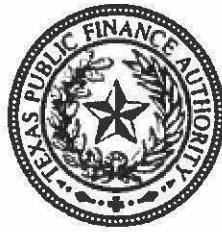


# TEXAS PUBLIC FINANCE AUTHORITY

## BOARD OF DIRECTORS:

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



## EXECUTIVE DIRECTOR

Lee Deviney

## MAILING ADDRESS:

Post Office Box 12906  
Austin, Texas 78711-2906

## PHYSICAL ADDRESS:

300 West 15th Street, Suite 411  
Austin, Texas 78701

TELEPHONE: (512) 463-5544

FACSIMILE: (512) 463-5501

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

June 23, 2017

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 is attached hereto as Exhibit "A") at 12:00 p.m., Friday, June 23, 2017 Capitol Extension Hearing Room E2.026, State Capitol, 1400 N. Congress Ave., Austin, Texas. Present were: Mr. Billy M. Atkinson, Jr., Chairman; Mr. Ramon Manning, Member; Mr. Walker N. Moody, Member; and Robert T. Roddy Jr., Member. Mr. Manning and Mr. Moody participated via video conference from Houston, Texas.

Representing the Authority's staff were: Lee Deviney, Executive Director; John Hernandez, Deputy Director; Pamela Scivicque, Director of Business Administration; and John Barton, Senior Financial Analyst.

In attendance were the following persons, representing the indicated entities: Matt Boles and Clarence Grier, RBC; Dalton Smith, Bank of America Merrill Lynch; Daniel Rodriguez, FTN Financial; Mark Ellis, Jefferies; Patrick Scott and Brian Middlebrook, Barclays; Blaine Brunson, Morgan Stanley; Chris Allen, Gabriella Briceno and Sarah Wells, FirstSouthwest; Hasan Mack, McCall, Parkhurst & Horton L.L.P.; Olivia Menick and Matt Johanson, PFM Asset Management LLC; Barron Wallace, Bracewell LLP; Heidi McConnell and Roshonda Thomas, CPRIT; Paul Jack, Estrada Hinojosa & Co.; Curtis Flowers, Loop Capital Markets; Humberto Aguilera, Escamilla & Poneck, LLP; Brad Angst, George K. Baum & Co.; Steve Bolden, Mahomes Bolden PC; and, Linde Murphy, M.E. Allison and Co. Inc.

Mr. Atkinson called the Board meeting to order at 12:09 p.m. and noted the presence of a quorum.

**Item 1. Confirm meeting posting compliance with the Open Meetings Act.**

Mr. Atkinson confirmed that the meeting was duly posted with the Secretary of State's Office.

**Item 2. Excuse absences of board members, if necessary.**

**Action:** Motion by Mr. Roddy to excuse the absence of Mr. Alley, Mr. Moore and Ms. Schiermeyer. Second by Mr. Manning. The motion passed unanimously.

**Item 3. Review and approval of the minutes of the April 6, 2017 Board Meeting and the April 6, 2017 Work Session.**

Mr. Atkinson asked if there were any corrections to the Work Session or Board Meeting minutes. None were noted.

**Action:** Motion by Mr. Manning to approve the minutes of the April 6, 2017, Work Session and Board Meeting, second by Mr. Roddy. The motion passed unanimously.

**Item 4. Consideration, discussion and possible action to approve the Request for Financing submitted by the Cancer Prevention & Research Institute of Texas, in an amount not to exceed \$300,000,000 in general obligation debt during Fiscal Year 2018, for authorized program costs; selection of a method of sale; appointment of outside consultants, if necessary; and taking other necessary related action.**

The Chairman asked Mr. Deviney to provide details about the request for financing. Mr. Deviney stated the agency can issue an additional \$300 million for FY 2018 pursuant to appropriation and constitutional authorization.

The Chairman recognized Heidi McConnell with the Cancer Prevention and Research Institute of Texas (CPRIT). Ms. McConnell provided a brief update on CPRIT, stating they have a full-time head count of up to 35 employees after receiving three additional grant compliance positions, which now brings the grant compliance staff to eight FTE's. The legislature amended CPRIT's sunset date by two years, which would extend the life of the agency through 2023.

