



ALAMO RMA

Alamo Regional Mobility Authority

"Moving people faster"

BOARD MEETING
Thursday, January 28, 2016 3:00 p.m.
San Antonio River Authority, Board Room
100 E. Guenther Street
San Antonio, Texas 78204

Minutes

1. **Call meeting to order.** Vice Chairman Gavino Ramos called the meeting to order at 3:15 p.m. Members present: Gavino Ramos, Baltazar Serna, Ramiro Cavazos, and David Starr. Members absent: John Clamp, Lou Miller and John Montford.
2. **Swearing in of Baltazar R. Serna, Jr. as a Director on the Alamo RMA Board of Directors. Mr. Serna was sworn in as Board of Director on the Alamo RMA.** Mr. Serna was sworn in prior to the start of the meeting.
3. **Approval of minutes from the Regular Board of Directors Meeting of December 17, 2015.** D. Starr made motion to approve the minutes as presented to the Board of Directors. R. Cavazos seconded the motion. All voted in favor, except Mr. Serna who abstained.
4. **Executive Director's Report.** David Smith presented.

A. Monthly Status Report on General Engineering Consultant (GEC) Work Authorizations
For the month of December no work was performed with Pape Dawson Munoz or HNTB.

B. Monthly Update on the Loop 1604 Environmental Assessment

- **Work Authorization No. 5: Environmental Assessment (EA):**
 1. Coordinated a revised date for the Public Hearing
 2. Coordinated with TxDOT ENV regarding revised project limits along I-10
 3. Continued to coordinate with TxDOT and the Federal Highway Administration regarding the Interstate Access Justification Report
 4. Coordinated with TxDOT regarding the I-10 Managed Lane project
 5. Continued project management, coordination and administration tasks

C. Monthly Financials for November & December 2015

- Monthly financial statements are attached for November & December 2015 including the following:
 1. Balance Sheets
 2. Statement of Revenues, Expenses, and Changes in Net Assets
 3. Schedule of Budgetary Compliance and Changes to Net Assets
 4. Project Costs (Capitalized and Non-Capitalized)

The report was accepted by the Board of Directors as presented.

5. **Discussion and appropriate action regarding the approval of the 1st Quarterly Investment Reports for FY 2016 in accordance with Section 2256.023 (a) of the Texas Public Funds Investment Act.** Seth McCabe presented

Section 2256.023 (a) of the Texas Public Funds Investment Act (PFIA) requires that investment reports be filed with the governing body on a quarterly basis each fiscal year.

Interest earned on the bank balances was 35 basis points. Total investment income earned over the quarter was \$23,619.89. The weighted average maturity for the investments was one day.

Question by G. Ramos: Do we have an expectation of what it will be at the end of the year?

Response by S. McCabe: I think you will have over \$100,000 in interest income at the end of this fiscal year.

Question by D. Starr: Is this a net number or gross number?

Response by S. McCabe: Gross number

Question by D. Starr: What do we net out of that?

Response by S. McCabe: The transactions at this time are not incurring any fees, we are not writing that many checks.

Response by D. Starr: Under normal conditions it will always be this way.

Response by S. McCabe: Yes, as we continue to add funds it will go up.

R. Cavazos made the motion to approve 1st Quarterly Investment Reports for FY 2016 as presented to the Board of Directors. D. Starr seconded the motion. All voted in favor.

6. Discussion and appropriate action regarding approval of the Alamo RMA Investment Policy for FY 2016 per Public Funds Investment Act guidelines. Seth McCabe presented

The investment policy is an annual requirement of the Texas Public Funds Investment Act (PFIA). The Board last approved a policy on October of 2014. This item brings an updated Investment Policy for the Boards consideration to satisfy the annual requirement of the Texas PFIA.

The Investment Policy recommended for approval was edited to reflect the following

- The PFIA was amended in regards to the number of training hours required for individuals involved with investments. Prior to the amendment, ten training hours were required both when one first assumes duties and once every two years thereafter. This required training has been lowered due to recent state legislation from ten hours to eight hours and is now reflected in the Policy.
- FHLB Letters of Credit has been added as a form of security for collateral of the Alamo RMA's cash deposits.
- The maximum dollar-weighted average maturity (WAM) of authorized mutual funds has been changed from 90 days to 60 days. Although this is not yet a Texas PFIA change, the SEC has recently made this change and mutual funds are conforming to this change.
- There are other minor edits to the wording of the Policy that are not material.

