

Texas Public Finance Authority

Board of Directors:

R. David Kelly, Chairman
L. Bert Mijares, Jr., Vice-Chairman
J. Vaughn Brock
Helen Huey
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 April 15, 2003

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, April 15, 2003, Stephen F. Austin Building, Room 118, Austin, Texas. Present were: Mr. David Kelly, Chairman, Mr. Bert Mijares, Vice Chairman, Mr. Vaughn Brock, Secretary, Ms. Helen Huey, Member and Mr. Dan Serna, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director; Ms. Judith Porras, General Counsel; Ms. Paula Hatfield and Ms. Donna Richardson. Also present was Gabriela Klein.

Present in their designated capacities were the following persons: Dale Lehman, US Bancorp Piper Jaffray; Art Morales, Banc of America Securities; Tilghman Naylor, Jodie Jiles, Bear Stearns; Don Henderson, JP Morgan; John Daniel, Lehman Brothers; Kerry Rudy, Morgan Keegan; Ricardo Villasenor, AG Edwards; Laura Powell, UBS Paine Webber; Keith Richard, Erlinda C. Dimas, Siebert Brandford Shank; Curtis V. Flowers, Loop Capital Markets; Andy Bynam, Citigroup; Curt Shelmire, Morgan Stanley; Karin Werness, Banc One Capital Markets; Michael G. Blalock, Claire Duffy, Adjutant General's Department; William Beckham, Quintin Wiggins, Texas Southern University; Nancy Hagquist, Winstead, Sechrest & Minick; Robbi Jones, SBK Brooks; Chris W. Allen, Paul Jack, Public Financial Management; Greg Shields, Andrews & Kurth; Kay Watson, CKW Financial Group.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 2:08 P.M.

Item 2. Approval of minutes of the February 18, 2003 Board meeting.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of February 18, 2003. There being none, Mr. Mijares moved to approve the minutes of the Board Meeting as presented. Mr. Brock seconded the motion. The motion passed unanimously.

Ms. Edwards requested that the Board consider Item 5 on the agenda.

Item 5. Update the status of the Authority's General Obligation Bonds (Texas Department of Criminal Justice Projects) Series 2003A and take necessary action, if any, in connection with the issuance and sale of the bonds.

Ms. Edwards stated that Bond Review Board approval had not been received for the TDCJ GO Bonds that the Board approved at the February meeting. She informed the Board that the House Appropriations Committee adopted an appropriation of debt service (interest only) for the full \$80,000,000, but the Senate Finance Committee had not yet made its recommendation. Ms. Edwards did not think that the Bond Review Board would approve the financing until the Senate Finance Committee made its recommendation. She reported that interest rates had remained steady, at historic lows, but a slight upward trend was emerging. Tim Peterson, First Southwest Co., and Andy Bynam, Solomon Smith Barney, provided a market update, and confirmed that their true interest cost was still in the Board's target range.

Ms. Edwards informed the Board that the House version of the Appropriations bill relied on TPFAs to issue approximately \$50 million of refunding bonds to restructure FY04 debt service. If a similar recommendation was adopted by the Senate and the full Legislature, Ms. Edwards suggested that the restructuring be combined with the TDCJ new money transaction. However, this would require an amendment to the Bond Resolution that the Board adopted and Bond Review Board approval. Commercial paper could be issued to fund TDCJ's cash flow needs until a bond issue could be completed.

No action was taken on this item.

Item 3. Consider a Request for Financing from the Adjutant General's Department for the repair and renovation of buildings and facilities at Camp Mabry in the amount of approximately \$3,038,252 through the issuance of general obligation bonds, select a method of sale, financial advisor(s) and bond counsel, and take other necessary related action.