**Action:** Motion by Mr. Roddy to approve the Request for Financing submitted by the CPRIT, in an amount not to exceed \$300 million for Fiscal Year 2018 and that such financing will utilize the existing commercial paper program. Second by Mr. Manning. The motion passed unanimously.

### **Item 5. Refunding Opportunities for 2017.**

The Chairman asked Mr. Deviney to address this item. Mr. Deviney stated that staff reviewed and analyzed four potential refunding opportunities for the board to consider, however only two of those opportunities are suitable for refunding based on today's market.

Mr. Deviney explained the first is a Texas Southern University (TSU) opportunity; however, TSU has not submitted a request for financing to refund the bonds.

The second opportunity relates to the GO Series 2009B Build America Bonds; however, if these bonds were to be refunded at this point in time they would lose their federal subsidy.

The third opportunity is a refunding of approximately \$22 million of GO Series 2008A bonds.

The fourth opportunity is a refunding of approximately \$4.1 million of Revenue Series 2006 bonds issued for the Texas Historical Commission.

Mr. Deviney stated that staff recommends moving forward with a taxable refunding of the GO Series 2008A bonds and taxable refunding of the Revenue Series 2006 bonds.

**Action:** Motion by Mr. Manning to approve the refinancing of both the TPFA 2008A General Obligation Bonds and the TPFA 2006 Lease Revenue Bonds. Second by Mr. Moody. The motion passed unanimously.

### **Item 6. Consideration, discussion and possible action to authorize the refinancing of outstanding Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2008A, determine a method of sale, select outside consultants and take other necessary related action.**

Mr. Deviney stated that proposals for this refunding were received from two underwriting firms that are not currently in the underwriting pool, Blaylock Beal Van, LLC and George K. Baum & Company. Mr. Deviney reminded board members that, per board policy, the Board may add or remove firms from the pool at any time on a per transaction basis.

For the proposed 2008A taxable refunding transaction, staff recommended the appointment of the Bracewell law firm to serve as bond counsel for this transaction based on prior experience and demonstrated competence serving as bond counsel for the original 2008A bond issue.

Staff recommended the appointment of the law firm of Mahomes Bolden to serve as disclosure counsel for this transaction based on prior experience and demonstrated competence serving as co-bond counsel for a recent Texas Southern University bond issue.

Staff recommended the appointment of FirstSouthwest to serve as financial advisor for this transaction based on prior experience and demonstrated competence serving as financial advisor to the TPFA.

Staff recommended the appointment of an underwriting team consisting of two firms: George K. Baum & Co. as Senior Manager and Blaylock Beal Van, LLC as Co-Manager. These firms are recommended for bringing forth the refunding proposal for cost savings to the state. Staff and financial advisors have confidence that this syndicate will have the underwriting and marketing capabilities to execute the transaction.

**Action:** Motion by Mr. Manning to direct staff to continue to evaluate a potential refunding of the 2008A General Obligation Bonds and to take any necessary steps in preparation for such a refunding and to appoint the following team for the transaction: bond counsel, Bracewell; disclosure counsel, Mahomes Bolden; financial advisor, FirstSouthwest; and an underwriting syndicate consisting of George K. Baum & Company as senior manager and Blaylock Beal Van, LLC, as Co-Manager. Second by Mr. Moody. The motion passed unanimously.

**Item 7. Consideration, discussion and possible action to authorize the refinancing of outstanding Texas Public Finance Authority Taxable Lease Revenue Bonds (Texas Historical Commission Project), Series 2006, determine a method of sale, select outside consultants and take other necessary related action.**

The Chairman called upon Mr. Deviney to present this item. Mr. Deviney stated that this is a small transaction of approximately \$4.1 million.

Mr. Deviney stated that staff recommends the appointment of the law firm of Escamilla & Poneck to serve as bond counsel for this transaction based on prior experience and demonstrated competence serving as disclosure counsel for the 2016 TMPC general obligation refunding bond issue.

Staff recommended the appointment of the law firm of McCall, Parkhurst & Horton to serve as disclosure counsel for this transaction based on prior experience and demonstrated competence serving as disclosure counsel for several recent bond issues.

Staff recommended the appointment of FirstSouthwest to serve as financial advisor for this transaction based on prior experience and demonstrated competence serving as financial advisor to the TPFA.

