

Texas Public Finance Authority

Board of Directors:

H.L. Bert Mijares Jr., Chair
Ruth C. Schiermeyer, Vice Chair
Linda McKenna, Secretary
Gerald Alley
D. Joseph Meister
Robert T. Roddy, Jr.

Kimberly K. Edwards
Executive Director



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

April 3, 2008

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, April 3, 2008, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Bert Mijares, Chair, Ms. Ruth Schiermeyer, Vice Chair, Mr. Joe Meister, Member, and Mr. Gerald Alley, 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, Business Manager; and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Tim Coffin, Fidelity; Doug Hartman, Citigroup; Mark Dault, Regions Bank; David Potter, Morgan Stanley; Tim Peterson, First Southwest Co.; Lester Graves Lennon, Stone & Youngberg; Liz Prado, Legislative Budget Board; Art Morales, Ramirez & Co.; Matt Boles, RBC Capital Markets; Mark Nitcholas, Banc of America Securities; Dale Lehman, Piper Jaffray; Jennie Zhao, Bear Stearns; Debi Jones, Morgan Keegan; Mark Ellis, Depfa First Albany; Nancy Hagquist, Winstead, Sechrest & Minick; Paige Ziegler, Merrill Lynch; Charles Marsh, Jerry McGinty, Sherry Koenig, and Rebecca Harvey, Texas Department of Criminal Justice.

Item 1. Call to order.

Mr. Mijares called the meeting to order at 9:52 a.m.

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

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

Item 3. Excuse board member absences.

Mr. Alley moved to excuse board member absences. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 4. Approval of minutes of the March 6, 2008 Board meeting.

Mr. Mijares asked if there were any corrections or additions to the minutes of the Board meeting March 6. Mr. Mijares asked that the minutes be amended to indicate the following persons in attendance: Mike Bartolotta, First Southwest Co., Tim Kelley, Coastal Securities, Richardo Villasenor, Ramirez & Co., Mark Ellis, Depfa First Albany, and David Potter, Morgan Stanley. Ms. Schiermeyer moved to approve the minutes as amended. Mr. Mesiter seconded. The motion passed unanimously.

Item 5. Consideration, discussion, and possible action to authorize the issuance of general obligation and refunding bonds, including current refunding of a portion of the Authority's Series 1998B General Obligation Refunding Bonds, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards explained this refunding opportunity is for bonds issued in 1998, with a 10-year call of October 1, 2008. Under tax regulations these bonds can be refunded if the escrow is in existence less than ninety days; that is, a current refunding. It is possible to add some new money to the general obligation pledge to meet current agencies' requests for financing. Tim Kelley, Coastal Securities, ran an analysis at current market conditions showing this refunding generates approximately \$7 million present value savings. Due to the new money portion, the bonds will have to be approved by the full Bond Review Board, which may be requested for May, and the bonds could be priced in mid-to-late June or in July.

Staff recommended a negotiated sale with Vinson and Elkins serving as bond counsel; Coastal Securities serving as financial advisor; and the underwriting syndicate consisting of Piper Jaffray as senior manager, Estrada Hinojosa, JP Morgan, Morgan Keegan, Morgan Stanley, Merrill Lynch, RBC Capital Markets, Siebert Branford Shank and Stone & Youngberg as co-managers.

Ms. Schiermeyer moved to accept staff's recommendation. Mr. Meister seconded. The motion passed unanimously.

Item 6. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of Criminal Justice to finance approximately \$40,000,000 of construction projects, pursuant to the Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards introduced Mr. Charles Marsh, Chief Financial Officer and Mr. Jerry McGinty from Texas Department of Criminal Justice ("Department"). Mr. Marsh stated these general obligation bonds are to finance on-going major maintenance and rehabilitation projects that have been in process for the past twenty years. Mr. Marsh explained that the volatility of material costs changes daily, and the project costs provided are the Department's best estimates at this time. Any required construction contracts are bid, but the Department tries to do as much as possible in-house.

Mr. Mijares asked if the expenditure schedule would be resubmitted once more fixed amounts are known. Ms. Edwards stated that because TDCJ has so many projects in progress at any time, the estimates usually are pretty consistent. Ms. Schiermeyer noted that the fringe benefits are listed as a separate entry on the budget. She asked if bids are obtained from private industry that would include the amount set out for fringe benefits. Mr. Marsh responded that in-house costs are not bid against private industry, but the estimated project costs include in-house labor costs for work completed by the Department.

Ms. Edwards added that a General Appropriations Act rider requires fringe benefits to be paid out of the fund that pays salaries. Mr. Alley asked what percentage of the work was done in-house compared to that which is contracted out of the \$40 million request. Mr. Marsh estimated that about two-thirds of the work is performed in-house.

