- ▶ Agency obligated to:
  - Make rent payments (for debt service and property insurance)
  - Operate, maintain, use the Project for intended, specified governmental purposes
  - Comply with tax covenants



Each Financing Agreement is on website

<http://www.tpfa.state.tx.us/agreements.aspx>

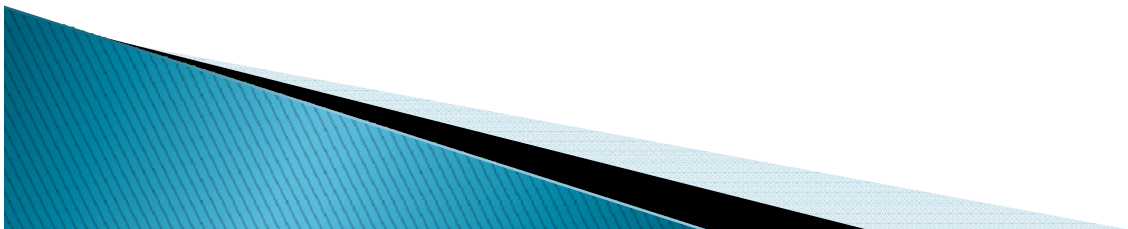


# Other Major Documents

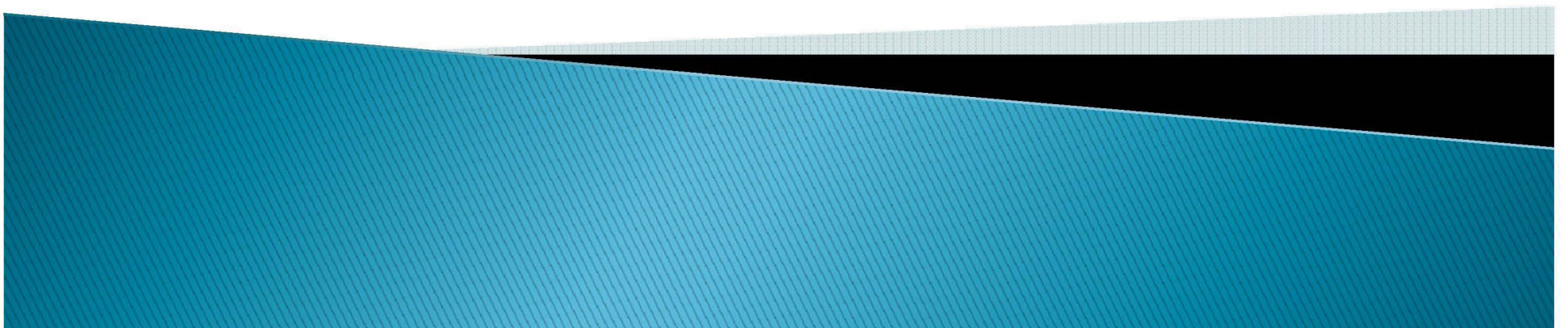
- ▶ Resolution of the TPFA Board
  - ▶ authorizing the issuance and sale of the Bonds and the terms and conditions thereof
- ▶ Official Statement
  - ▶ A document prepared by or on behalf of the issuer of municipal securities in connection with a primary offering that discloses material information on the offering of such securities
- ▶ Tax or “Arbitrage” Certificate
  - ▶ A document executed by the issuer of tax-exempt municipal securities at the time of initial issuance certifying as to various matters relating to the arbitrage rules under federal income tax laws

# Bond Closing

- ▶ On the day of the closing, once all the legal documents are properly executed and after receiving the Attorney General's approval, the underwriter wire transfers the bond proceeds to the appropriate parties to the transaction. Once confirmation has been received for the wire transfers, the issuer and the finance team call the Depository Trust Company ("DTC"), at which time the bonds are released and the transaction is recorded.
- ▶ Once TPFA has confirmation that bond proceeds have been deposited into its accounts, it can begin paying costs of issuance and transferring funds to the agency to pay for project related costs.

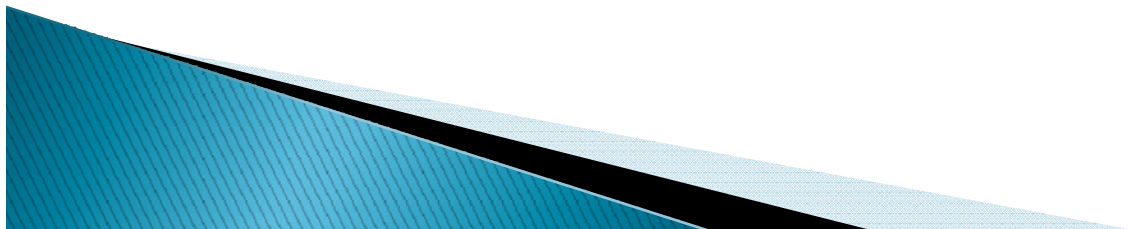


# V. Ongoing Debt Administration



# Ongoing Debt Administration

1. Federal tax law compliance
  - Use of the facility; sale/disposition of assets
  - Arbitrage rebate compliance: monitor expenditure and investment of proceeds
2. Draw and spend bond proceeds
3. Arbitrage rebate
4. Pay debt service
5. Financial reporting





# 1. Federal Tax Law Compliance

# Tax Law Compliance

## Use of the Proceeds and Project

- ▶ Proceeds may be spent only for “governmental purposes” (i.e., a purpose authorized by the Legislature)
- ▶ General rule for tax-exempt Bonds and CP: At least 90% of the proceeds must be used by State or Local Government
- ▶ Change in use (use or ownership of the facility by an entity other than state or local government) prior to maturity of the bonds must be approved by TPFA, in advance

See private activity use handout

# Tax Law Compliance

## Use of the Proceeds and Project

- ▶ Tax exempt bond proceeds may be used only for tax-exempt purposes.
- ▶ “Use of Project” equals “use of proceeds”
- ▶ “Change of Use” may mean and include use of the project by non-governmental entity either on an on-going basis or by disposition of project
- ▶ Rules and requirements for continued administration are the provisions in each Financing Agreement, and each Lease Agreement.

