

Texas Public Finance Authority

Board of Directors:

1 C. Kerr, Chairman
Bert Mijares, Jr., Vice-Chairman
Cynthia L. Meyer, Secretary
J. Vaughn Brock
Helen Huey
R. David Kelly
Daniel T. Serna

Kimberly K. Edwards
Executive Director



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MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY July 30, 2002

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 10:00 A.M., Tuesday, July 30, 2002, Capitol Extension Hearing Room E2.030, Austin, Texas. Present were: Mr. John Kerr, Chairman, Mr. Bert Mijares, Vice Chairman, Mr. Dan Serna, Board Member, Mr. David Kelly, Board Member, Ms. Helen Huey, Board Member and Ms. Cynthia Meyer, Secretary.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director; Ms. Judith Porras, General Counsel; Mr. John Hernandez, Deputy Director; Ms. Paula Hatfield and Ms. Donna Richardson. Gabriela Klein, Pamela Scivicque, Ophelia Guerrero, Chris Gilliland and Ricky Horne were also in attendance.

Present in their designated capacities were the following persons: Dale Lehman, US Bancorp Piper Jaffray; Curtis V. Flowers, Loop Capital Markets; Tilghman Naylor, Bear Stearns; Paul Jack, PFM; John Daniel, Lehman Brothers; Don Henderson, JP Morgan; Laura Powell, UBS Paine Webber; Curt Shelmire, Morgan Stanley; Karin Werness, Bank One; James A. Lambert, Texas School for the Blind & Visually Impaired; Janet Espinosa, Randy Elliston, Department of Public Safety; Randall Baldwin, James Williamson, Texas Department of Mental Health Mental Retardation; Judy Doran, Steve Whiston, Frank Pulis, Texas Parks & Wildlife Department; Tim Kelley, Coastal Securities; Zelma Smith, Legislative Budget Board; Ed Robertson, Governor's Office; Kay Watson, CKW Financial Group; and Catherine Miller, Jack Addams, First Southwest Co.

Item 1. Call to order.

Mr. Kerr called the meeting to order at 10:12 A.M.

Item 2. Approval of minutes of the May 21, 2002 Board meeting.

Mr. Kerr asked if there were any corrections or additions to the minutes of the Board meeting of June 18, 2002. There being none, Mr. Serna moved to approve the minutes of the Board Meeting as presented. Mr. Kelly seconded the motion. Mr. Kerr abstained. The motion passed with four affirmative votes and one abstention. (Ms. Meyer was absent for this vote).

Item 3. Report on the sale of the Authority's Midwestern State University Revenue Financing System and the Stephen F. Austin State University Revenue Financing System Bonds, Series 2002.

Ms. Edwards reported that the financial advisors, CKW Financial and First Southwest Company, prepared the post sale analysis on the two competitive bond sales. She explained that a couple of underwriters had experienced some difficulty in using the electronic bidding services to submit their bids. The Muni-Auction site, which TPFA used to accept electronic bids, contained the correct maturity amounts published in the Notice of Sale and the Official Statement; however, the Thompson Services and Bloomberg, which some firms use to calculate their bids, published the final maturity amounts from a preliminary draft of the Notice of Sale and the Preliminary Official Statement and therefore did not match the official bid documents. Two firms were prepared to bid, but were not able to submit their bids on time because they did not notice the discrepancy soon enough. Loop Capital Markets had been prepared to bid solo on these two transactions, but was unable to bid on either. Dain Rauscher was serving as a senior manager for a fairly large syndicate; it was able to make the correction for the second sale.

Item 4. Consider a Request for Financing from the Texas Department of Mental Health Mental Retardation for construction and repair projects in the amount of approximately \$35,000,000 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

James Williamson, Capital Budget Analyst for MHMR, provided a brief description of the project. MHMR has designed each of the projects so that virtually all the money will be spent on construction. The projects have already started to be bid out, and MHMR will have nine of the projects bid by the end of the fiscal year, with the remaining projects to be bid in October and November. Randy Baldwin, Director of Maintenance and Construction Division, noted that about 50% of the projects are related to life-safety codes to bring MHMR into compliance primarily in client sleeping and use buildings. About 25% of the money is to be used for roof repairs and replacements. The remainder of the funds will be used for routine expenditures in other categories such as electrical, plumbing repairs, utility repairs and renovation, including asbestos abatement. MHMR has about 1,440 buildings in its system.

Mr. Kelly inquired about how the agency decided to do the design work in-house, versus subcontracting it out, and how much savings resulted. Mr. Baldwin clarified that the design work was actually subcontracted-out. Mr. Kelly also questioned whether leaks were found in connection with the roof repairs. He suggested that the possibility of black mold problems be evaluated wherever leaks were occurring. Mr. Mijares inquired whether the bids received were close to the estimates, and Mr. Baldwin responded that some were more and some were less. Mr. Kerr asked if the

\$35,000,000 was just the first installment of bond proceeds or whether there will be subsequent financings following this one. Ms. Edwards clarified this was the full amount appropriated to MHMR for this biennium.

