

Texas Public Finance Authority

Board of Directors:

D. Joseph Meister, Chair
Ruth C. Schiermeyer, Vice Chair
Gerald Alley, Secretary
Billy M. Atkinson, Jr.
Mark W. Eidman
Rodney K. Moore
Robert T. Roddy, Jr.

Susan K. Durso
Interim Executive Director



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

January 5, 2012

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, January 5, 2012, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Joe Meister, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Gerald Alley, Secretary; Mr. Rodney Moore, Member; Mr. Tom Roddy; and Mr. Billy Atkinson, Member.

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

Present in their designated capacities were the following persons: Chuck Rohre, Waters Consulting Group; Nora Chavez, Stifel Nicolaus; Rick Menchaca, BOSC, Inc.; Art Morales, Siebert Brandford Shank & Co.; Tim Peterson, JP Morgan; Paul Jack, Estrada Hinojosa; Heather Fleming, House Appropriations; Kim Edwards, Fidelity; Desrye Morgan, Wells Fargo; Justin Groll, Texas Bond Review Board; Curtis P. Flowers, Loop Capital Markets; Tim Kelley, Piper Jaffray; Dalton Smith, Curt Shelmire, Bank of America Merrill Lynch; John Daniel, Barclays Capital; Jerry McGinty, Sherry Koenig, Jennifer Gonzales, Texas Department of Criminal Justice; Mr. John Munoz, Texas Department of Transportation; Julie Houston, Winstead; and Chris Allen, First Southwest Co.

Mr. Meister called the meeting to order at 10:30 a.m.

Excuse absences of board members.

Mr. Roddy moved to excuse the absence of Mr. Eidman. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 3. Approve the minutes of the November 3, 2011, Board meeting.

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of November 3, 2011. Mr. Roddy stated the record did not reflect he attended the meeting. Mr. Meister stated there was a correction to the minutes as noted by staff to correct the spelling of Ms. Lena Conklin. Mr. Alley asked that the minutes reflect he left early after the Executive Session concluded. Mr. Roddy moved to approve the minutes as amended. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 4. Consideration, discussion and possible action to authorize issuance of Requests for Information for Underwriters, Bond Counsel, Arbitrage Consultants and Financial Advisors in FY2012.

Ms. Durso presented staff's request for authority to issue requests for information or proposals, as appropriate, for the consultant types listed on the agenda for the coming year. The arbitrage consultant contract has not been refreshed since 2006. The 2006 contract allowed a number of extensions and because TPFA was pleased with the work of the consultant, the options to extend were used. There are no remaining provisions for an extension so a request for proposals needs to be issued.

There has been personnel movement within the banking firms and it has been two years since the underwriting pool has been refreshed. Staff would also like to refresh the bond counsel pool because it has also been two years since the current pool was put in place. Refreshing the financial advisor pool is not necessary at this time, because there are no transactions in the next several months, and because the contract with First Southwest for its work related to the Windstorm Insurance Association has been extended. Due to the upcoming work on staff's calendar including the agency strategic plan and legislative appropriations request along with a general obligation refunding in the spring, staff would like to obtain authority to determine the pace at which the requests are issued. Staff's plan is to issue the bond counsel and arbitrage requests in January, if the Board approves, so that staff can evaluate the responses and present them to the Board for review in March or April. It would be followed by issuing the RFP for underwriting services. The financial advisors currently in that pool would be available to assist staff in evaluating the underwriting firms.

Ms. Durso stated she had provided the Board with copies of the scope of services for each type of consultant. The descriptions are very similar to ones the Board has approved in the past.

Mr. Atkinson moved to approve staff request for authority to issue bond counsel, arbitrage consultant services and underwriters as discussed. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 5. Consideration, discussion and possible action on Texas Department of Criminal Justice's Request for Financing to issue general obligation debt in an amount totaling \$50 million for the repair and rehabilitation of facilities as authorized by the Texas Constitution Art. III, Sec. 50-g, and Articles V and IX of the 2012-2013 General Appropriations Act subject to approval by the Legislative Budget

Board, select a method of sale, appoint outside consultants, if needed, and take other necessary related action.

Ms. Durso stated that the Texas Department of Criminal Justice had requested issuance of \$10 million in fiscal year 2012 and \$40 million in fiscal year 2013. The General Appropriations Act requires that the Legislative Budget Board grant approval of the request and TDCJ has received LBB approval for the 2012 issuance. Staff is asking for approval of both issuances contingent upon the Legislative Budget Board's approval of the 2013 issuance at a later date.