# Tax Law Compliance

## Disposition of the Asset

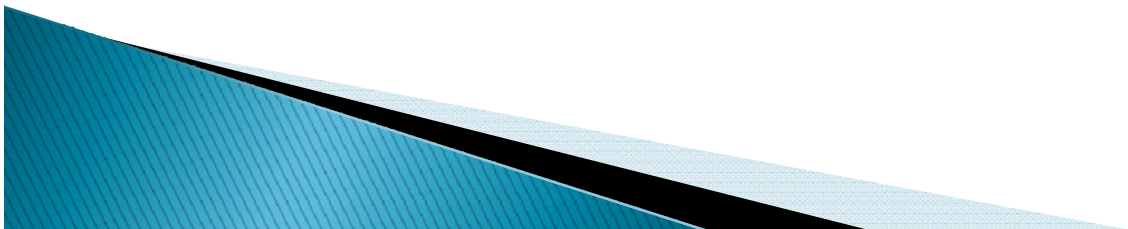
- ▶ If an asset financed with bond proceeds is sold or disposed of prior to the retirement of the debt, federal tax law requires the proceeds of the sale to be used to acquire a substitute facility or retire the debt (contact TPFA early in the process)
- ▶ Requires Client Agency to maintain records showing how proceeds of bonds were spent; i.e., which facility or facilities were financed with each series of Bonds or CP tranche (i.e., fund number).
- ▶ Under the Financing Agreements and Lease Agreements “Disposition” is “Change of Use.” Agency is required to obtain prior approval of TPFA.

# Continuing Disclosure

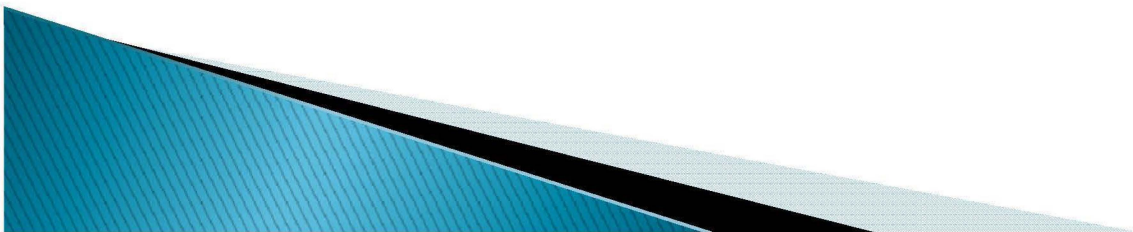
## SEC Rule 15(c) 2-12

- ▶ Required by Securities and Exchange Commission Rule
- ▶ Unless exempt, issuers must file annual operating and financial information
- ▶ For most TPFA Bonds, Comptroller makes annual and quarterly filings
- ▶ In addition, TPFA files supplemental annual financial information for: Adjutant General Armory Improvement Revenue Bonds and DSHS (Health Lab Revenue Bonds) and certain “Material Events” such as rating changes, bond redemptions, etc.
- ▶ Universities (SFA, MSU, TSU) are required to file separately

File on-line at <http://emma.msrb.org>



## 2. Draw and Spend Bond Proceeds





# Disbursement (Draw)

- ▶ Draw – transfer of bond proceeds from TPFA to client agency
- ▶ Initiated by client agency using the Disbursement Certificate in the Financing Agreement
- ▶ New project funds are established with each new financing request
  - Set up approximately 10 business days after BRB approval

**GO Bonds: Financing Agreement**  
**Revenue Bonds: Lease Agreement**

Draw Contact:  
Loan Nguyen  
(512)463-8297

[loan.nguyen@tpfa.state.tx.us](mailto:loan.nguyen@tpfa.state.tx.us)

# Sample Disbursement Certificate

The undersigned hereby certifies, on behalf of the \_\_\_\_\_ (the Qualified Agency”), as follows:

- a) The capitalized terms in this Certificate that are not herein defined shall have the meanings defined in the Financing Agreement, dated as of \_\_\_\_\_, between the Qualified Agency and the Texas Public Finance Authority.
- b) The Qualified Agency (Agency No. \_\_\_\_\_) requests disbursement from the Project Fund to Pay Project Costs in the aggregate amount of \$\_\_\_\_\_. The aggregate of all disbursements (including this disbursement) from the Project Fund requested by the Qualified Agency to date is \$\_\_\_\_\_.
- c) Except as previously disclosed in writing to the Executive Director, the Qualified Agency is not in breach of any representation, warranty, or agreement in the Financing Agreement.
- d) The Qualified Agency reasonably expects to submit payment vouchers, in the aggregate amount of the disbursement requested by this Certificate, for the payment of the Project Costs for which disbursement is requested.
- e) For each item of Project Costs for which a disbursement of funds is requested, state the following information [attach separate sheet if necessary]:

PCA	Appropriated Fund No.	Agency Fund No.	AY	Amount of Disbursement
Project Identification				

IN WITNESS WHEREOF, the undersigned executes this Certificate on the date shown below:

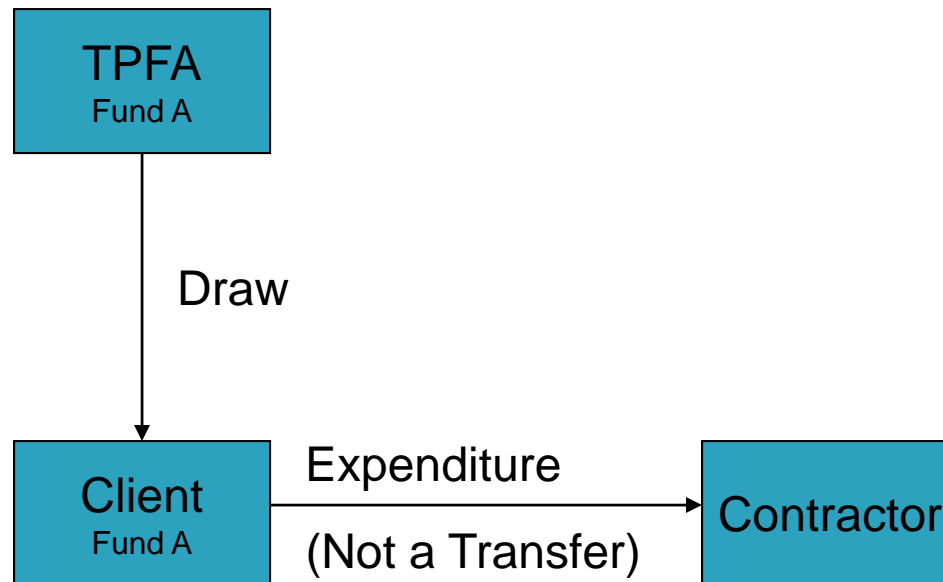
\_\_\_\_\_  
“Qualified Agency”