Question by D. Starr: All we need is one rating agency?

Response by S. McCabe: Correct

Question by D. Starr: Is that a policy with RMA or County?

Response by S. McCabe: In general we comply with the Public Funds Investment Act within our policy. We do like to see two credit ratings when we are actually purchasing something but we feel that having at least the minimum requirements still maintains the flexibility for the RMA to go out and purchase investments.

D. Starr made the motion to approve the Alamo RMA Investment Policy for FY 2016 per Public Funds Investment Act guidelines as presented to the Board of Directors. R. Cavazos seconded the motion. All voted in favor.

7. Discussion and appropriate action regarding the members of the Underwriting syndicate for the proposed issuance of "Alamo Regional Mobility Authority Senior Lien Vehicle Registration Fee Revenue Bonds, Series 2016." Seth McCabe presented

Methods of Sale & Underwriting Syndicate Recommendations

Vehicle Registration Fee Revenue Bonds, Series 2016

- Competitive Sale
 - ❖ Underwriters submit competitive bids for purchase of the bonds.
 - ❖ Bonds are awarded to the best bid (lowest total interest cost to the issuer).
 - ❖ Pros
 - Issuer is assured lowest possible interest cost.
 - Competitive sales promote the appearance of an open and fair process to the market.
 - ❖ Cons
 - Not generally suited for a first-time issuer. More desirable with general obligation bonds or bonds secured by a stable, long-standing revenue source such as utility revenue.
 - Underwriters may build in a significant "risk premium" to compensate for uncertainty in being able to sell bonds at given interest rate.
 - Issuer has minimum control in selecting underwriting syndicate and determining allocation of the bonds.
 - Locked in to specific date and time when issuer can receive bids (market risk exposure).
 - Limited ability to re-arrange maturities and principal amounts.
- Negotiated Sale
 - ❖ An underwriter(s) is selected to purchase the bonds.
 - ❖ Underwriter(s) tailor the structure and terms of the issuance to both meet the needs of the issuer and ensure sufficient interest from investors. Arrived at through the "presale" process.
 - ❖ Issuer must approve structure & terms before bonds are sold.
 - ❖ Pros
 - Greater flexibility in adjusting terms or structure of the deal as well as timing to react to changing market conditions.
 - Underwriter(s) have incentive to engage in pre-sale marketing for the issue.
 - Issuer has greater control in selecting underwriter(s).
 - ❖ Cons
 - Appearance of an "open and fair" process is not guaranteed.
 - Issuer or financial advisor expends more time (human capital) monitoring market developments up to time of sale.
- Private Placement
 - ❖ Bonds are sold through direct negotiation with one or a select few private financial institutions.
 - ❖ Pros
 - Private placements do not have to be SEC-registered. Therefore, there are fewer disclosure requirements than with public offerings.
 - Do not require a bond rating from a credit rating agency.

- ❖ Cons
 - All responsibility is on issuer or financial advisor to establish the terms of the deal and ensure that they are advantageous.
 - Private placement bonds have the lowest amount of transparency among the three methods of sale.

Recommended Financing Method

Negotiated Sale

- Greater flexibility in changing structure or terms on day of pricing as well as choosing time & place.
- Generates more ideas and interest from Underwriter(s) on ways in which to structure financing.
- Allows the issuer to select the Underwriting syndicate and “reward” those Underwriter(s) who actively sell bonds.
- Can tailor to specific investors and their wants or needs, i.e. retail or institutional.
- Opportunity to achieve better overall True Interest Cost (TIC).

Underwriter Pool

- RFQ for Underwriting Services was issued in November 2014.
- 20 Underwriting firms responded.
- Alamo RMA Board approved the selection of 12 financial underwriting firms in February 2015:

- | | |
|---------------------------------|---------------------------------|
| ❖ Bank of America Merrill Lynch | ❖ Morgan Stanley & Co. |
| ❖ JP Morgan Securities | ❖ Piper Jaffrey & Co. |
| ❖ Cabrera Capital Markets | ❖ Ramirez & Co. |
| ❖ Citigroup Global Markets | ❖ RBC Capital Markets |
| ❖ First Southwest Company | ❖ Siebert Brandford Shank & Co. |
| ❖ Frost Bank | ❖ Stifel, Nicolaus & Co. |

Bexar County Experience

- Historically chosen an Underwriting syndicate consisting of 4-5 financial underwriting firms.
- Rewards firms that bring structuring ideas to the County.
- Creates a broader sales base for the bonds – better interest rate.
- Allows for the ability to increase local/SWMBE participation.