Staff recommended the appointment of an underwriting team consisting of one firm: George K. Baum & Co. as Sole Manager. This firm is recommended for bringing forth the refunding proposal for cost savings to the state. Staff and financial advisors have confidence that this firm has the underwriting and marketing capabilities to execute the transaction.

**Action:** Motion by Mr. Roddy to direct staff to continue to evaluate a potential refunding of the 2006 Lease Revenue Bonds and to take any necessary steps in preparation for such a refunding and to appoint the following team for the transaction: bond counsel, Escamilla & Poneck; financial advisor, FirstSouthwest; and as the sole underwriter for the transaction, George K. Baum & Company. Second by Mr. Manning. The motion passed unanimously.

**Item 8. Liquidity Agreement Extensions for the 2018-19 biennium.**

Mr. Deviney reviewed the Comptroller's provision of liquidity for TPFA's four commercial paper (CP) programs: the Master Lease Purchase Program revenue CP program, the 2008 GO CP program, the Cancer Prevention & Research Institute of Texas GO CP program, and the 2016 Texas Facilities Commission (TFC) revenue CP program (Capitol Complex & North Austin projects). The Comptroller has proposed contract extensions through the end of fiscal year 2018 for the TFC liquidity agreement and through the end of fiscal year 2019 for the remaining three liquidity agreements. The Comptroller is adjusting the coverage amounts for two of the programs after consulting with TPFA staff. The Comptroller is proposing minor amendments to conform the TFC liquidity agreement with the other three liquidity agreements.

Mr. Deviney added that the Comptroller has proposed the coverage amount for the TFC program not be adjusted at this time, based on uncertainties in TFC's draw schedule. The Comptroller recognizes that TFC may accelerate their funding draws during FY 2018 beyond the proposed \$75 million liquidity coverage and has indicated a willingness to address expanding the liquidity coverage during the biennium.

Mr. Deviney stated that staff is grateful to be able to use Comptroller liquidity, since it is the least expensive source of liquidity.

**Action:** Motion by Mr. Manning to authorize staff to execute the proposed liquidity extensions on all four of TPFA's commercial paper programs and further authorize staff to execute additional amendments to the liquidity agreement for the Texas Facility Commission program during fiscal year 2018, so as to increase the liquidity commitment in amounts necessary to accommodate TFC funding requirements not to exceed \$300 million. Second by Mr. Moody. The motion passed unanimously.

**Item 9. Travel expense reimbursement for CSFC board members.**

Mr. Deviney advised the Board that Directors of the Texas Public Finance Authority Charter School Finance Corporation (CSFC) serve without compensation and are not currently reimbursed for their travel expenses while serving in their official capacities. The 85<sup>th</sup> Legislature adopted a new rider which authorizes TPFA to reimburse CSFC director travel to corporation board meetings. No additional funding was appropriated for this purpose, but the cost is expected to be minimal and can be absorbed within TPFA resources. Mr. Deviney stated the ability to reimburse directors for travel may help when attracting directors from outside the Austin area.

Mr. Deviney stated, there is no action currently needed and the staff will present additional information at the next Board meeting on the agency's administrative operating budget for FY18. The Board will be able to consider whether to fund travel for the CSFC at the next meeting.



**Item 10. Bond service provider selection for the 2018-19 biennium.**

Mr. Deviney stated that beginning in July 2015, TPFA issued three separate RFP's for proposals from bond counsel, underwriters and financial advisory firms. The current pools for bond counsel and underwriters will expire on August 31, 2017, but may be extended by the Board for up to two more years at the Board's discretion. The pool of financial advisors will expire on August 31, 2017. The Board may issue an RFP or extend the current pool through fiscal years 2018-2019. At the February meeting, the Board discussed deferring action on issuing RFP's until after the legislative session, at which time the Board would have a better picture of the volume of future transactions. Discussion ensued regarding extending the pools or issuing a new RFP. The volume of expected transactions for 2018-2019 was discussed.

**Action:** Motion by Mr. Manning to extend the term of the current bond counsel pool for an additional two-year period, through August 31, 2019. Further, to extend the term of the current underwriting pool for an additional two-year period, through August 31, 2019. Further, that the Board continue the current pool of financial advisors by appointing FirstSouthwest, a division of Hilltop Securities, and FTN Financial, which is a successor to Coastal Securities, to serve as the financial advisory pool for negotiated transactions for the biennium ending August 31, 2019. Second by Mr. Moody. The motion passed unanimously.

