

Texas Public Finance Authority

Board of Directors:

R. David Kelly, Chairman
H.L. Bert Mijares, Jr., Vice-Chairman
Ruth C. Schiermeyer, Secretary
Carin M. Barth
Linda McKenna
D. Joseph Meister
Robert T. Roddy, Jr.



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Executive Director

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

August 2, 2007

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 9:30 A.M., Thursday, August 2, 2007, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. David Kelly, Chairman; Ms. Ruth Schiermeyer, Secretary; Ms. Carin Barth, Member; and Mr. D. Joseph Meister, Member.

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

Present in their designated capacities were the following persons: Lester Graves Lennon, Stone & Youngblood; Jessica Lyerla, Lehman Brothers; Keith Richard, Banc of America Securities; Dale Lehman, Piper Jaffray; David Potter, Morgan Stanley; Andy Bynam, Citigroup; Jodie Jiles, RBC; Curtis V. Flowers, Loop Capital Markets; Michael Walker, Morgan Keegan; Mario Carrasco, AG Edwards; Steve Alderman, Mike Shriver, UTMB; James Hernandez, Andrews Kurth, LLP; Ricardo Villasenor, Ramirez & Co., Inc.; Robin Plan, Texas Legislative Service; Tim Peterson, First Southwest Company; Bob Kinney, Desrye Morgan, UBS; Cristy Edwards, Vinson & Elkins, LLP; David G. Barker, Stan Korn, Texas Building & Procurement Commission; and Jody Wright, Legislative Budget Board.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 9:33 a.m.

Item 2. Confirm meeting posting compliance with the Open Meetings Act.

Mr. Kelly confirmed the meeting had been duly posted in compliance with the Open Meetings Act.

Item 3. Excuse board member absences.

Mr. Meister moved to excuse board member absences. Ms. Barth seconded. The motion passed unanimously.

Item 4. Approval of minutes of the July 12, 2007 Board meeting and work session.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of July 12. Ms. Barth moved to approve the minutes. Mr. Meister seconded. The motion passed unanimously.

Item 5. Report on sale of \$24 million Midwestern State University revenue bonds.

Ms. Edwards stated that revenue bonds for Midwestern State University were priced on Monday, July 30 with RBC Capital Markets serving as the lead underwriter. The bonds had an overall true interest cost of 4.63% and were insured by MBIA. Mr. Meister, Ms. Barth and Mr. Mijares participated in the pricing.

RBC Capital Markets prepared a post sale analysis, which was reviewed by Mr. Tim Peterson, First Southwest Co. as Mr. Matt Boles was attending the Midwestern State University Board of Regents meeting to provide them any assistance in acting on the bond resolution. Mr. Peterson noted that the week prior to pricing, the market had sold off early in the week but then had a strong rally on Thursday. As a result the Authority decided to move the pricing to Monday, and went out with an aggressive scale, hoping to build momentum from the rally. However, during the order period, demand was moderate and the Authority agreed to reprice the bonds, increasing rates 3 basis points on the 2019 through 2032 maturities. Nonetheless, the Authority achieved a 4.63% interest cost and was able to exceed the \$150,000 refunding savings target. Ms. Edwards noted good participation by the co-managers. Mr. Kelly thanked Mr. Peterson and the underwriting syndicate for a successful financing.

Item 6. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of Criminal Justice to issue approximately \$50.4 million of general obligations to finance repairs and renovations to building facilities, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards stated the request for financing from the Texas Department of Criminal Justice (TDCJ) is for approximately \$50.4 million of general obligations to finance the repair and renovation facilities throughout the State. Of that \$50.4 million, \$10.4 million is for repairs of a portion of the University of Texas Medical Branch facility in Galveston that is used to treat inmates.