Mr. Mijares moved to accept staff's recommendation to approve the financing under the 2002A Commercial Paper program. Ms. Huey seconded. Ms. Meyer arrived after discussion on this item had begun and abstained from voting. The motion passed with five affirmative votes and one abstention.

Item 5. Consider a Request for Financing from Texas School for the Blind and Visually Impaired for construction and repair projects in the amount of approximately \$5,134,000 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

James Lambert, Director of Plant Operations for the School for the Blind and Visually Impaired, provided a brief description of the project. The major part of the \$5,134,000 is to be spent for a village or neighborhood of 10 small dormitories that will resemble standard home construction. The new construction is to replace the current facilities, which are similar to double-wide mobile homes, purchased 15 years ago. There will also be an elevator in a larger two-story dormitory that currently has no access to the second level. The remainder of the items in the request are relatively minor amounts for projects such as heating and air conditioning, improvements to the grounds and playgrounds, lighting, asbestos and mold remediation, flooring and auditorium carpet, and a curtain for the auditorium.

Mr. Mijares inquired if these projects were being bid as one project. Mr. Lambert said no and explained that the Texas Building and Procurement Commission will be managing construction of these projects. Ms. Huey commented that this request was actually a replacement of module building and suggested the detail be changed to show buildings as either new or replacement buildings.

Mr. Serna moved to accept staff's recommendation to approve the financing under the 2002A Commercial Paper program. Mr. Mijares second. The motion passed unanimously.

Item 6. Consider a Request for Financing from Texas Parks and Wildlife Department for infrastructure repair, maintenance, and construction projects in the amount of approximately \$36,680,000 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

Steve Whiston, Acting Director of Infrastructure Division of the Parks and Wildlife Department, provided a brief description of the project.

Proposition 8 authorized this \$36,680,000 for design and construction of Parks and Wildlife facilities statewide. In FY 03, \$5,680,000 was appropriated for specific park construction projects, including: \$2,000,000 for the San Jacinto battleground, consisting of major repairs to historic structures, battlefield restoration and installation of utility roads, trails, landscaping; \$600,000 for the National Museum of Pacific War or Nimitz State Historic Site; \$2,580,000 for the Sheldon Lake

Environmental Education Center, which is a new park site being developed in the Houston area. That project will include the first phase for planning and design of the infrastructure, roads, new restrooms, trail systems and the start of interactive exhibits at that site. The final major construction project authorized is the new Levi Jordan State Historic Site in Brazoria County. The first installment is \$500,000 for planning, stabilization of the site, and to begin work on the actual restoration of the Levi Jordan plantation and the development of exhibits for the site.

The remaining \$31,000,000 is dedicated for major repairs at various park sites, wildlife management areas, fish hatcheries and administrative facilities statewide. It includes \$15,000,000 to be used to complete the \$75,000,000 critical repair program, the first \$60,000,000 of which was funded with revenue bonds issued by TPFAs. The other \$16,000,000 is for scheduled or planned repairs statewide that TPWD has identified through its facilities management system. This money will be used to get the department's facilities maintenance back on schedule and kept in good operational condition.

Overall, the repair program consists of 85 projects: \$11,600,000 is for wastewater renovations such as replacing or repairing wastewater treatment plants, lift stations, and water distribution systems; \$17,900,000 is for facility repairs such as roof, electrical and structure repairs identified as necessary and needed, and \$1,400,000 is specifically dedicated for compliance with the American with Disabilities Act.

Ms. Huey moved to accept staff's recommendation to approve the financing under the 2002A Commercial Paper program. Ms. Meyer seconded. The motion passed unanimously.

Item 7. Consider a Request for Financing from the Department of Public Safety for financing video and audio equipment for law enforcement agencies in the amount of approximately \$18,500,000 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

Randy Elliston, Assistant Chief, Traffic Law Enforcement Division of the Department of Public Safety, provided a brief description of the program. The use of the \$18,500,000 bond funds requested is directed by the passage of Senate Bill 1074, a racial profiling bill, that mandated video and audio equipment for law enforcement agencies. The procedure will be a grant type process where agencies will make application to the DPS, voucher awards will be given to successful agencies for submission to approved vendors who will provide the audio and video equipment. The audio/video vendor will bill DPS directly making it easy to certify that the agencies received the equipment.

The expenditure schedule suggests May 2004 as a completion date, although the successful vendor may provide DPS with a revised completion date based on how quickly the equipment can be produced. Vouchers will be sent out beginning September 1, 2002, notifying the successful applicants of their award, instructions for installation, and the requirement for completion within 60 days. After 60 days, the vouchers must be returned. Voucher returns are not expected due to the fact that most agencies are eager to get this equipment installed because there are benefits to their compliance with the data collection requirements of SB1074. The only problem anticipated is the

possibility of a shortage of installers, if a vendor is able to produce a large number of these units at one time.

