

Texas Public Finance Authority

Board of Directors:
R. David Kelly, Chairman
H.L. Bert Mijares, Jr., Vice-Chairman
J. Vaughn Brock, Secretary
Helen Huey
Daniel T. Serna
Barry T. Smitherman



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Kimberly K. Edwards
Executive Director

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY March 16, 2004

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 2:00 P.M., Tuesday, March 16, 2004, Capitol Extension Hearing Room E2.010, Austin, Texas. Present were: Mr. David Kelly, Chairman, Mr. Bert Mijares, Vice-Chairman, Mr. Dan Serna, Member, Ms. Helen Huey, Member and Mr. Barry Smitherman, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director, Mr. John Hernandez, Deputy Director, Ms. Judith Porras, General Counsel, Ms. Pamela Scivicque, Business Manager, Gabriela Klein and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Richard Acosta, Carlos Sharpless, Ramirez & Co.; Jason Frogel, Merrill Lynch & Co., Dale Lehman, Piper Jaffray; Tom Oppenheim, Morgan Keegan; Art Morales, Banc of America Securities LLC; Craig Brast, UBS; Richard Ramirez, Goldman Sachs; Levi H. Davis, Siebert Brandford Shank; Patricia Rodriguez, Banc One Capital Markets; Keith Richard, Lehman Brothers; Andy Bynam, Citigroup; Cheryl Allen, Southwest Securities; David Potter, First Albany; Mark Nitcholas, RBC Dain Rauscher; Carmen T. Best, Jackson Securities; Ajay Thomas, Curt Shelmire, Morgan Stanley; Curtis Flowers, Loop Capital Markets; Don Henderson, JP Morgan; Greg Shields, Andrews & Kurth, LLP; Nancy Hagquist, Frank Jones, Winstead, Sechrest & Minick; Debi Jones, Coastal Securities; Tim Peterson, Mike Bartolotta, First Southwest Co.; Chris Allen, Public Financial Management, Inc.; Cristy Edwards, Vinson & Elkins; and Jody Wright, Legislative Budget Board.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 2:09 P.M.

Item 2. Approval of minutes of the January 20, 2004 Board meeting.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of February 18, 2004. There being none, Ms. Huey moved to approve the minutes as presented. Mr. Smitherman seconded the motion. The motion passed unanimously.

Item 3. Report on the sale of the Texas Public Finance Authority Stephen F. Austin State University Tuition Revenue Financing System Revenue Bonds, Series 2004, and report on the sale of the Texas Public Finance Authority Armory Improvement Revenue Bonds, Series 2004.

A post sale analysis was prepared jointly by the financial advisers for both issues. Chris Allen, Public Financial Management, reviewed the sale and directed the Board's attention to Section 5 of the post-sale analysis book showing the revenue bond index, the 30-year treasury activity and supply over the past year. Mr. Allen congratulated the Board on a successful sale. Ms. Edwards said the market was strong that day, and it has also continued to improve making it difficult to identify good comparable sales. Mr. Mijares asked when the Authority held the last competitive sale. Mr. Allen recalled that the last competitive sale had occurred in 2002 for Stephen F. Austin. Mr. Kelly asked what the impact would have been had the sale been uninsured. Ms. Edwards explained that in the competitive process, the market dictates the use of bond insurance. Each issue had been pre-qualified for insurance, and the bidders decided whether or not to purchase insurance. All the bids received included insurance. Ms. Edwards thanked Mr. Allen, Debi Jones, Coastal Securities and Kay Watson, CKW Financial Group, Inc. for their assistance.

Item 4. Consider the adoption of a Resolution authorizing issuance of the Texas Public Finance Authority Texas Southern University Revenue Financing System Revenue Bonds, Series 2004, designating a pricing committee, and resolving other matters related to the sale and delivery of such bonds.

Ms. Edwards explained the \$3.5 million revenue bond issue is for the renovation and repair of University facilities damaged by Tropical Storm Allison, authorized in the 78th Legislature, Third Called Session. The resolution is the 5th Supplemental Resolution to the original financing system resolution adopted in 1998, which pledges all available revenues to repay the debt. Ms. Edwards directed the Board's attention to page 5 of the resolution, where the Board needed to designate standard bond terms such as a maximum discount of 5% and a maximum true interest cost of 8%.