Mr. Charles Marsh, Chief Financial Officer of TDCJ, was recognized to review the projects. He stated that about \$40 million would be used for substantial repairs to TDCJ facilities including roof repairs, security fencing, boiler room renovations, mechanical/electrical systems repairs, and water/wastewater repairs. The \$10.4 million is for repairs to a portion of the University of Texas Medical Branch Galveston facility. Ms. McKenna asked why the funding for repair to a facility owned by UT System would fall within this request. Mr. Marsh stated that this had been the choice of the Legislature because TDCJ is the sole user of the facility. Ms. Edwards stated there was an operating agreement between Correction Managed Health Care Committee, UTMB and Texas Tech. Ms. Porras explained that the Legislature considered the facility to be a facility maintained on behalf of TDCJ, eligible for general obligation funding through TDCJ.

Staff recommended the request be funded through the Authority's commercial paper program. Ms. McKenna moved to approve the request for financing and accept staff's recommendation. Mr. Meister seconded. The motion passed unanimously.

Item 7. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Building and Procurement Commission to issue approximately \$50 million of general obligations to finance construction and renovation projects, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards stated this is a Request for Financing from the Texas Building and Procurement Commission for approximately \$50 of general obligations for repair and renovation projects. She introduced Mr. Stan Korn, Budget Analyst, and Mr. David Barker, Deputy Executive Director of Facilities for Texas Building & Procurement Commission.

Mr. Barker explained that prior to the Legislative session, TBPC prepared a comprehensive study of the State facilities it maintains. From that study, it identified critical repair and renovation projects, and obtained the approximate \$50 million general obligation appropriation to finance the required work. A list of the planned projects was provided with TBPC's Request for Financing. The projects represent a backlog of critical deferred maintenance projects that are urgent. The projects have to be designed, and in some cases submitted to competitive bidding. The expenditure schedule submitted with the Request is based on these requirements.

Ms. Edwards explained that a new Rider requires the Legislative Budget Board to approve all of the agencies' projects before general obligations are issued. Mr. Kelly asked about the practical procedures resulting from the new Rider. Ms. Edwards stated it was her understanding that the agencies were going to submit the information provided to their Boards and the project information to the Legislative Budget Board (LBB). This information hopefully will tie back to the intent of the Legislature and approval will be sent to TPFA in the form of a letter from the Director of the LBB.

Ms. Barth asked if the agency does not have pre-approved contractors, instead of having to competitively bid the contracts. Mr. Barker responded that they do have pre-qualified design consultants, but in most cases the construction contracts have to be competitively bid. Of course, they will not bid any work or commodities if they are not required to do so. Staff recommended the request be approved and financed through the Authority's commercial paper program. Ms. Barth moved to accept staff's recommendation. Mr. Meister seconded. The motion passed unanimously.

Item 8. Consider the adoption of a Resolution and approval of the Preliminary Offering Statement for the TPFA General Obligation Refunding Bonds, Series 2008, designate a pricing committee and take other necessary, related action.

Ms. Edwards provided a recap of prior Board discussions on a current refunding and a forward delivery pricing. In a refunding, the proceeds of the refunding bonds are put in an escrow to pay the old bonds and call them on the first available call date. Under tax law, an advance refunding is a refunding where the escrow is in existence for more than 90 days, often as long as 3, 4 or 5 years. It is not possible to advance refund bonds more than one time.

The bonds under consideration have been refunded previously in 1997 and 1998 when rates were low. Starting from the call date for the bonds in question, which is April 1, 2008, closing would have to be within 90 days of that call date or no earlier than January 1. Typically, pricing occurs 30-60 days prior to closing date. In a forward delivery, the pricing date is set earlier to take

advantage of current interest rates to meet the savings threshold and the Authority would enter into an agreement with an underwriter to price those bonds at the current rates, with delivery delayed until the closing date in order to meet tax law requirements. The risks associated with a forward delivery is that the longer delivery period allows for more adverse occurrences between the pricing and settlement. The normal procedure is to fund the escrow with State and Local Government Securities (SLGS) and under the Treasury Regulations subscription is only possible 60 days prior to delivery. In this situation, subscription could not occur until approximately November 1. The cost of the SLGS determines the par amount of the bonds and the savings. Thus, savings would not be known until the actual subscription date. Therefore, if the bonds are priced in September, it would be necessary to gross fund the escrow account and then estimate the interest earnings and refunding savings.