Staff is also recommending that the Authority issue the debt through its 2008 GOCP program due to the low short-term rates. Ms. Durso introduced Mr. Jerry McGinty, Texas Department of Criminal Justice, to discuss its request, the projects and expenditures.

Mr. McGinty, Chief Financial Officer for the Texas Department of Criminal Justice, provided some history of its use of general obligation bond proceeds. Since the late 1980s, TDCJ has used bond proceeds for capacity projects to build prison beds. In the mid-90s, 110,000 beds were built throughout the system, in addition to what was in existence. Each of those biennia, TDCJ received an appropriation for repair and renovation of existing facilities. TDCJ has spent about \$80 million per biennium. In the last session, the Legislature wanted to make reductions in TDCJ's bond proceeds.

The Legislature authorized \$10 million the first year and \$40 million the second year. TDCJ was asked by the Legislature how much in unexpended balances would be available and TDCJ's response was that it was roughly \$30 million. The \$30 million unexpended balances are tied to projects, but in an effort to make a reduction, the Legislature reduced our \$80 million request down to \$50 million. Bond proceeds are not used for facility maintenance. General maintenance work is funded in one of TDCJ's general revenue strategies. TDCJ has 111 facilities throughout the State that are over 75 years old and a lot of work is done to maintain those facilities. For large projects, such as a replacement of a water treatment lines or water distribution lines or roofing or replacement of fire alarm equipment or fencing replacement, these are long-term projects that are suitable for bond proceeds.

Mr. Roddy asked about the expected rate for commercial paper. Ms. Durso said it had been below .02; yesterday the rate was .06, last week .07, .10, .14--very cheap money. Mr. McGinty complimented the Authority's staff for its work. Ms. Schiermeyer expressed concern that the \$30 million is tied up in other projects and she asked where the money was going to come from to meet the other \$30 million needed for the current projects. Mr. McGinty said TDCJ would prioritize projects to address the reduced funding.

Ms. Schiermeyer asked what the \$10 million request covers. Mr. McGinty stated it would cover some of the roofing replacements, fencing and some of the water distribution work. Ms. Schiermeyer asked if it would start the projects for which the other \$40 million would be necessary. Mr. McGinty said that TDCJ projects are constantly ongoing and some of the projects are long-term in nature, which means that that there may be funding needs in 2014-15. TDCJ times the projects knowing that the Legislature provides bond funding as a method of finance. Ms. Schiermeyer asked if there was any danger if the \$40 million would not be coming in 2014-15. Mr. McGinty said work would cease if funding was not provided.

Mr. Alley asked if any of the amount identified for security and fencing was for IT security devices or was the amount for real hardware. Mr. McGinty said it was primarily for hardware, but some might fall within the security category. There is a project to replace an intercom system, but not technology for security. Mr. McGinty said one of the priority items provided in 2012-13 and the prior biennium was correctional security equipment and general revenue funds were received for that project. General revenue funding is being used for actual installation of comprehensive video surveillance equipment.

Mr. Atkinson stated that many municipalities are having to go through many transitions for surface water as opposed to well water. Is TDCJ doing this throughout the prison system or is surface water being used in most facilities or is it well water and is that a demand financially that TDCJ will be encountering. Mr. McGinty said that TDCJ worked with many cities to obtain its water and about one-third of the units use well water as a part of the infrastructure.

Ms. Schiermeyer moved to approve the issuance of \$10 million in fiscal year 2012, and an additional \$40 million in FY 2013, general obligation commercial paper through the Authority's 2008 GOCP Program, contingent upon approval of the Legislative Budget Board, pursuant to the authority provided in Article III, section 50-g of the Texas Constitution and section 18.01(b) of the General Appropriations Act the 82nd Legislature. Mr. Moore seconded. The motion passed unanimously.

Item 6. Consideration, discussion and possible action on Texas Department of Transportation's Request for Financing to issue general obligation debt in an amount totaling \$24 million for the Department's Colonias Roadways Grant Program as authorized by the Texas Constitution Art. III, Sec. 49-1, Government Code chapter 1403, and Article VII, Rider 26, p. VII-34 of the 2012-2013 General Appropriations Act, select a method of sale, appoint outside consultants, if needed, and take other necessary related action.

Ms Durso stated the Governor's Office submitted this request for \$24 million of general obligation debt for the Department of Transportation Colonias Roadways Grant program. This program provides funds to counties to develop roadways in areas near the border known as colonias. The Authority set up the 2002B GO CP program pursuant to Article III, Section 49-1 of the Constitution to provide funds for this program. Commercial paper rates are very low now and staff is recommending the continued use of that program. There is \$3 million remaining in the Constitutional authorization after this biennium's appropriation. The \$24 million would be used to repay the counties and Mr. John Munoz, Deputy Director of Finance for the Department of Transportation was introduced to discuss the program.

