

# 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



Post Office Box 12906  
Austin, Texas 78711-2047  
Telephone: 512/463-5544

300 West 15<sup>th</sup> Street  
Suite 411  
Austin, Texas 78701  
Fax: 512/463-5501  
[www.tpfa.state.tx.us](http://www.tpfa.state.tx.us)

Kimberly K. Edwards  
Executive Director

## MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY April 21, 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 2:15 P.M., Wednesday, April 21, 2004, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: Mr. Bert Mijares, Vice-Chairman, Mr. Dan Serna, Member, Mr. Vaughn Brock, 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: Yava Scott, Siebert Brandford Shank & Co., LLC; Richard Acosta, Ramirez & Co.; Jim Buie, Bank of America; Laura Powell, UBS; Robbi J. Jones, Bill Matlock, SBK Brooks; Curtis V. Flowers, Loop Capital Markets; Dale Lehman, Piper Jaffray & Co.; Greg Shields, Andrews & Kurth; Curt Shelmire, Morgan Stanley; Keith Richards, Lehman Brothers; Paul Braden, Delgado, Acosta, Braden & Jones, P.C.; Carol Polumbo, McCall, Parkhurst & Horton, LLP; Nancy Hagquist, Winstead, Sechrest & Minick; Kay Watson, CKW Financial Group; Tim Peterson, First Southwest Co.; and Jody Wright, Legislative Budget Board.

### **Item 1. Call to order.**

Mr. Mijares called the meeting to order at 2:15 P.M.

### **Item 2. Approval of minutes of the March 16, 2004 Board meeting.**

Mr. Mijares asked if there were any corrections or additions to the minutes of the Board meeting of March 16, 2004. There being none, Mr. Serna moved to approve the minutes as presented. Mr. Brock seconded the motion. The motion passed unanimously.

**Item 3. Report on the sale of the \$3,500,000 Texas Public Finance Authority Texas Southern University Revenue Financing System Revenue Bonds, Series 2004.**

Ms. Edwards reported the bonds were priced on March 29 and that SBK Brooks and Siebert Brandford Shank served as co-senior managers. There were no other members of the underwriting syndicate. Robbi Jones and Bill Matlock presented the post-sale analysis. Ms. Jones reported that the bonds had been scheduled to price on Monday, March 29, but the market experienced a very dramatic sell-off the preceding Friday. The Authority, financial advisors and underwriters, discussed postponing the sale to later in the week, but ultimately decided to move forward with a Monday pricing. The market remained soft on Monday and as a result SBK Brooks and Siebert Brandford Shank underwrote almost the entire transaction. Nonetheless, the University obtained very favorable rates and was very happy with the transaction.

Ms. Edwards introduced the co-financial managers, Tim Peterson, First Southwest and Kay Watson, CKW Financial Group. She commended First Southwest and their desk in helping to establish the initial offering prices in an uncertain market. She commented that although the market did recover some on Tuesday and Wednesday, in retrospect the University obtained the best pricing of the week. Mr. Matlock explained that the market was soft and sluggish, but that the true interest cost ("TIC") was 3.62% with a 10 year maturity over a 6-1/2 year average life. Mr. Smitherman congratulated everyone on the sale.

Before moving on to the next item, Mr. Mijares announced that a Press Release was being released that Barry Smitherman has been appointed to the Public Utility Commission and extended congratulations to him.

**Item 4. Consideration and action on proposals to refund outstanding obligations, including establishing savings parameters, selection of an underwriting team and bond counsel, and other necessary related matters.**

Ms. Edwards stated that on March 17 the Authority began receiving some refunding proposals because the market had hit a low and a few small refunding candidates produced savings. Financial advisor, Tim Kelley, Coastal Securities, reviewed the proposals at Ms. Edwards' request. Since that time, rates have risen substantially and the refundings no longer produce any savings. Staff recommended that this item be tabled at this time. A brief discussion ensued about market conditions. Mr. Serna pointed out that staff should continue to monitor the market for opportunities to refund debt or fix out commercial paper and be prepared to act quickly if necessary. Mr. Smitherman moved to table the issue. Mr. Serna seconded. The motion passed unanimously.

**Item 5. Select Bond Counsel for the Texas Military Preparedness Commission financing program.**

Ms. Edwards introduced this item as the \$250 million general obligation debt that the voters approved in the fall. It establishes the Texas military value loan program which is administered by the Texas Military Preparedness Commission, an office within the Office of the Governor. The funds will be used to make loans to local governments in defense communities to increase the military

value of those bases prior to the next round of base realignment and closure. It is similar to a revolving loan program although there is no initial capitalization. First Southwest Company has been designated Financial Advisor on this bond issue and Mike Bartolotta has attended meetings and reviewed some work product with the Commission staff. The Commission anticipates meeting May 20 to adopt the rules and start accepting loan applications. Staff anticipates that it would be helpful to have a meeting with the finance work team prior to that meeting. Staff recommended McCall Parkhurst & Horton to serve as bond counsel.