By: \_\_\_\_\_  
Authorized Agency Representative

Date: \_\_\_\_\_

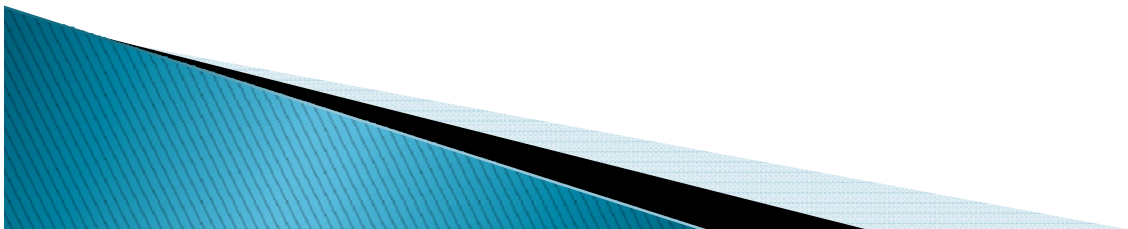
Each Financing Agreement is on website:  
<http://www.tpfa.state.tx.us/agreements.aspx>

# Flow of Funds



# Spending the Proceeds

- ▶ All project related expenditures shall be processed out of the Project Fund established by TPFA.
- ▶ Client agencies shall establish collected revenue budgets in their respective Project Funds.
- ▶ Benefit appropriations shall be established by the client agency, within the Project Fund, as collected revenue and funded with bond proceeds. (See: APS 019)



# Status Report

The periodic status report prepared by the “Qualified Agency” pursuant to this Lease/Financing Agreement shall contain the following information with respect to the Project:

- (1) identity of the Project (name, ID no., etc.);
- (2) fund number(s);
- (3) the budget amount for the Project (including adjustments, if any);
- (4) description of work category;
- (5) amount expended for reporting month;
- (6) total amount expended to date;
- (7) amount encumbered;
- (8) available balance;
- (9) percent work complete; and
- (10) narrative identifying any problems (including, without limitation, delays and cost overruns) and indicating whether such problems will substantially alter work schedule or costs.

Reports are usually due by the 15th of each month.

Report deviations from the original expenditure schedule (10% or \$1 million) directly to the Executive Director.

**GO Bonds: Financing Agreement**  
**Revenue Bonds: Lease Agreement**

# Project Completion Certificate

- ▶ Submit a project completion certificate upon completion of the financed projects or when no further proceeds will be expended for project costs.
- ▶ Upon completion of the project, any unspent bond proceeds are transferred to the debt service fund and used to pay debt service.
- ▶ Goal: Close project funds within 3 to 5 years (for construction projects)

**GO Bonds: Financing Agreement**  
**Revenue Bonds: Lease Agreement**



# Form of Project Completion Certificate

The undersigned hereby certifies, on behalf of “Qualified Agency” , as follows:

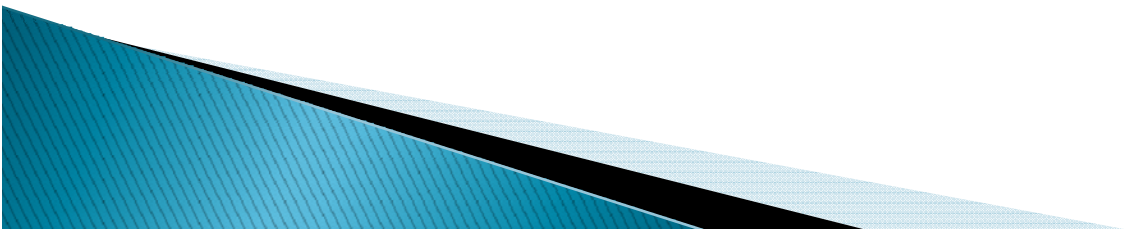
- a. The capitalized terms in this Certificate that are not herein defined shall have the meanings defined in the Lease/Financing Agreement, dated as of \_\_\_\_\_, between the “Qualified Agency” and the Texas Public Finance Authority.
- b. The Project was completed on (or no further proceeds of the Bonds are to be expended for Project Costs as of) \_\_\_\_\_ *[insert date]*.
- c. Except for \$\_\_\_\_\_ (the “Retainage”), all Project Costs that have been incurred have been paid, and no further disbursements from the Project Fund for the payment of Project Costs will be necessary.
- d. The Retainage is sufficient to pay all claims (1) for the payment of any Project Costs that are not presently due, and (2) for the payment of any Project Costs the liability for which is being contested or disputed by the “Qualified Agency.”

IN WITNESS WHEREOF, the undersigned executes this Certificate on the date shown below.