Ms. Edwards stated this request for financing was the last of the GO bonds authorized by the 77th Legislature and that this project was the first phase of a multi-phase, multi-year plan for the repair, renovation and restoration of historic buildings and facilities at Camp Mabry. Michael Blalock of the Adjutant General's Office explained that the Adjutant General's Office was a state agency that supports the national guard. He also explained that the request for \$3,038,252 was only a portion of the funds necessary which would be combined with matching federal dollars to complete a \$5,099,407 project. Some of the buildings on the Camp Mabry campus are World War I vintage buildings that need updating for safety and structural reasons.

Mr. Brock inquired whether exploration of other uses for the land or relocation had been explored. Mr. Blalock stated any other use was complicated by the fact the federal government owned part of the land and that if the land were sold, some portions of it would revert back to the original heirs who donated the land. Mr. Mijares asked whether any of the buildings were on the national historic register. Mr. Blalock responded that some are on the register. Mr. Serna questioned whether a more recent cost analysis had been done since the initial estimates were prepared in 2000, and whether any unknown costs had been addressed. Mr. Blalock stated the unknown costs would be covered primarily by federal dollars and that staff architects and engineers had increased estimates since the initial 2000 proposal. Mr. Mijares expressed appreciation for the thoroughness of the project description in the request for financing submission. Ms. Huey agreed and inquired whether lead paint was anticipated to be a factor. Mr. Blalock said the lead paint factor had been included in the estimate or bid received in April 2002. Mr. Kelly asked whether there were any complications of timing involved to receive federal funds and Mr. Blalock confirmed that timing is a factor.

Staff recommended that commercial paper be issued for this project. Mr. Mijares moved that the request for financing be approved. Ms. Huey seconded. The motion passed unanimously.

Item 4. Consider the adoption of a resolution authorizing the issuance of approximately \$29,500,000 of tuition revenue bonds for Texas Southern University, designating a pricing committee, and resolving other matters related to the issuance and sale of the bonds.

Ms. Edwards reported that the bonds issued for the current request for financing would be issued under the Master Resolution adopted in 1998 which pledges all available revenues of the University (excluding state appropriations). The University expects the tuition revenue bonds to be reimbursed for the debt service from an appropriation by the Legislature. The Bond Review Board considered the request at its April 8 planning session and approval might occur at its April 17th meeting, although it is most likely contingent on the appropriation process. Ms. Edwards also explained that the Bond Review Board application had been amended to reflect a change in the project description from the original request for financing that the TPF Board had approved in January.

Quintin Wiggins and Bill Beckham, Texas Southern University, described the University's request to substitute the projects to be financed. The original request included \$15 million for the construction of a new school of public affairs; \$7.1 million for renovation of the School of Technology, and \$7.4 million for repair of campus infrastructure. Cost overruns related to the renovations of the Law School and the Sterling Student Center require an additional \$11.9 million. The University proposes that construction of the school of public affairs be dropped from the financing and that the \$15 million be reallocated as follows: \$11.9 million to the Sterling Student Center and Law School renovations, and \$3.1 million to the second phase of the campus infrastructure projects.

Mr. Beckham explained that mold and asbestos had been discovered in the law school, which required the building to be gutted and the roof to be replaced, and for students to be relocated to

portable classrooms. In the original plan, students were to be relocated to areas within the building as other areas were modified. No temporary structures or trailers had been planned for and the cost for creating a temporary campus was \$1.7 million. Mr. Mijares noted that the cost was twice the estimate and questioned whether there was a change order to the existing contract and the premium paid for the change order. Mr. Wiggins commented that no deferred maintenance had been done on any of the building in twenty-five years. Mr. Kelly asked if terminating the existing contract had been explored. Mr. Beckham reported that 50% of the work had been done and the University determined that given its timing and cost limits it would be better to proceed under the current contract. Discussion ensued.

Ms. Edwards stated that the Senate Finance Committee staff was fully aware of the proposed substitution, and Mr. Serna clarified that no legislative action was needed. Mr. Brock asked when the mold was discovered and whether there is enough money to complete the project. Ms. Huey inquired if the Law School had been flooded during Tropical Storm Allison. Mr. Kelly asked if there was enough money to put the building back together. Mr. Beckham stated the contractor was bonded and that there was enough funding to move back into the building.