Mr. Mijares asked what entities could receive funds and who guarantees the note. Ms. Edwards indicated the program would serve cities, counties and other political subdivisions or local government entities. She also indicated that if a city applied for the funds, the funds could be guaranteed from a pledge from their property taxes, sales tax pledge, or other revenue, including utility systems revenues. Mr. Mijares also asked if housing was regarded as infrastructure and Ms. Edwards responded that it would be so considered. Ms. Porras stated the legislation is very broad in terms of the types of projects that may be financed. Also, the Commission has not put a limit on the amount any one jurisdiction could borrow or the percentage of a project that could be financed.

Ms. Edwards said the Authority had helped the Commission determine credit criteria for evaluating the loan applications and one of the criteria was the essentiality of the project, meaning that if the base was closed, were there other uses for the project. This would certainly affect their ability to repay the loan.

Mr. Serna moved approval of staff's recommendation for McCall, Parkhurst & Horton to serve as bond counsel. Mr. Smitherman seconded. The motion passed unanimously.

**Item 6. Other Business/Staff Report.**

- **Review of Underwriting Policies**
- **TPFA Risk Assessment Pursuant to HB 2485, March 30, 2004**
- **Update of Various TPFA Financings**
- **Survey of Organizational Excellence**

Ms. Edwards had assembled the Authority's Underwriting Policies for review in response to Ms. Huey's request for a review of policies and the use of consultants. She stated the policies were also on the website and the public is invited to make comments.

Mr. Smitherman stated he was particularly interested in hearing from Financial Advisors regarding the MSRB proposal to ban firms from using outside consultants. He believes the intent of the municipal industry is always to make sure that firms are selected on merit and ability, but it needs to be recognized that the use of consultants is a type of outsourcing that helps the firms cut costs. Mr. Smitherman stated that while attempting to remove the appearance of improper influence from the selection process, they should be careful not to tie the hands of companies that have chosen to run their business with consultants instead of full time employees. Mr. Serna agreed with Mr. Smitherman's comments and noted that consultants will probably be placed under the same

regulatory requirements as the companies they represent and that a disclosure requirement will be necessary.

Ms. Edwards explained that the Risk Assessment Analysis meets the legislatively mandated internal audit requirement. Agencies are required to prepare a risk assessment which is the first phase of an internal audit. John Hernandez, Deputy Director, has taken the lead on this. The State Auditor's Office provided training. Mr. Hernandez explained that the State Auditor's Office provided the tools for the excel spreadsheet, but that he interviewed staff and met with Executive Management to produce this final report.

Ms. Edwards explained the report basically involved identifying risks and what was in place to mitigate those risks. Mr. Mijares asked if this was to be done each year. Ms. Edwards said the procedure was to do the report and submit it to the Legislative Audit Committee and that Committee is to determine what, if any, activities of the agency merit further audit, either by the State Auditor's Office or an outside firm. Mr. Serna noted there were no areas that needed corrective action. Mr. Hernandez stated that all the items of high risk had plenty of controls in place to mitigate the risk. Mr. Serna indicated he wanted to review it further, but was pleased with his initial review of the report.

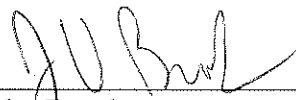
Mr. Smitherman left the meeting at 3 p.m. and a quorum no longer existed.

Ms. Edwards briefly reviewed informational items that required no deliberation. The Survey of Organization Excellence had been conducted by the UT School of Social Work. The executive summary provided feedback from anonymous employee participation on job satisfaction, burnout, organizational structure, physical accommodations, pay, supervisor effectiveness, team effectiveness, diversity, etc. The update on the Colonias financing shows grants totaling \$50 million had been approved, \$30 million of commercial paper has been issued; and \$7 million had been spent.

**Item 7. Adjourn.**

The meeting concluded at 3:10 P.M.

The foregoing minutes were approved and passed by the Board of Directors on June 16, 2004.

  
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Vaughn Brock  
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



## Open Meeting Submission

*Success!*  
Row inserted

**TRD:** 2004003029  
**Date Posted:** 04/13/2004  
**Status:** Accepted  
**Agency Id:** 0113  
**Date of Submission:** 04/13/2004  
**Agency Name:** Texas Public Finance Authority  
**Board:** Texas Public Finance Authority  
**Liaison Id:** 3  
**Date of Meeting:** 04/21/2004  
**Time of Meeting:** 02:00 PM ( ##:## AM Local Time)  
**Street Location:** Capitol Extension Hearing Room E2.026  
**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  
 WEDNESDAY, APRIL 21, 2004 2:00 PM  
 CAPITOL EXTENSION HEARING ROOM E2.026  
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the March 16, 2004 Board meeting.
3. Report on the sale of the Texas Public Finance Authority Texas Southern University Revenue Financing System Revenue Bonds, Series 2004.
4. Consideration and action on proposals to refund outstanding obligations, including establishing savings parameters, selection of an underwriting team and bond counsel, and other necessary related matters.
5. Select Bond Counsel for the Texas Military Preparedness Commission financing program.
6. Other Business/Staff Report.

- ¿ TPFAs Risk Assessment Pursuant to HB 2485, March 30, 2004
- ¿ Survey of Organizational Excellence
- ¿ Review of Underwriter Policy
- ¿ Update of Various TPFAs Financings

#### Closed Meeting

7. 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.

#### Reconvene Open Meeting

**Agenda:** 8. The open meeting will be reconvened for final action of the Board concerning matters deliberated in the Closed Meeting, if such action is required.

9. 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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