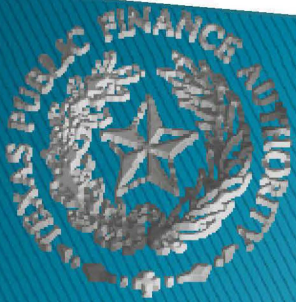
\_\_\_\_\_  
“Qualified Agency”

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_



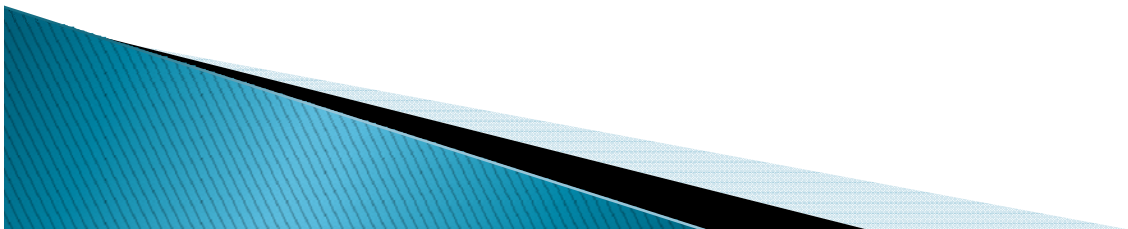
# 3. Arbitrage Rebate



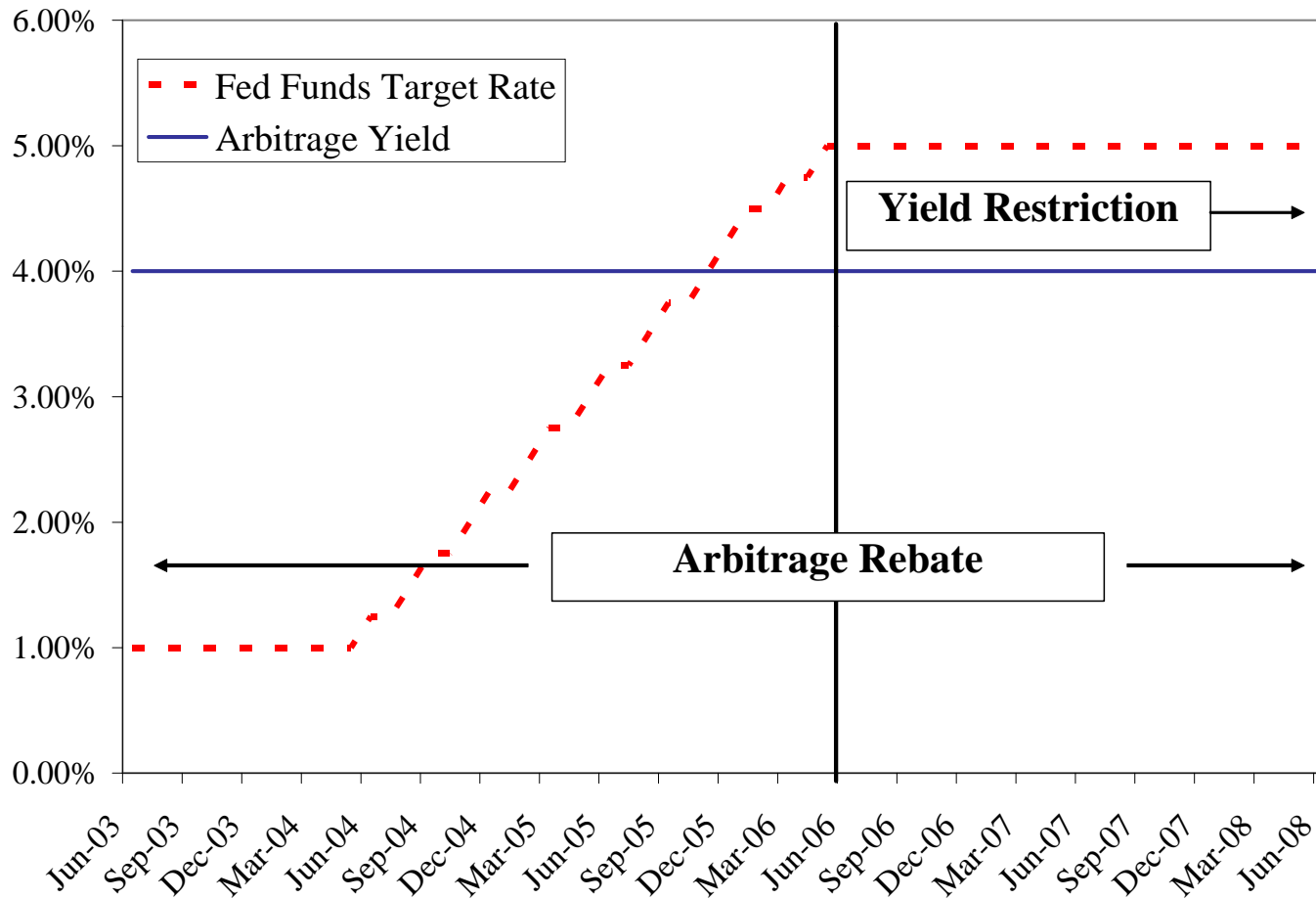
# What is Arbitrage?

Arbitrage is the ability to invest low-yielding tax-exempt bond proceeds in higher yielding taxable securities, resulting in a profit (loss).

Arbitrage rebate is the amount of profit earned from arbitrage that must be rebated to the federal government.



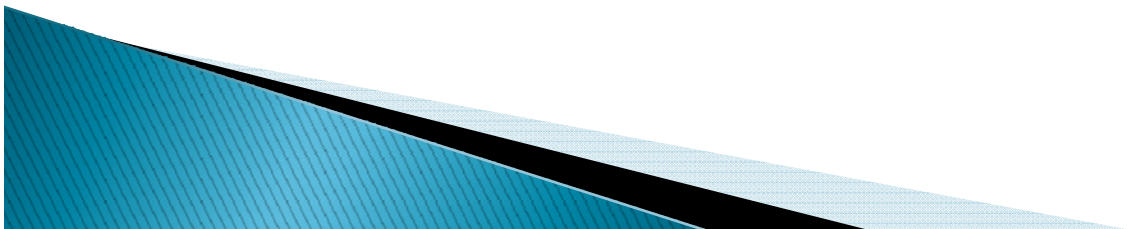
# Arbitrage for Tax Exempt Bonds



Source: Public Financial Management

# Arbitrage

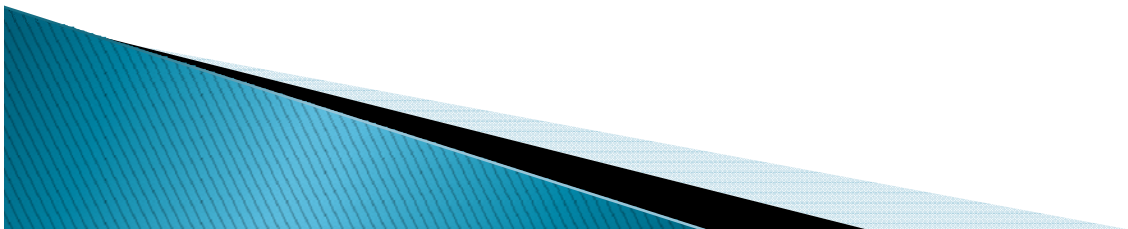
- ▶ Arbitrage is measured within an issue, aggregated among funds
- ▶ Yield Restriction after third year – restriction against investing above the bond yield
- ▶ Construction Funds – temporary period allowed, typically 3 years; 5 years with certification
- ▶ Yield Reduction payments



