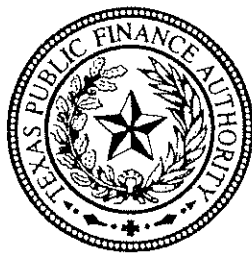


Texas Public Finance Authority

Board of Directors:
R. David Kelly, Chairman
H.L. Bert Mijares, Jr., Vice-Chairman
J. Vaughn Brock, Secretary
Mark A. Ellis
Helen Huey
Ruth C. Schiermeyer
Daniel T. Serna



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Kimberly K. Edwards
Executive Director

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY July 20, 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 2:04 P.M., Wednesday, July 20, 2004, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: Mr. Bert Mijares, Vice-Chairman, Mr. Vaughn Brock, Secretary, Mr. Mark A. Ellis, Member, Ms. Ruth C. Schiermeyer, Member and Mr. Dan Serna, 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, Mr. Ricky Home, Ms. Gabriela Klein and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Jim Dong, Piper Jaffray; Desrye Morgan, UBS Financial Services; Andy Bynam, Citigroup; Keith Richard, Lehman Brothers, Tilghman Naylor, Bear Stearns; Jim Buie, Banc of America Securities, LLC. Paul Braden, Delgado, Acosta, Braden & Jones; George Janning, John Barganski, First Southwest Co.; Nancy Hagquist, Winstead, Sechrest & Minick; and Chris Allen, Public Financial Management.

Item 1. Call to order.

Mr. Mijares called the meeting to order at 2:04 P.M. He welcomed two new Board members, Mr. Mark Ellis from Houston and Ms. Ruth C. Schiermeyer of Lubbock.

Item 2. Approval of minutes of the June 16, 2004 Board meeting.

Mr. Mijares asked if there were any corrections or additions to the minutes of the Board meeting of June 16, 2004. Mr. Mijares postponed action on this item until Mr. Serna arrived since the other members present had not attended the prior meeting.

At the conclusion of addressing Item 3, Mr. Mijares revisited consideration of the minutes. Mr. Serna moved to approve the minutes. Mr. Brock seconded. The motion passed unanimously.

Item 3. Consider, approve, and authorize the distribution of a Preliminary Official Statement and Notice of Sale for the sale of the Authority's \$5,460,000 Stephen F. Austin Revenue Financing System Revenue Bonds, Series 2004.

Ms. Edwards stated this financing was approved at the last Board meeting. It is for \$5,460,000 of revenue bonds to finance a parking garage to be built adjacent to the Student Center. Renovations to the Student Center are being financed with proceeds of the bonds the Authority issued for the University in February. The revenue pledge for the new bonds is the same as for all University bonds; it is a gross revenue pledge of all revenues generated by the University locally and excludes State appropriations. The University Board adopted fee increases for semester-long parking permits and will also charge hourly rates for the garage parking. These parking fees are not directly pledged to the bonds, but will contribute to the University's gross revenue.

The bonds are being rated by Moody's and Fitch. Conference calls were conducted with each of these agencies, on Monday and Tuesday, and the information provided was well received.

The Authority's Board authorized a competitive sale of the bonds at the June meeting. Bids will be received electronically through an internet service called "Parity." The bids will be opened at 10:00 a.m. on August 17, 2004, and verified by staff and the Financial Advisor. The bids will be presented to the TPFA Board and University Board at their respective meetings that afternoon. Currently, staff is asking the Board to approve the distribution of the Preliminary Official Statement and the Notice of Sale, which will be distributed electronically a week prior to the sale. The Notice of Sale contains the Authority's standard requirements regarding making good faith efforts to include historically underutilized businesses and instructions for submitting bids.

Mr. Mijares asked about problems that had occurred on prior competitive sales. Ms. Edwards explained that the requirements for accepting the bids require a blank signed bid form to be submitted to the Authority's office the day before bidders submit their bids electronically. The manually signed form and the electronic bid together constitute a valid bid. On a prior sale, a bidder did not submit a manually signed bid form and its bid had to be rejected. However, there were no technology problems with the sale.

Ms. Schiermeyer asked the financial advisor to confirm that the financial data in the Preliminary Official Statement had been reviewed and was in order. Mr. Chris Allen, Public Financial Management, confirmed that he had reviewed and approved the financial information. Ms. Edwards explained that on a competitive sale the financial advisor actually prepares the official statement. The financial information in this official statement is primarily the University's financials as of August 31, 2003, the date of its most recent Annual Financial Report. State agencies, including state universities, are all required to produce annual financial reports as of August 31, the state's fiscal year end.

Mr. Brock moved to approve the Preliminary Official Statement and the Notice of Sale. Mr. Ellis seconded. The motion passed unanimously.

Item 4. Provide update on escrow accounts on outstanding TPFA refunding bonds.

Ms. Edwards explained that under current Treasury Regulations, an issuer can redeem the SLGS (State and Local Government Securities) it holds in refunding escrows on one day, knowing what the purchase price for new SLGS will be the following day. This permits increasing the yield and lowering the cost of refunding escrows.

At the June meeting, the Board approved using the SLGS (State and Local Government Securities) program to restructure escrows for three different refundings that had been executed in 2002 and 2003, if the Authority's fixed costs could be recovered. First Southwest Co, was engaged as the Authority's restructuring agent and monitored the transactions. They initiated two on June 28th, for \$36,000 net benefit to the Authority. There are another five or six weeks until the transaction closes, on August 28, 2004, and the Authority's savings could improve.