Mr. Serna moved to accept staff's recommendation to approve the financing under the 2002A Commercial Paper program. Ms Huey seconded. The motion passed unanimously.

Item 8. Consider and approve the Legislative Appropriation Request for Fiscal Year 2004-2005.

Ms. Edwards provided an overview of the Authority's Legislative Appropriations Request for the FY 204-05 biennium. She reviewed the Administrator's Statement, Base Budget/Method of Finance Summary, FY02 Results, Projections for FY03, 04, 05, Performance Measures and HUB Goals and Results.

Mr. Kelly inquired about the IR consulting category and what project it represented. Ms. Edwards explained that the State USAS reports do not produce the level of detail needed so TPFAs runs a separate accounting system called MIP, which requires a full time employee to enter data into and reconcile both systems on a monthly basis. The project is for an interface to integrate the two systems. Ms. Meyer questioned whether the \$5,000 hourly contract amount was adequate, and Ms. Edwards confirmed this amount had been verified.

Ms. Edwards stated the request represents a 6.7% increase overall, primarily reflecting salaries (including legislatively mandated pay raises and two new positions) and the internal audit contract. Mr. Kelly asked if there was a way to illustrate in the administrator's statement TPFAs headcount vs. the number of client agencies. He noted that the volume of financing work has risen dramatically the past few years and the head count has not increased with it. Mr. Kerr inquired about the average bond issuance cost being listed at 66 cents and Ms. Edwards stated that whenever the Authority has large refundings, i.e., in excess of \$100,000,000 the cost of issuance on a per bond basis will be very favorable, and whenever the par amount is small, i.e., less than \$50,000,000 that performance measure will be less favorable. In response to discussion regarding the HUB reporting, Mr. Kelly suggested that it might be helpful to apply the statewide goals against the dollar amount of actual expenditures to show what the actual goal would have been and then to adjust it to show what it would be if you included minority and women-owned firms that are not HUB certified.

Ms. Meyer moved to accept the Legislative Appropriation Request. Mr. Serna seconded. The motion passed unanimously.

Item 9. Consider the Internal Audit Report on Debt Administration and Performance Measures.

Rene Gonzales discussed the internal audit report he provided to the Board. Mr. Gonzales reported that audits of two areas, debt administration and performance measures, had been performed. He reported that the controls in place are generally adequate and effective. Two issues of non-compliance were reflected in the report, but they are not believed to be material in nature. The two findings, one in the debt administration area relating to a Memorandum of Understanding and one performance measures area, have been discussed with TPFAs management. In both cases, TPFAs management concurred with findings and agreed to take corrective action.

Item 10. Other Business/Staff Report.

Ms. Edwards reported that the Office of Attorney General had issued an opinion regarding Texas State Technical College's inquiry as to whether or not TPFA had authority to issue their bonds in the negative. She also introduced TPFA's two new employees, Ricky Horne and Chris Gilliland.

Item 11. Adjourn.

The meeting adjourned at 11:52 A.M.

The foregoing minutes were approved and passed by the Board of Directors on September 17, 2002.



Cynthia L. Meyer
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!
Row inserted

TRD: 2002006909
Date Posted: 07/22/2002
Status: Accepted
Agency Id: 113
Date of Submission: 07/22/2002
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 07/30/2002
Time of Meeting: 10:00 AM (###:## AM Local Time)
Street Location: Capitol Extension, Hearing Room E2.030
City Location: Austin
State Location: TX
Liaison Name: Paula Hatfield
Additional Information Obtained From: If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, Texas 78701.

AGENDA
 TEXAS PUBLIC FINANCE AUTHORITY
 TUESDAY, JULY 30, 2002 10:00 AM
 CAPITOL EXTENSION, HEARING ROOM E2.030
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the June 18, 2002 Board meeting.
3. Report on the sale of the Authority's Midwestern State University Revenue Financing System and the Stephen F. Austin State University Revenue Financing System Bonds, Series 2002.
4. Consider a Request for Financing from the Texas Department of Mental Health Mental Retardation for construction and repair projects in the amount of approximately \$35,000,000 million through the issuance of general obligation bonds, select a method

of sale, and take other necessary related action.

5. Consider a Request for Financing from Texas School for the Blind and Visually Impaired for construction and repair projects in the amount of approximately \$5,134,000 million through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

6. Consider a Request for Financing from Texas Parks and Wildlife Department for infrastructure repair, maintenance, and construction projects in the amount of approximately \$36,680,000 million through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

Agenda:

7. Consider a Request for Financing from the Department of Public Safety for financing video and audio equipment for law enforcement agencies in the amount of approximately \$18.5 million through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

8. Consider and approve the Legislative Appropriation Request for Fiscal Year 2004-2005.

9. Consider the Internal Audit Report on Debt Administration and Performance Measures.

10. Other Business/Staff Report.

11. Adjourn.

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

Certification: I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements.
Kimberly K. Edwards, Executive Director, Certifying Official;
Paula Hatfield, Agency Liaison.

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