# Exceptions to Arbitrage Rebate

Three exceptions apply to TPFA Financings:

- ▶ 6 month spending exception (MLPP)
- ▶ 18 month spending exception (Grants)
- ▶ 24 month spending exception (Construction)





# Spending Exceptions

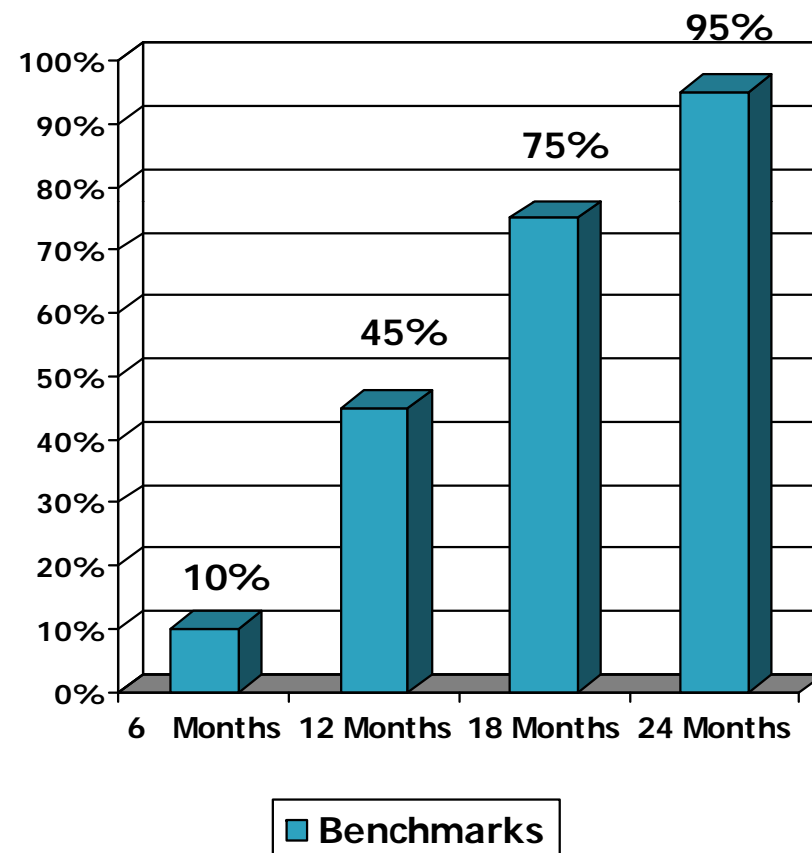
	Spending Requirements		
Benchmark	6-Month Spending Exception	18-Month Spending Exception	2-Year Spending Exception
6-months	✓ 100%	✓ 15%	✓ 10%
12-months		✓ 60%	✓ 45%
18-months		✓ 100%*	✓ 75%
24-months			✓ 100%*

\* Except for reasonable retainage (5% spent in 12 months) or de minimis amount (lesser of 3% or \$250K, spent with due diligence)

Source: Public Financial Management

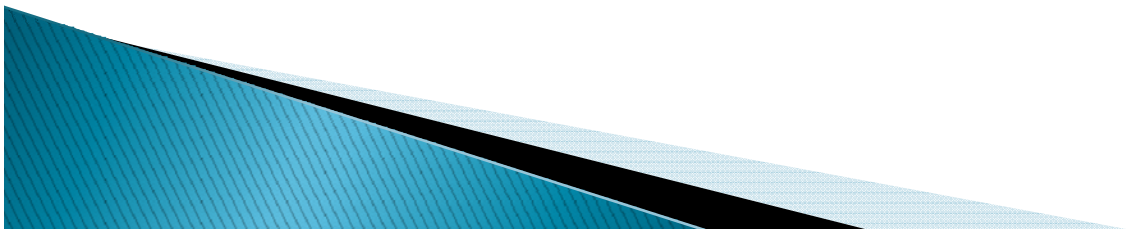
# 24 Month Spending Exception for Construction Projects

- ▶ The interest earnings from an issue can be exempted from rebate if the gross proceeds are spent as illustrated
- ▶ The first three benchmarks include reasonably expected interest earnings based on the original expenditure schedule
- ▶ Final benchmark is based on actual interest earnings

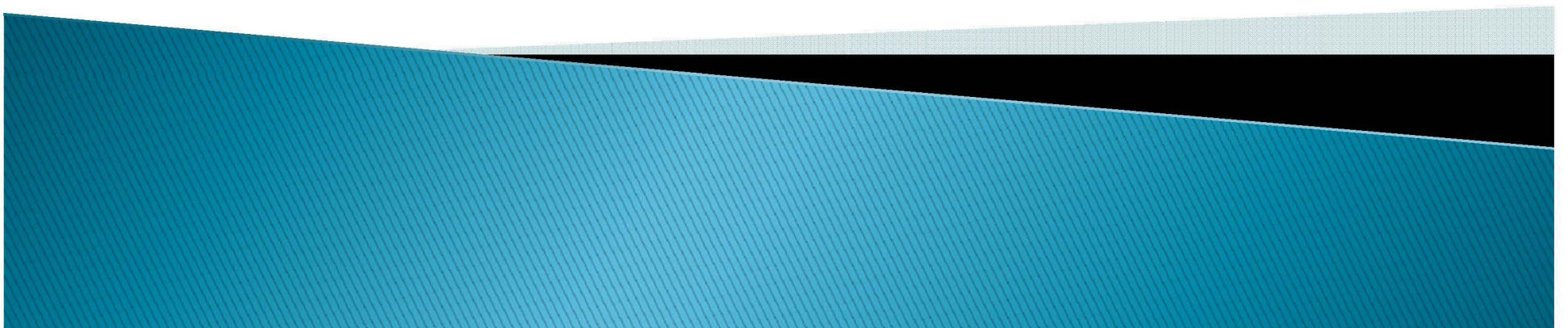


# Arbitrage Rebate Calculations

- ▶ Calculations are performed as of August 31st of each year.
- ▶ An amount sufficient to cover the rebate liability is transferred from the project fund to the rebate fund when a liability is recognized.
- ▶ Installments must be paid to the IRS at least every 5th bond year.