Mr. John Munoz, Deputy Director of Finance for the Texas Department of Transportation stated the program has existed for several years and is successful in achieving the objectives of providing roadways to the colonias along the Texas-Mexico border. Ms. Schiermeyer asked if these funds are paid back. Mr. Munoz stated the funds are state grants for the roadway improvements. Texas Department of Transportation provides the grant monies to the local jurisdictions. Ms. Durso stated the repayment of the debt service is general obligation that comes to TPFA from general revenue. The repayment to the counties is through the grant program. The counties go out and expend the funds, apply for a grant and Texas Department of

Transportation funds the repayment to the county, but the repayment of the debt is general obligation debt is from general revenue funds appropriated to TPFAs for debt services.

Mr. Moore moved to approve the issuance of \$24 million of general obligation commercial paper through the Authority's 2002B GOCP Program pursuant to the authority provided in Article III, section 49-1 of the Texas Constitution for use by the Texas Department of Transportation in accordance with Government Code chapter 1403, and Art. VII, Rider 26, of the General Appropriation Act of the 82nd Legislature. Mr. Atkinson seconded. The motion passed unanimously.

**Item 7. Staff Report (No Action Items) – Market Update
Annual Financial Report
Operating Budget--Update 1st Quarter, FY2012**

Ms. Durso directed the Board's attention to the agency staff report showing that 98 1/2% of the Authority's debt was in fixed-rate bonds with less than 2% in commercial paper. In FY 2012 there have been only four master lease purchases. Last year, a total of 11 master leases were received. She also stated that the agency's operating budget showing expenditures for the first quarter of the fiscal year was included in their materials for their review.

Ms. Durso congratulated Pamela Scivicque for her acceptance in Texas Government Fiscal Officers Academy, a competitive program that is held once a biennium.

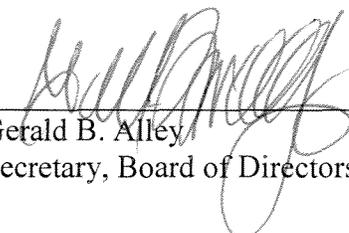
Item 8. Consideration and possible action regarding the Executive Director search, including discussion with a representative of Waters Consulting Group.

The Board began an Executive Session at 10:57 a.m. The Board adjourned the Executive Session at 12:25 p.m.

The Board reconvened open meeting at 12:25 p.m. As a result of the Executive Session, the Board directed Ms. Pamela Scivicque to work with Mr. Rohre, Waters Consulting Group on the Executive Director search.

The meeting adjourned at 12:26 p.m.

The foregoing minutes were approved and passed by the Board of Directors on February 8, 2012.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A

Open Meeting Submission

Current Meeting Notices

Agency Name: Texas Public Finance Authority
Date of Meeting: 01/05/2012
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: 2011008777
Submit Date: 12/28/2011
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, JANUARY 5, 2012, 10:30 A.M.
 Capitol Extension Hearing Room E2.028
 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 November 3, 2011, Board meeting.
4. Consideration, discussion and possible action to authorize issuance of Requests for Information for Underwriters, Bond Counsel, Arbitrage Consultants and Financial Advisors in FY2012.
5. Consideration, discussion and possible action on Texas Department of Criminal Justice's Request for Financing to issue general obligation debt in an amount totaling \$50 million for the repair and rehabilitation of facilities as authorized by the Texas Constitution Art. III, Sec. 50-g, and Articles V and IX of the 2012-2013 General Appropriations Act subject to approval by the Legislative Budget Board, select a method of sale, appoint outside consultants, if needed, and take other necessary related action.

6. Consideration, discussion and possible action on Texas Department of Transportation's Request for Financing to issue general obligation debt in an amount totaling \$24 million for the Department's Colonias Roadways Grant Program as authorized by the Texas Constitution Art. III, Sec. 49-1, Government Code chapter 1403, and Article VII, Rider 26, p. VII-34 of the 2012-2013 General Appropriations Act, select a method of sale, appoint outside consultants, if needed, and take other necessary related action.

7. Staff Report (No Action Items) & Market Update
Annual Financial Report
Operating Budget--Update 1st Quarter, FY2012

8. Consideration and possible action regarding the Executive Director search, including discussion with a representative of Waters Consulting Group.

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 and employment of the Executive Director and the duties and performance of the Interim Executive Director, General Counsel or other staff.

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.

10. Discussion of future meeting dates and times.

11. 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.