Mr. Serna asked for a summary of the Board's last action on this topic. Ms. Edwards stated the Board's action gave the staff flexibility to act between Board meetings. The update provided today is just informational. Mr. Mijares questioned whether the Authority's fixed costs remained the same on all transactions. Ms. Edwards said that First Southwest Co. had agreed that their fixed cost would cover the day-to-day monitoring. The other costs will be the bond counsel fee for issuing a new tax opinion and the verification agent's fee for verifying the numbers; these fees were also agreed upon as flat fees per escrow fund and will only be incurred one time, when the transaction is closed at the end of the sixty day period.

Item 5.. Consider and approve the Legislative Appropriation Request for Fiscal Year 2006-2007.

Ms. Edwards explained the Legislative Appropriation Request ("LAR") process to the new Board members and reviewed historical data from fiscal years 2001-2005, including the current budget. This year's LAR instructions and policy letter from the Legislative Budget Board and Governor's Budget Office instructed agencies to submit a request that limits the amount of general revenue to 95% of their 04-05 budget. Agencies can also submit exceptional items above this baseline request in the LAR.

Ms. Edwards presented three proposed scenarios for Board consideration: (1) the 95% funding request, (2) restoration to 100% of the FY04-05 budget, and (3) full funding for the biennium (includes an approximate 4.9% increase). The General Revenue portion is the same for all three scenarios. For the exceptional items identified in scenarios 2 and 3, the Authority would increase the level of appropriated receipts that the agency generates from the Master Lease Program Administrative Fees.

Discussion ensued. Mr. Mijares stated his preference would be to request scenario 3 given the Authority's value to the State of Texas and the savings the Authority's refundings generated over the past years. Mr. Serna concurred and recommended that the savings produced over the prior

biennium be included in the presentation to the Legislature. He also recommended using a multi-step presentation of the three proposed scenarios described above.

Ms. Edwards stated the final LAR would be submitted for the Board's approval at the August meeting.

Item 6.. Consider the adoption of a proposed plan to review the Authority's rules in Title 34, Texas Administrative Code, Chapters 221 and 225.

Ms. Edwards explained that there is a statutory requirement for agencies to review their rules periodically. The Board is requested to adopt the proposed rule review plan. The Authority has only two chapters of administrative rules: Chapter 221, addresses general requirements for agencies to obtain financing from the Authority; and Chapter 225, addresses requirements for participation in the Master Lease Program. Staff anticipates that necessary amendments to the rules will be presented to the Board for adoption as proposed rule amendments in September.

Mr. Brock moved to adopt the plan. Ms. Schiermeyer seconded. The motion passed unanimously.

**Item 7.. Other Business/Staff Report
Property Insurance**

Ms. Edwards updated the Board regarding the \$1.4 billion revenue bonds for the Texas Workforce Commission to fund the unemployment insurance trust fund. Over half of the debt was issued on a taxable basis. A portion of the taxable bonds were issued as Variable Rate Demand Bonds (VRDBs) in a commercial paper mode, with the provision that \$400 million of the VRDBs could be converted to tax-exempt bonds, if the Authority received a favorable IRS private letter ruling. The IRS ruling was received on Friday afternoon, allowing conversion of \$400 million of variable rate debt to tax-exempt rates as the bonds mature over the next few weeks. Ms. Edwards commended Vinson & Elkins for their work and the other members of the financing team for their assistance.

Mr. Serna thanked staff and counsel involved in the process of obtaining the IRS private letter ruling.

Ms. Edwards provided an update regarding insurance carried on property financed with the Authority's appropriation backed, lease revenue bonds. The renewal premium is basically flat, and FM Global has offered a membership credit that would reduce the premium by approximately 12 percent.

Mr. Serna moved to accept staff's recommendation to renew the policy. Mr. Ellis seconded. The motion passed unanimously.


A brief discussion occurred regarding policy guidelines and an orientation work session for Board members. It was suggested that the orientation be held on the afternoon prior to the next

Board meeting. Since the competitive bond sale will occur at 10 a.m. on August 17, the Board meeting could begin at 11 a.m.

Item 8. Adjourn.

The meeting adjourned at 3:07 P.M.

The foregoing minutes were approved and passed by the Board of Directors on August 17, 2004.



Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!

Row inserted

TRD: 2004006211
Date Posted: 07/12/2004
Status: Accepted
Agency Id: 0113
Date of Submission: 07/12/2004
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 07/20/2004
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
 TUESDAY, JULY 20, 2004 2:00 PM
 CAPITOL EXTENSION HEARING ROOM E2.026
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the June 16, 2004 Board meeting.
3. Consider, approve, and authorize the distribution of a Preliminary Official Statement and Notice of Sale for the sale of the Authority's \$5,460,000 Stephen F. Austin Revenue Financing System Revenue Bonds, Series 2004.
4. Provide update on escrow accounts on outstanding TPFA refunding bonds.
5. Consider and approve the Legislative Appropriation Request for Fiscal Year 2006-2007.
6. Consider the adoption of a proposed plan to review the Authority's rules in Title 34, Texas Administrative Code, Chapters 221 and 225.

7. Other Business/Staff Report
Property Insurance

Closed Meeting

8 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:

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

10. 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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