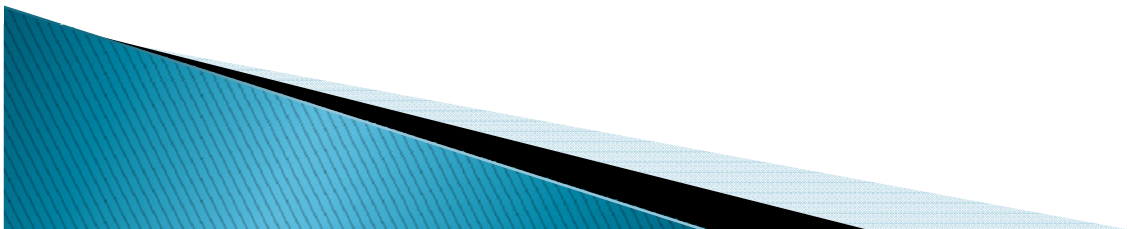


# 4. Paying Debt Service



# Debt Service Appropriation

	<b>GO Bonds</b>	<b>Revenue Bonds</b>
Debt Service	TPFA	Agency



# Debt Service Dates

- ▶ General Obligation Debt
  - October 1<sup>st</sup> & April 1<sup>st</sup>
- ▶ Revenue Debt\*
  - February 1<sup>st</sup> and August 1<sup>st</sup>
- ▶ Master Lease Purchase Program
  - August 1<sup>st</sup>

\* TPFA initiates debt service transfers 2 to 50 days prior to the debt service due date. Texas Military Preparedness Commission, Texas Department of State Health Services (DSHS) are exceptions.



# Debt Service Contacts

- ▶ Debt Service/Proceeds Contact:  
Pamela Scivicque, Business Manager  
(512)463-3141  
[pamela.scivicque@tpfa.state.tx.us](mailto:pamela.scivicque@tpfa.state.tx.us)
- ▶ MLPP Debt Service Contact:  
Chris Gilliland, MLPP Coordinator  
(512)463-5695  
[chris.gilliland@tpfa.state.tx.us](mailto:chris.gilliland@tpfa.state.tx.us)

# 5. Financial Reporting

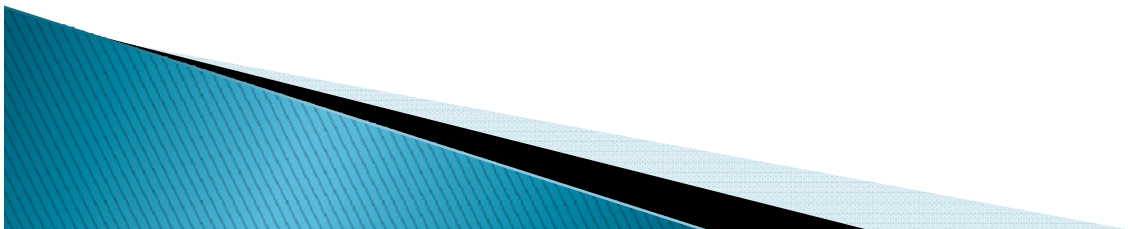


Shared Funds  
Highlights of AFR requirements

# Introduction – Shared Funds

“A number of state funds are appropriated for use by more than one agency. These funds are called *shared funds*. These procedures ensure Cash in State Treasury is not double-counted and all shared fund activity is reported by the appropriate agency. ”

Reporting Requirements for Annual Financial Reports of State Agencies and Universities – Texas Comptroller of Public Accounts (“CPA”)



# Agency Responsibilities

- ▶ **Controlling Agency = TPFA\***

The controlling agency is the agency required to reconcile the entire cash activity for the fund and report the Cash in State Treasury balance on the Annual Financial Report. The amount reported should also be reconciled to the Texas Annual Cash Report.

- ▶ **Non-Controlling Agency = Client Agency**

A Non-Controlling Agency is any other state agency authorized to spend money from a shared fund but is not the controlling agency. The agency should not report the shared Cash in State Treasury balance on the Annual Financial Report.

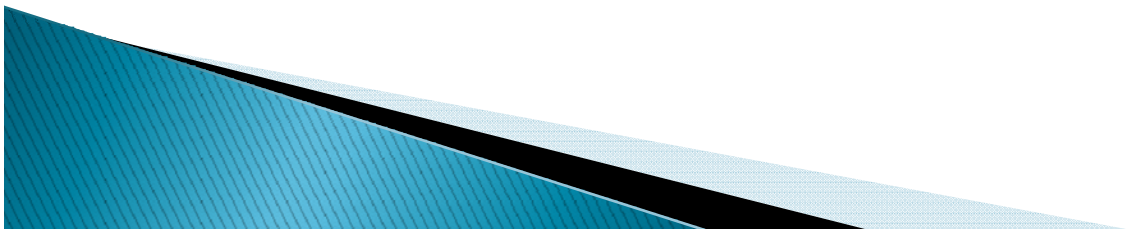
Source: Reporting Requirements for Annual Financial Reports of State Agencies and Universities – Texas Comptroller of Public Accounts (Pages 3.26–3.27 – July 2009)

\* Universities and Texas Parks & Wildlife Department are exceptions.

# Non-Controlling Agencies

- ▶ “Any cash balance should be reclassified with a shared cash adjustment.”
  - (T-Code 654/655; GL 0047)
- ▶ ...Non-controlling agencies...are subject to the Inter-fund Activities deadline.