**Item 11. Post-Sale Report: Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2017A (2008 GO CP).**

The Chairman called on Matt Boles with RBC Capital Markets to present a post-sale report. Mr. Boles reported that the transaction went well. He stated that the Pricing Committee and financial advisor were instrumental in working through the numbers at the bond pricing. Mr. Boles further stated that RBC was able to attract new buyers to purchase TPFA bonds. RBC Capital Markets underwrote just under \$24 million of the bonds. Mr. Boles was complimentary to all the TPFA staff and service providers who supported the transaction.

Mr. Deviney stated it was a successful transaction and that TPFA locked in low long-term rates while freeing up capacity in the 2008 CP program.

No action was taken.

**Item 12. Legislative Update:**

**a. Gubernatorial Appointments**

Mr. Deviney advised the Board that Mr. Moore and Mr. Manning were confirmed by the Senate to serve terms expiring on February 1, 2021.

**b. General Appropriations Act**

Mr. Deviney stated staff will provide a more comprehensive update at the next meeting on the GAA, however, he did provide the following details regarding the 2018-2019 biennial budget:

- 1) The agency received \$127,000 to implement the Comptroller's Centralized Accounting and Payroll/ Personnel System (CAPPS) program. By providing these the funds, the agency will be able to hire a half-time position in FY2018 and a full-time position in FY2019.
- 2) The GAA changes the method of financing for the administrative budget to include general revenue; revenue bond proceeds; and MLPP appropriated receipts.
- 3) Authorizes travel reimbursement for CSFC directors, subject to approval by the TPFA Board. TPFA received no additional appropriation for this purpose and the cost will be absorbed if the TPFA Board approves this at their next meeting.
- 4) Authorizes TPFA to issue revenue debt (stand-alone or through MLPP) to fund a \$32 million TxDOT project.

Mr. Deviney stated that the House version of the GAA contained an appropriation to set up a commercial paper program for the Texas Military Preparedness Commission, but the final version did not contain this appropriation.

**c. Other Legislation**

Mr. Deviney reviewed other legislative bills that might have affected the agency, but did not pass in either one or both houses of the legislature.

Mr. Deviney discussed HB 2, the Supplemental Appropriations Bill for FY 2017. TPFA identified various general revenue savings in its FY 2017 budget and reported those amounts to the Legislature. The total amount reported to legislature was approximately \$65.5 million. Those funds were used by the Legislature to contribute to certain high priority state funding requirements, such as Medicaid and child protective services. The TPFA savings were due to recent refundings such as the 2017A GO Refunding, lower than budgeted interest rates and from self-identified reductions to operating expenses plus the Governor's hiring freeze.

Mr. Deviney advised that the bill providing State indemnification of CSFC directors was not heard by the Senate due to time constraints, but it did pass in the House. The Chairman asked if the directors were still covered by a D&O insurance policy. Mr. Deviney indicated the policy is still in place.

**Item 13. Staff Update:**

**a. IRS Update: Issue Price Rule**

This item was not discussed.

**b. Status Report: CSFC vacancies**

Mr. Deviney reported the recent appointments of Paul Jack and David Miller to the CSFC Board of Directors were approved by the Governor on June 1, 2017. An earlier appointment to the CSFC Board, Monty Humble, was approved by the Governor on April 18, 2017. This leaves one remaining vacancy on the CSFC Board. Staff is seeking names to recommend to the TPFA Board to fill that position.

**c. Status Report: CSFC Texas Credit Enhancement Program**

This item was not discussed.

**d. Personnel Update**

Mr. Deviney advised the Board that the agency recently hired Kacee Wagner who was previously with the Veterans Commission and has a variety of skills including extensive experience in state budget, accounts payable and procurement experience. Mr. Deviney stated that Ms. Wagner is also a Certified Texas Purchaser.

**e. Market Update**

Mr. Barton stated the short-term interest rates are up and the commercial paper program is trading 5-10 points higher than in the past year. Mr. Barton indicated that the TFC has drawn \$17 million of the \$767 million allocated for their projects.

**Item 14. Future agenda items and meeting dates.**

The Chairman offered apologies for the cancellation of the June 15, 2017 meeting.