Staff recommended financing this request as part of the general obligation refunding, considered and approved in Item 5 above, which may include other agency requests the Board has already approved that would be appropriate for fixed rate debt, such as the DPS financing. At this time, the new money component is estimated to be \$60 million (\$40 million for the Department and \$20 million for DPS). The financing team would be the same as was set forth in Item 5. Ms. Edwards noted the Department had received LBB approval of their projects.

Mr. Alley moved to approve staff's recommendation. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 7. Consideration, discussion, and possible action to approve a Request for Financing from the Midwestern State University, in an approximate amount of \$40,000,000, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards stated the Authority has been in discussions with Midwestern State University about a financing that would provide for an apartment style housing project of 290 beds with an estimated cost of \$21.3 million, a band hall renovation estimated at \$1 million and \$800,000 to fund additional construction costs for the Ligon renovation. In addition, the transaction would include refinancing bonds for an "off-balance" sheet housing project. Midwestern constructed the housing project with bonds issued in 2002 by a conduit higher education authority so the debt was not on its balance sheet. Now, the rating agencies are factoring those off-balance sheet obligations into their ratings, and, therefore, a primary

economic benefit of off-balance sheet debt no longer exists. Midwestern would like to refinance the housing, as many other public universities in Texas have done. The refinancing component is complex because the first transaction completed in 2002 is a real estate transaction with a mortgage lien on the property, 12 different operating funds, and a reserve fund. Ms. Edwards requested the board to select Bond Counsel, Financial Advisor and Underwriters, for a negotiated bond sale, at this meeting so the finance team could help define the transaction, complete the request for financing, and proceeding with a Bond Review Board application in May.

Staff recommended this financing be a negotiated sale with First Southwest Co. serving as the financial advisor; McCall Parkhurst & Horton serving as bond counsel, and an underwriting syndicate of RBC Capital Markets as senior manager, Bank of America, Citigroup, Depfa First Albany Securities and Loop Capital Markets, as co-managers.

Ms. Schiermeyer moved to accept staff's recommendation. Mr. Meister seconded. The motion passed unanimously.

Item 8. Consideration, discussion, and possible action to authorize the issuance of revenue refunding bonds to currently refund a portion of the Authority's Series 1997A Building Revenue and Refunding Bonds, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards stated these bonds were issued in 1997 and the first call date was in February. The present value savings under current market conditions is approximately \$800,000. Pricing could be scheduled for June or July.

Staff recommended that Coastal Securities serve as financial advisor, Vinson & Elkins serve as bond counsel, and that the underwriting syndicate consist of Ramirez & Co. as the senior manager with Morgan Keegan and Southwest Securities, as co-managers.

Mr. Meister moved to accept staff's recommendation. Ms. Schiermeyer seconded. Mr. Alley abstained. The motion passed unanimously.

Item 9. Other Business/Staff Report

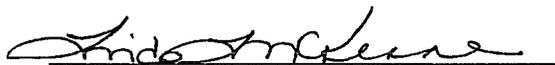
Ms. Edwards provided a copy of the Authority's Risk Assessment to the Board.

She informed the Board that the credit rating of municipal bond insurer FGIC had been downgraded and that staff had updated its records tracking rating changes on its issued bonds.

Item 10. Adjourn.

The meeting adjourned at 10:25 a.m.

The foregoing minutes were approved and passed by the Board of Directors on May 1, 2008.

A handwritten signature in cursive script, appearing to read "Linda McKenna", is written over a horizontal line.

Linda McKenna
Secretary

Attachment: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!

Row inserted

TRD: 2008002438
Date Posted: 03/26/2008
Status: Accepted
Agency Id: 0113
Date of Submission: 03/26/2008
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 04/03/2008
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, APRIL 3, 2008 9:30 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.028
 AUSTIN, TEXAS 78701

Agenda:

1. Call to order.
2. Confirm meeting posting compliance with the Open Meetings Act.
3. Excuse board member absences.
4. Approve the minutes of the March 6, 2008 Board meeting.
5. Consideration, discussion, and possible action to authorize the issuance of general obligation and refunding bonds, including current refunding of a portion of the Authority's Series 1998B General Obligation Refunding Bonds, select a method of sale, appoint outside consultants, and take other necessary related action.

6. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Department of Criminal Justice to finance approximately \$40,000,000 of construction projects, pursuant to the Constitution, Art. III, Section 50-g, 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 Midwestern State University, in an approximate amount of \$40,000,000, select a method of sale, appoint outside consultants, and take other necessary related action.

8. Consideration, discussion, and possible action to authorize the issuance of revenue refunding bonds to currently refund a portion of the Authority's Series 1997A Building Revenue and Refunding Bonds, select a method of sale, appoint outside consultants, and take other necessary related action.

9. Other Business/Staff Report.
Risk Assessment.

Closed Meeting

10. Pursuant to Texas Government, 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.

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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