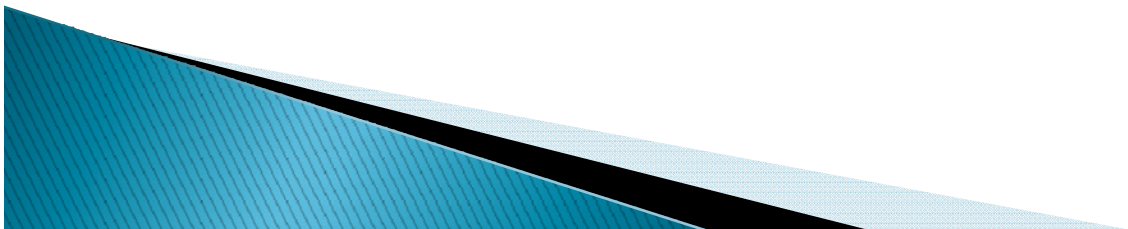
Source: Reporting Requirements for Annual Financial Reports of State Agencies and Universities – Texas Comptroller of Public Accounts (Page 3.29 – July 2009)



# Agency Coordination

“The recording of transfers and Due-To/Due-From are required to be coordinated between the controlling agency and each of the non-controlling agencies and are subject to the Interfund Activities deadline so that Transfers-In are equal to Transfers-Out and Due-To /Due-From accounts are equal. This includes the accrual for expenditures. The coordination for recording purposes may be done on a regular basis as determined by the controlling agency but must be coordinated at least annually during the preparation of the Annual Financial Report.”

Source: Reporting Requirements for Annual Financial Reports of State Agencies and Universities – Texas Comptroller of Public Accounts (Page 3.29 – July 2009)



# Fixed Asset Reporting

<b>Agency Responsibility</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>University Revenue Bonds</b>
Enter Fixed Assets in SPA	Client	Client	Client
Report Fixed Assets in AFR	Client	Client	Client



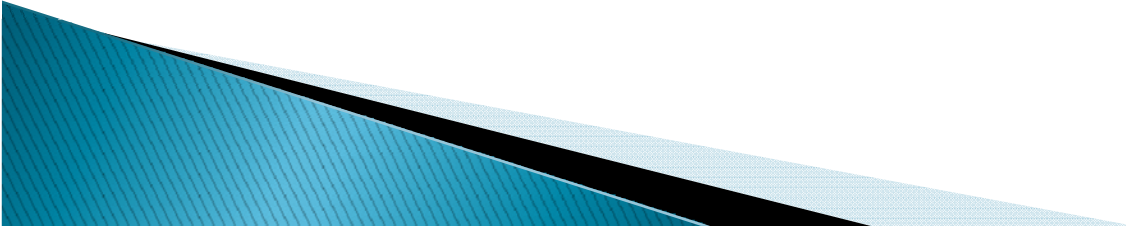
# Bond Schedules

Agency Responsibility	General Obligation Bonds	Revenue Bonds	University Revenue Bonds
Prepare Bond Schedules*	TPFA**	TPFA**	Client

\* “The scope of the statewide audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State. Therefore, it is essential for each agency that issues bonds to include their bond schedules in their *Annual Financial Report*.”

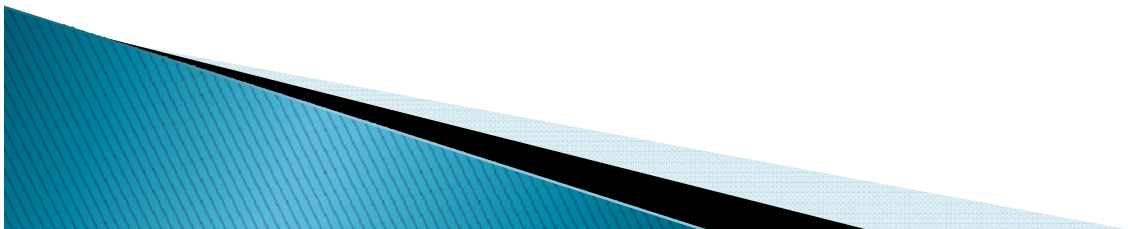
\*\* Exceptions include the Texas Workforce Commission and the Texas Military Commission.

Source: Reporting Requirements for Annual Financial Reports of State Agencies and Universities – Texas Comptroller of Public Accounts (July 2009) – p8.37



# Pledged Revenues

- ▶ The following agencies/universities will provide TPFA with information regarding pledged revenues and related expenditures at fiscal year end:
  - Department of State Health Services
  - Texas Parks & Wildlife Department



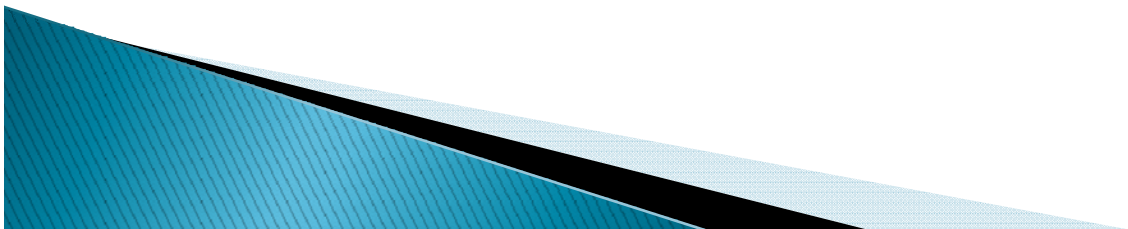
# Deadlines

- ▶ 08/31/CY Prior to August 31, review USAS balances and record corrections
- ▶ 09/26/CY Inter-fund Activities confirmed & entered into USAS
- ▶ 10/01/CY Deadline for early submission (simplified reporting)
- ▶ 11/20/CY USAS and interagency transaction certification (full reporting)
- ▶ 11/20/CY AFR Due (full reporting)

Source: Reporting Requirements for Annual Financial Reports of State Agencies and Universities – Texas Comptroller of Public Accounts (July 2007)