An August Board meeting was discussed, with a tentative date being August 10, 2017. A recommendation to keep calendars open for future Board meetings on September 7, 2017 and October 5, 2017 was made by the Chairman.

Mr. Deviney stated the major work for the August meeting will be approval of the bond documents the Board just authorized.

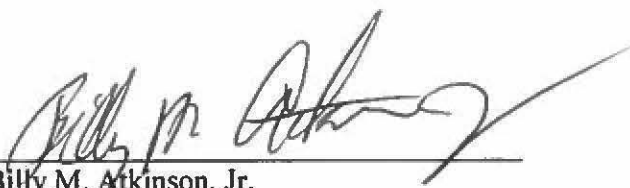
The operating budget and personnel actions may be presented at the August meeting.



**Item 15. Adjourn.**

Mr. Atkinson adjourned the meeting at 1:07 p.m.

The foregoing minutes were approved and adopted by the Board of Directors on August 10, 2017.



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Billy M. Atkinson, Jr.  
Chair, Board of Directors

ATTACHMENT: Posting Notice



Donna Weinberger-Rourke

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## Open Meeting Submission

**TRD:** 2017004557  
**Date Posted:** 06/15/2017  
**Status:** Accepted  
**Agency Id:** 0113  
**Date of Submission:** 06/15/2017  
**Agency Name:** Texas Public Finance Authority  
**Board:** Texas Public Finance Authority  
**Committee:** Board Meeting  
**Date of Meeting:** 06/23/2017  
**Time of Meeting:** 12:00 PM ( ##:## AM Local Time)  
**Street Location:** Capitol Extension Hearing Room E2.026 State Capitol 1400 N. Congress Ave.  
**City:** Austin  
**State:** TX  
**Liaison Name:** Donna Weinberger-Rourke  
**Liaison Id:** 8  
**Additional Information Obtained From:** Contact Donna Weinberger at 512/4635544, 300 W. 15th Street, Suite 411, Austin, TX 78701  
**Agenda:**

Texas Public Finance Authority  
Board Meeting  
Friday, June 23, 2017 - 12:00 P.M.  
Capitol Extension Hearing Room E2.026  
State Capitol  
1400 N. Congress Ave.  
Austin, Texas

### AGENDA

The Board may discuss and take action regarding any of the following matters:

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members, if necessary.

3. Review and approval of the minutes of the April 6, 2017 Board Meeting and the April 6, 2017 Work Session.
4. Consideration, discussion and possible action to approve the Request for Financing submitted by the Cancer Prevention & Research Institute of Texas, in an amount not to exceed \$300,000,000 in general obligation debt during Fiscal Year 2018, for authorized program costs; selection of a method of sale; appointment of outside consultants, if necessary; and taking other necessary related action.
5. Refunding Opportunities for 2017.
6. Consideration, discussion and possible action to authorize the refinancing of outstanding Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2008A, determine a method of sale, select outside consultants and take other necessary related action.
7. Consideration, discussion and possible action to authorize the refinancing of outstanding Texas Public Finance Authority Taxable Lease Revenue Bonds (Texas Historical Commission Project), Series 2006, determine a method of sale, select outside consultants and take other necessary related action.
8. Liquidity Agreement Extensions for the 2018-19 biennium.
9. Travel expense reimbursement for CSFC board members.
10. Bond service provider selection for the 2018-19 biennium.
11. Post-Sale Report: Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2017A (2008 GO CP).
12. Legislative Update:
  - a. Gubernatorial Appointments
  - b. General Appropriations Act
  - c. Other Legislation
13. Staff Update:
  - a. IRS Update: Issue Price Rule
  - b. Status Report: CSFC vacancies
  - c. Status Report: CSFC Texas Credit Enhancement Program
  - d. Personnel Update
  - e. Market Update

14. Future agenda items and meeting dates.

15. Adjourn.

THE BOARD MAY GO INTO CLOSED SESSION REGARDING ANY ITEM ON THE AGENDA IF PERMITTED UNDER THE OPEN MEETINGS ACT, GOVERNMENT CODE CHAPTER 551.

Persons with disabilities who have special communication or other needs, who are planning to attend the meeting, should contact Donna Weinberger at 512/463-5544. Requests should be made as far in advance as possible. Contact Donna Weinberger if you need any additional information, Texas Public Finance Authority, 300 W. 15th Street, Suite 411, Austin, TX 78701.

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