Mr. Kelly, Financial Advisor from Coastal Securities, explained that a forward delivery was now a common practice in the municipal market. It is a way to delay delivery without entering the SWAP market. Typically, forwards are longer than this situation. This case is very short, about four months and the premium is relatively low between 5 and 10 basis points, which helps to mitigate some of the uncertainty regarding the escrow cost.

Ms. Edwards stated that normally the Authority sets a refunding savings parameter of 3%, but the challenge on this forward delivery is that since the price of the escrow is unknown some accommodation needs to be made in the savings parameters. Mr. Kelly presented a matrix of different possible scenarios and the Board discussed them at some length

Ms. Edwards introduced Cristy Edwards from Vinson & Elkins, who explained that the bond resolution sections being discussed are the definitions and the savings parameters (pages 4 and 6). The typical refunding savings parameter number of 3% would be \$7,264,050. The forward delivery savings without including the effect of a gross funded escrow is lower.

Bob Kinney of UBS, senior underwriter on the transactions, shared his firm's interest rate views for the remainder of the year. Discussion ensued and the Board concurred that the savings parameters should be set at the traditional 3% level, with sufficient accommodation for the additional uncertainty of the cost of the escrow if a forward delivery is executed.

Ms. Edwards stated that staff recommended the Board designate a pricing committee, that the refunding savings parameter be stated as a dollar amount of \$7,264,050 savings, the forward savings parameter be amended to \$4,500,000, and the Resolution as amended be adopted.

The Board designated the pricing committee as: Ms. Barth, Mr. Meister and Ms. McKenna. Mr. Kelly, Mr. Mijares, Ms. Schiermeyer and Mr. Roddy were designated alternates.

Ms. Barth moved to accept staff's recommendations. Mr. Meister seconded. The motion passed unanimously.

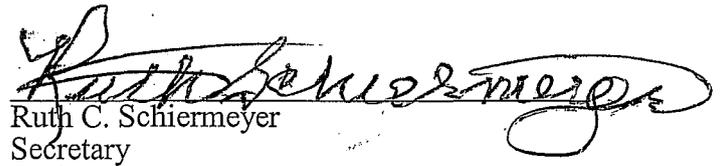
Item 9. Other Business/Staff Report.

No other business was discussed.

Item 10. Adjourn.

The meeting adjourned at 10:42 a.m.

The foregoing minutes were approved and passed by the Board of Directors on September 6, 2007.


Ruth C. Schiermeyer
Secretary

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!

Row inserted

TRD: 2007006408
Date Posted: 07/25/2007
Status: Accepted
Agency Id: 0113
Date of Submission: 07/25/2007
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 08/02/2007
Time of Meeting: 09:30 AM (###:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.028
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
 THURSDAY, AUGUST 2, 2007 9:30 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.028
 AUSTIN, TEXAS 78701

1. Call to order.

- Agenda:**
2. Confirm meeting posting compliance with the Open Meetings Act.
 3. Excuse board member absences.
 4. Approve the minutes of the July 12, 2007 Board meeting and Work Session.
 5. Report on sale of \$24 million Midwestern State University revenue bonds.

6. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of Criminal Justice to issue approximately \$50.4 million of general obligations to finance repairs and renovations to building facilities, select a method of sale, appoint outside consultants, and take other necessary related action.

7. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Building and Procurement Commission to issue approximately \$50 million of general obligations to finance construction and renovation projects, select a method of sale, appoint outside consultants, and take other necessary related action.

8. Consider the adoption of a Resolution and approval of the Preliminary Offering Statement for the TPFPA General Obligation Refunding Bonds, Series 2008, designate a pricing committee and take other necessary, related action.

9. Other Business/Staff Report.

Closed Meeting

10. Pursuant to Texas Government 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.

Reconvene Open Meeting

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

12. 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.

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