The Board must also designate a pricing committee. Information on the issue has been submitted to the rating agencies and the bond insurance companies to pre-qualify the issue for insurance, if cost-effective. Mike Bartolotta, First Southwest Co., stated that insurance had been requested three different ways: principal alone, principal with a surety policy; and a surety policy alone.

The Board determined that the Pricing Committee, consisting of Mr. Mijares, Ms. Huey and Mr. Brock, with Mr. Serna serving as the alternate, would participate by telephone. Mr. Mijares moved to approve the resolution, including the recommended terms of the Bonds and the designated pricing committee. Ms. Huey seconded. The motion passed unanimously.

Item 5. Consider the adoption of an amendment to the Resolution for the Authority's Texas State Technical College System Building Revenue and Refunding Bonds, Series 1992, and authorize other necessary action in connection with the release of Waco Campus Housing.

Ms. Edwards reported that Vinson & Elkins and First Southwest Co. are working with the University to finalize calculations and that the University's Board of Regents would also need to make certain findings before TPFAs needed to take action. Mr. Mijares moved to table this item. Mr. Smitherman seconded. The motion passed unanimously.

Item 6. Consider selection of Underwriting Pool.

Ms. Edwards thanked everyone for responding to the Request for Proposals sent out in January. About 30 proposals were received. She also thanked the financial advisors and staff for their review work. The evaluation process included aspects such as the size of the firm, the amount of available capital, transaction experience, the volume of activity in number of transactions and dollar amounts for both negotiated and competitive deals, variable rate capabilities, experience of the firm and the bankers identified to serve the Authority, past performance for the Authority and ability to bring creative ideas to structuring transactions. Ms. Edwards said she regards the responses as being indicative of a firm's capability to perform on a transaction, and she considered the totality of the proposal.

Ms. Edwards read staff's recommendations (see attached list). Mr. Kelly expressed a desire for the pool to be smaller in the future. Mr. Mijares discussed the importance of the proposal submission deadlines being honored. In response, Ms. Porras explained that the RFP did not include a mandatory provision that the date and time requirements could not be waived as "minor technicalities" and, therefore, it is within the Board's discretion to consider the late proposals or to reject them. Mr. Serna stated he would support a motion that favors the staff recommendation with the exclusion of the three firms that submitted late proposals. Mr. Kelly supported making an exception in this instance with a clear understanding and a clear approach that prevents this from occurring in the future. Mr. Serna commented further that he might concur with Mr. Kelly's comments if the final list did not exclude other firms who had submitted their proposals timely. Mr. Smitherman said an important consideration for him was that firms in the pool are not guaranteed any business. Mr. Mijares said that specific language should be used in future Request for Proposals. Mr. Serna encouraged members of the audience that did not make the recommended pool list to bring creative ideas to TPFAs and the Board.

Ms. Huey expressed her concerns and stated that because the specific language identifying punctuality as a material defect was not included, she concurred with the comments of Messrs. Kelly, Mijares and Smitherman. But in the future, the specific language does need to be included and strongly enforced. Ms. Huey also commented that the proposals indicated that several firms have retained consultants. In her opinion, in the arena in which the Authority works, the contacts and recommendations need to come from the bankers and not from the consultants. She stated she would like the Authority's Underwriting Policies to be reviewed to address the consultant issue, timeliness on proposals and other issues. Ms. Huey further stated she agreed with Mr. Kelly's comments

regarding a smaller pool. The Authority has looked for performance, persistence and dedication. Mr. Mijares stated he also agreed with the objective of a smaller pool.

Ms. Huey moved to accept staff's recommendation of the Underwriting Pool. Mr. Mijares seconded. The motion passed on a vote of 4 -1, with Mr. Serna voting "no."

Item 7. Consider selection of Swap Advisor.

Ms. Edwards explained that RFPs for Swap Advisor were solicited back the fall. In December, staff recommended that a short list of firms be interviewed for Swap Advisor. Ms. Edwards reported that staff and Financial Advisors conducted the interviews in February and that the interviews were very informative. Staff recommendation is to engage a firm to provide staff training, Board training and to assist in development of a Swap Policy. After that process is completed, the scope of the engagement could be expanded or it would be possible to enter into another selection process. Staff recommends Swap Financial Group. Peter Shapiro is the primary contact and partner in the firm that would be providing the services.