Mr. Serna moved to adopt the resolution. Mr. Brock seconded. The motion passed unanimously. The bonds will likely be priced in mid-to-late May in the underwriter's Cleveland, Ohio, offices. Members of the Pricing Committee are: Dan Serna, David Kelly and Bert Mijares, and Helen Huey serving as an alternate member.

Item 6. Consideration and possible action to form a non-profit corporation pursuant to Texas Education Code, §53.351 and discussion of a proposed financing for the School of Excellence in Education of San Antonio.

Ms. Edwards stated that this item was carried over from prior Board meetings. At the Board's request, she pursued the concept of asking the Commissioner of Education to recommend the members of the non-profit corporation. She called the Board's attention to a letter from the Texas Education Agency recommending the following people to serve as members of Board of Directors of the TPFA Charter School Finance Corporation: Dr. Marina Ballantyne Walne, Mr. Omar Garcia and Mr. Bob Schulman. Ms. Porras stated that the statute requires a minimum of three members to form the non-profit board.

In response to Mr. Kelly's question, Ms. Edwards clarified that the only action required of the TPFA Board was the adoption of the resolution creating a non-profit corporation for the issuance of revenue bonds on behalf of charter schools. TPFA staff would provide the same type of support to the non-profit Board as it gives to the TPFA Board for each financing, and the non-profit corporation would be the actual issuer of the bonds.

Mr. Mijares moved to adopt the resolution including the Articles of Corporation and the corporation bylaws with the language changed from "up to 7" instead of "3". Ms. Huey seconded, noting that spelling corrections were needed in Exhibit B-1. The motion passed unanimously.

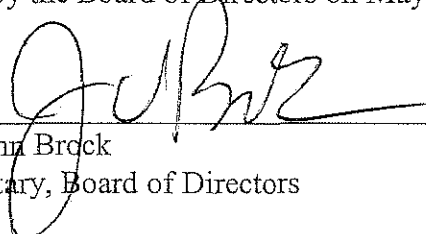
Item 7. Other Business/Staff Report.
Discuss Legislation of Interest to TPFA.

Ms. Edwards provided a brief update on the TPFA budget. She also reviewed a list of bills being tracked by the Authority.

Item 8. Adjourn.

The meeting adjourned at 3:50 P.M.

The foregoing minutes were approved and passed by the Board of Directors on May²⁰, 2003.



Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!

Row inserted

TRD: 2003002893
Date Posted: 04/07/2003
Status: Accepted
Agency Id: 113
Date of Submission: 04/07/2003
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 04/15/2003
Time of Meeting: 02:00 PM (###:## AM Local Time)
Street Location: 1700 N. Congress Avenue
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, APRIL 15, 2003 2:00 PM
 STEPHEN F. AUSTIN BUILDING, 1700 N. CONGRESS
 AVENUE, STREET, ROOM 118
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the February 18, 2003 Board meeting.
3. Consider a Request for Financing from the Adjutant General's Department for the repair and renovation of buildings and facilities at Camp Mabry in the amount of approximately \$3,038,252 through the issuance of general obligation bonds, select a method of sale, financial advisor(s) and bond counsel, and take other necessary related action.

Agenda:

4. Consider the adoption of a resolution authorizing the issuance of approximately \$29,500,000 of tuition revenue bonds for Texas Southern University, designating a pricing committee, and resolving other matters related to the issuance and sale of the bonds.

5. Update the status of the Authority's General Obligation Bonds (Texas Department of Criminal Justice Projects) Series 2003A and take necessary action, if any, in connection with the issuance and sale of the bonds.

6. Consideration and possible action to form a non-profit corporation pursuant to Texas Education Code, §53.351 and discussion of a proposed financing for the School of Excellence in Education of San Antonio.

7. Other Business/Staff Report.
Discuss Legislation of Interest to TPGA.

8. 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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