# AFR Contact

TPFA Annual Financial Report Contact:  
Ophelia Guerrero, Chief Accountant  
(512)305-9469  
[ophelia.guerrero@tpfa.state.tx.us](mailto:ophelia.guerrero@tpfa.state.tx.us)

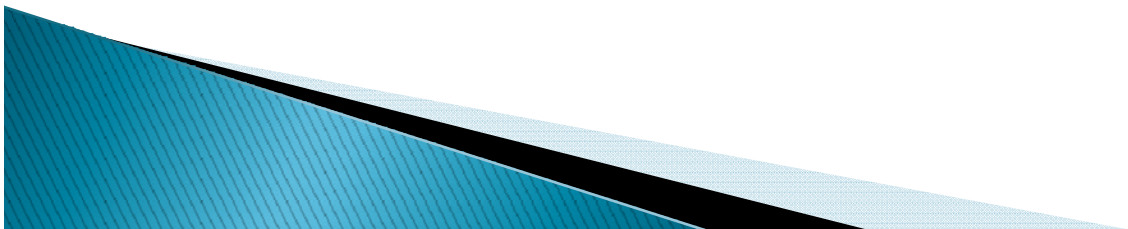


# Frequently Asked Questions

- ▶ What is the remaining constitutionally authorized debt that has not been appropriated by the Legislature?
  - 50-f is fully appropriated
  - 50-g \$318,597,705\* appropriation remaining
  - Any proceeds exceeding this amount require a Constitutional Amendment.
  - Updates provided on website:  
\*[http://www.tpfa.state.tx.us/pdf/GO%20Autho\\_Unissued.pdf](http://www.tpfa.state.tx.us/pdf/GO%20Autho_Unissued.pdf)

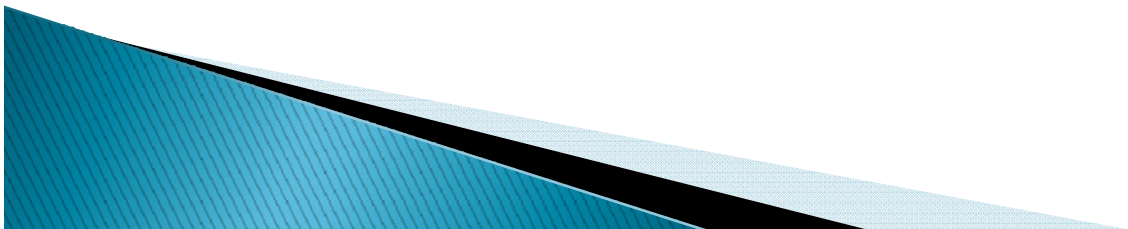
# FAQ?

- ▶ Why is the agency assigned more than one project fund?
  - To avoid commingling of bond proceeds, a new fund is established for each new bond appropriation.
  - Projects may be financed with both fixed-rate bonds and commercial paper. A separate fund is required for each issue.



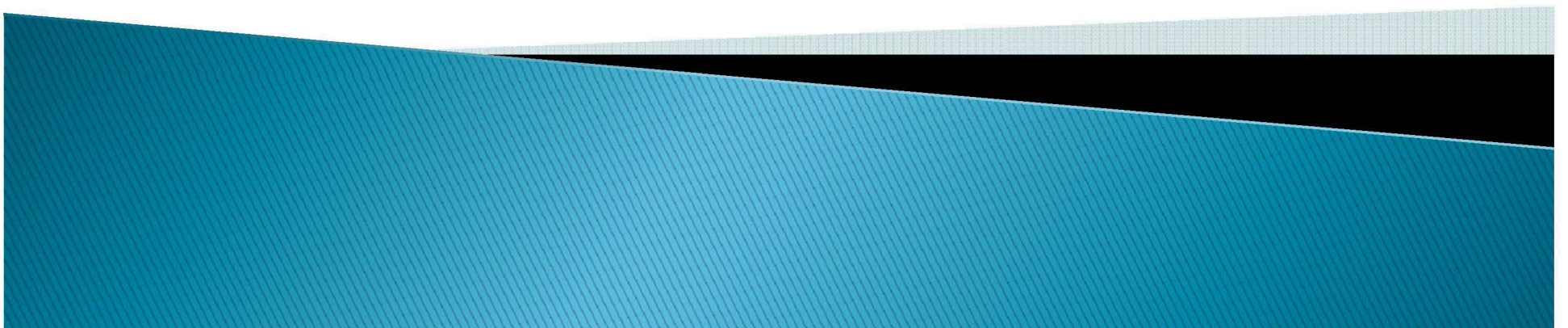
# FAQ?

- ▶ What does a refunding issue mean to me?
  - TPFAs refund debt to lower interest costs.
  - Agencies must certify there has been no change in use.
  - A new project fund is not required.





# Summary of Timelines



# Sample CP Timeline

Date	Event
5/31/2009	Legislature authorizes project and debt*
7/06/2009	Agency governing body adopts a resolution
7/13/2009	Agency submits request for financing to TPFA
8/06/2009	TPFA Board approves request, determines type of debt instrument and sale process
August 2009	TPFA structures the debt issue
9/01/2009	TPFA submits BRB application
9/08/2009	BRB planning session
9/17/2009	BRB approves issuance of debt
9/22/2009	Issue CP/Deposit proceeds in project fund
	* <i>GO Bonds appropriated by Art. IX, Sec 17.11 GAA, 81<sup>st</sup> Leg., R.S. need LBB approval of projects before bonds are issued.</i>

# Sample Bond Timeline

Date	Event
5/31/2009	Legislature authorizes project and debt*
7/06/2009	Agency governing body adopts a resolution
7/13/2009	Agency submits request for financing to TPFA
8/06/2009	TPFA Board approves request, determines type of debt instrument and sale process
August 2009	TPFA structures the debt issue
9/01/2009	TPFA submits BRB application
9/08/2009	BRB planning session
9/17/2009	BRB approves issuance of debt
10/05/2009	Bond sale
10/27/2009	Closing/Deposit proceeds in project fund
	<i>* GO Bonds appropriated by Art. IX, Sec 17.11 GAA 81<sup>st</sup> Leg., R.S. need LBB approval of projects before bonds are issued.</i>