Recommended Underwriting Syndicate

- Citigroup Global Markets
- Bank of America Merrill Lynch
- Morgan Stanley & Co.
- Siebert Brandford Shank & Co.

Question by D. Starr: What size of transaction are you anticipating on this?

Response by D. Smith: We are doing some analysis right now but some of the structuring ideas that have been brought forward have suggested that sensitivity be given to what we think the Fed is going to be doing over the next few years. We want to understand what the breakeven point is. We will be doing an in depth analysis/recommendation during your next meeting but at a minimum we are suggesting it will be 70 million, but it could be north of 100.

Question by D. Starr: The sooner we issue the better off we are and the more debt that we issue with the lowest interest rate right now we are in a better bargaining position. Given that, have you made a recommendation as to senior manager on it?

Response by S. McCabe: We aren't recommending a senior at this time, any of these four firms we are recommending can be senior or co firm.

Response by D. Smith: From a staff perspective, the first three have been presenting ideas that we think add value to the RMA's transactions.

Response by D. Starr: I interviewed two of these firms (Citigroup & Morgan Stanley) as to ideas and their outlook on that.

Response by G. Ramos: Why don't we make sure David Starr has time to meet with Bank of America before the next meeting so he could ask the same questions he asked the other groups.

Question by B. Serna: I am concerned with trying to get this going. Is it possible to have this recommendation brought back with the co-managers that you would like to see and the amounts that you want to issue?

Response by D. Smith: If you want to get the money out the door by the time we think TxDOT will need it then what we'd like to do is have you select the underwriting team, the method and the team, you don't have to select who is the lead today and you don't have to select the size of the issuance today but we do need to know who it is to start to work with.

Response by S. McCabe: That's really the intent of the next board meeting in February. We have a work session planned to where we would sit down with you and go over the documents and the possible rating agency presentation that we are looking to possibly roll out to present and that's why we are trying to get these four on board today.

B. Serna made the motion to approve the staff recommended method as well as the Underwriting syndicate for the proposed issuance of "Alamo Regional Mobility Authority Senior Lien Vehicle Registration Fee Revenue Bonds, Series 2016" as presented to the Board of Directors. R. Cavazos seconded the motion. All voted in favor.

8. Discussion and appropriate action regarding the February 2016 Board Meeting date.
Renee Green presented

Normally we meet the fourth Thursday of the month, but David Starr has asked to moved the work session up to Wednesday due to him being in China that day. The February meeting will be a work session at 11:30 a.m. on Wednesday February 24th and lunch will be provided. This room is not available so the location will have to change to the 10th floor of the Paul Elizondo Tower which is where the Commissioner's offices are.

Question by B. Serna: Is there a reason why we don't meet at the County?

Response by R. Green: We initially had them at the County, the parking was not free for the audience, this location at San Antonio River Authority is more accessible.

R. Cavazos made the motion to approve changing the regular scheduled Board Meeting for February 2016 from Thursday February 25th to Wednesday February 24th . D. Starr seconded the motion. All voted in favor.

9. Citizens' Communications. (Citizens must sign the register to speak)

Vice Chairman Ramos acknowledged individuals who signed up to speak. Jack M. Finger signed up to speak on agenda #9.

10. Executive Session - Pursuant to Chapter 551, Subchapter D, Texas Government Code.

Alamo RMA Board of Directors did not meet in Executive Session and no action was taken.

11. Adjournment.

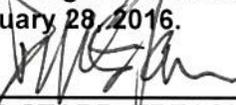
There being no further action for the Board, Vice Chairman Ramos adjourned the meeting at 3:55 p.m.

APPROVED:



JOHN CLAMP, CHAIRMAN DATE ADOPTED: February 24, 2016

I hereby certify that the above foregoing pages constitute the full, true, and correct minutes of all the proceedings and official records of the Alamo Regional Mobility Authority at its meeting on January 28, 2016.

ATTEST: 

DAVID STARR, TREASURER/SECRETARY