Ms. Edwards explained that if the Authority entered into Swaps it would be a new business practice requiring on-going work, including providing quarterly status reports to the Board. New GASB accounting statements require issuers "mark to market" at least annually. Mr. Mijares asked if the financial advisors would participate in the process. Ms. Edwards responded yes, particularly since any Swap the Authority entered into would also involve the issuance of debt. Mike Bartolotta, First Southwest Co., discussed some of the risks and benefits associated with incorporating Swaps into a debt portfolio, and confirmed his commitment to assist the Authority to ensure its objectives are achieved.

Mr. Mijares moved to accept staff's recommendation. Ms. Huey seconded. The motion passed unanimously.

Item 8. Other Business/Staff Report.

Mr. Serna thanked staff for researching the issue about posting a standing item to the agenda regarding executive sessions. Mr. Kelly expressed interest in receiving a status report on the TWC transaction. Ms. Edwards indicated she would provide an update on the TWC Bonds to the Board.

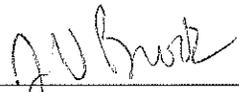
Mr. Mijares inquired about the status of the Charter School financing and Department of Transportation Colonias Road project. Ms. Edwards reported that Texas Department of Transportation (Tx DOT) had requested funding of about \$30 million to date, and that she would contact the Tx DOT for further information on the status of the county road projects.

With respect to the charter school financing, Chris Allen, the assigned financial advisor, has scheduled a conference call for March 17. The School of Excellence now has a new principal, their enrollment is up and they are looking at purchasing a new building as well as expanding their existing facility. Ms. Edwards will also provide a status report on this financing.

Item 9. Adjourn.

The meeting adjourned at 3:12 P.M.

The foregoing minutes were approved and passed by the Board of Directors on April 21, 2004.



Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"

TPFA 2004-05 Underwriting Pool

Senior Manager/ Co-Manager

Banc of America Securities
Citigroup
Dain Rauscher
Estrada Hinojosa
First Albany
Goldman Sachs
JP Morgan
Lehman Brothers
Loop Capital Markets
Merrill Lynch
Morgan Keegan
Morgan Stanley
Piper Jaffray
Ramirez & Co.
SBK Brooks
Siebert Branford & Shank
Southwest Securities
UBS

Selling Group

AG Edwards
Edward Jones
MR Beal
Raymond James
SAMCO Capital Markets
Valubond



Open Meeting Submission

Success!
Row inserted

TRD: 2004002044
Date Posted: 03/08/2004
Status: Accepted
Agency Id: 0113
Date of Submission: 03/08/2004
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 03/16/2004
Time of Meeting: 02:00 PM (##:## AM Local Time)
Street Location: CAPITOL EXTENSION HEARING ROOM E2.010
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.

TEXAS PUBLIC FINANCE AUTHORITY
 TUESDAY, MARCH 16, 2004 2:00 PM
 CAPITOL EXTENSION HEARING ROOM E2.010
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the February 18, 2004 Board meeting.
3. Report on the sale of the Texas Public Finance Authority Stephen F. Austin State University Tuition Revenue Financing System Revenue Bonds, Series 2004, and report on the sale of the Texas Public Finance Authority Armory Improvement Revenue Bonds, Series 2004.
4. Consider the adoption of a Resolution authorizing issuance of the Texas Public Finance Authority Texas Southern University Revenue Financing System Revenue Bonds, Series 2004, designating a pricing committee, and resolving other matters related to the sale and delivery of such bonds.
5. Consider the adoption of an amendment to the Resolution for the Authority's

Texas State Technical College System Building Revenue and Refunding Bonds, Series 1992, and authorize other necessary action in connection with the release of Waco Campus Housing.

6. Consider selection of Underwriting Pool.

7. Consider selection of SWAP Advisor.

8. Other Business/Staff Report.

Closed Meeting

9. Pursuant to Texas Government Code, 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 conflict with Texas Government Code, chapter 551.

Agenda:

Reconvene Open Meeting

10. The open meeting will be reconvened for final action of the Board concerning matters deliberated in the Closed Meeting, if such action is required.

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.

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.

New

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