

**TEXAS PUBLIC FINANCE AUTHORITY
DEBT MANAGEMENT GUIDELINES**

February 2, 2006
Re-adopted May 5, 2011

Structure of Bond Issues

1. The term of the bond issue should equal the lesser of the useful life of the asset being financed or 20 years.
2. A level principal structure should be used for bonds repaid from general revenue. This structure results in 50% of debt being repaid in 10 years, and creates future capacity for debt service on additional bond issues. A level debt service structure should be reserved for bonds repaid from a dedicated revenue stream, if necessary or appropriate.
3. Variable rate debt should be amortized annually based on the same guidelines.
4. Refundings should be structured to maximize present value savings and achieve level debt service savings when appropriate.
5. The Board should establish savings criteria for each refunding appropriate to existing market conditions and outstanding debt. A minimum savings criteria of 3% present value savings for maturities with more than one year from the call date and at least positive savings for maturities with less than a year to the call date should be considered.

Variable Rate Exposure

6. The Authority should establish a target of maintaining 20 percent of its total outstanding general revenue supported debt in a variable rate mode.
7. Variable rate debt should be converted to fixed rate debt as necessary to maintain the 20% target, to meet the particular needs of a financing program, or to lock in low fixed interest rates.

Method of Sale

8. The Authority will utilize both competitive and negotiated sales. In general, negotiated sales will be used in the following circumstances:
 - complex transactions that require extensive financial modeling, credit analysis, or pre-marketing efforts, or that are interest rate sensitive
 - volatile financial markets
 - the par amount allows the Authority to achieve the goals of its underwriting policy¹

Competitive sales will be used in the following circumstances:

- well known credit, such as a general obligation pledge or annual appropriation of general revenue
- simple structure and financial analysis
- stable financial market
- moderate par amount

Swaps and Derivatives

9. The Authority will follow its Swap Policy when implementing swaps and other derivative products.

¹These goals are outlined in TPFA's Underwriting Pool/Underwriter Selection Process.