

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
Linda McKenna
Ruth C. Schiermeyer
Marcellus A. Taylor



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Kimberly K. Edwards
Executive Director

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY November 3, 2005

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 11:00 A.M., Thursday, November 3, 2005, Capitol Extension Hearing Room E2.010, Austin, Texas. Present were: Mr. David Kelly, Chairman; Bert Mijares, Vice-Chairman; Mr. Vaughn Brock, Secretary; and Mr. Mark Ellis, Member.

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

Present in their designated capacities were the following persons: Dale Lehman, Piper Jaffray; Jim Niederle, Estrada Hinojosa; Ricardo Villasenor, Ramirez & Co.; Keith Richards, John Daniel, Lehman Brothers; Chris Halaska, JP Morgan; Mario Carrasco, AG Edwards; Mark Nitcholas, RBC Dain Rauscher; Debi Jones, Morgan Keegan; Desrye Morgan, UBS; Kathaleen Ford Smith, Jim Stewart, Bank of America; Andy Bynam, Citigroup; Allen R. Westerman, SAMCO Capital Markets; David Potter, Morgan Stanley; Richard Acosta, Carlos Sharpless, Popular Securities; Tilghman Naylor, Bear Stearns; Rafael Muniz, Goldman Sachs & Co.; Bill Bonham, Patrick Sullivan, Texas Building and Procurement Commission; Jody Wright, Legislative Budget Board; Nancy Hagquist, Winstead, Sechrest & Minick; Tim Kelley, Coastal Securities; and Tim Peterson, First Southwest Co.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 11:02 A.M.

Item 2. Approval of minutes of the October 6, 2005 Board meeting.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of October 6. Mr. Mijares moved to approve the minutes. Mr. Brock seconded. The motion passed unanimously.

Item 3. Post-sale analysis of the Stephen F. Austin Revenue Financing System Revenue Bonds, Series 2005A.

Ms. Edwards stated the bonds for Stephen F. Austin State University were priced on Wednesday, October 19 and JP Morgan was the book-running senior manager. Frank Reed, JP Morgan, reviewed the pricing book with the Board, including orders, allotments, and total takedowns by firm. He reported that the true interest cost was 4.459%. Mr. Reed thanked all the members of the team, including the financial advisor, First Southwest Company, the bond counsel, Delgado Acosta Braden & Jones, and the underwriting syndicate for their strong participation. The underwriting syndicate consisted of Merrill Lynch, A.G. Edwards, Edward Jones, Morgan Keegan and Ramirez & Co.

Item 4. Consider a Request for Financing from the Texas Building and Procurement Commission for the issuance of general obligations to finance construction and repair projects, in an estimated amount of approximately \$29,000,000, appoint outside consultants, and take other necessary related action.

Ms. Edwards introduced Mr. Patrick Sullivan, Deputy Executive Director, and Mr. Bill Bonham, Director, Facilities, Construction and Space Management, Texas Building & Procurement Commission. Mr. Sullivan described the Library and Archives (Zavala Building) project as a comprehensive renovation of the building. He reported the way the library is used has changed somewhat and the improvements will impact all manner and functionality of the building. One of the very expensive parts of the project will be the high density storage systems which include the structure as well as the mechanical support of the high density equipment.

Mr. Kelly inquired about the project management costs and how the work would be done. Mr. Sullivan stated this project is very complicated and therefore includes a larger contingency given the nature of the project and its comprehensive scope. The high density storage will quadruple the design floor loading for the structure of the building. Mr. Sullivan reported the project is in the preliminary stages.

Mr. Brock asked how construction contracting is handled. Mr. Sullivan stated a general contractor would be hired under a sealed competitive proposal process to find best value for the State considering factors such as financial strength, experience, relevant state experience, and size of project. Mr. Brock also asked about the design work. Mr. Sullivan responded that the design work is also contracted in a very open procurement process. Mr. Bonham stated that Ray Bailey & Associates, a firm that has extensive library experience, had been selected by the TBPC Board for the design work.

Staff recommended this request be financed through the Authority's Commercial Paper program, and that it be added to the application for Bond Review Board approval in November, along with four other agencies. Mr. Mijares moved to approve the financing request and accept staff's recommendation. Mr. Ellis seconded. The motion passed unanimously.

Item 5. Consider and adopt Swap policies.

Ms. Edwards stated that the TPFA Board, Staff had worked with the Swap Advisor, Swap Financial Group, and Financial Advisors for over a year on swap training and development of a swap policy. The policy included in the Board packet contains the edits suggested by Board members at the October swap work session. Ms. Edwards stated she was confident the final product requires the appropriate information to sufficiently evaluate, execute and monitor a swap transaction. As a major debt issuer in the State, it was important that for the Authority staff and Board to be educated about these financial instruments and to have a policy in place, regardless of whether they planned to execute a Swap. This policy provides the framework to evaluate these types of transactions and make an educated, thoughtful decision about whether or not to implement them. Mr. Brock moved to adopt the Swap Policies. Mr. Ellis seconded. The motion passed unanimously.

Item 6. Consider and select Underwriting Pool for the 2005-07 biennium and underwriting policies for negotiated sales.

Ms. Edwards reported the Authority received 28 responses to the RFP for underwriting services. Staff reviewed the proposals for quality and overall responsiveness and provided a matrix summarizing the proposals for the Board. Ms. Edwards also reviewed the Authority's Underwriter Selection Process, noting that a.) the Board reserves the right to add or remove firms from the pool at any time and b.) any firm, regardless of whether or not a member of the current pool, is encouraged to bring ideas to the Authority and may be included in the underwriting syndicate as compensation for doing so.

Staff recommended the following firms be included in the TPFA Underwriter Pool for the 2006-07 Biennium: Bear Stearns & Co. Inc., Citigroup Global Markets, Inc., RBC Dain Rauscher, Estrada Hinojosa Investment Bankers, First Albany Capital; Goldman Sachs & Co., JP Morgan, Lehman Brothers, Loop Capital Markets, L.L.C., Merrill Lynch, Morgan Keegan & Co., Inc., Morgan Stanley, Piper Jaffray, Ramirez & Co., Inc., SBK Brooks Investment Corp., Siebert Brandford Shank & Co. L.L.C. and UBS. In addition, staff recommends a Co-manager only pool will consist of A.G. Edwards Capital Markets, Bank of America Securities, Edward Jones, Jackson Securities Inc., MR Beal & Co., Popular Securities, Samco Capital Markets, Southwest Securities, Valubond Securities, Inc. and Wachovia.

Ms. Edwards noted that these recommendations were based on the responsiveness of each firm's proposal to the RFP, underwriting performance and account coverage since the last RFP, and the anticipated workload expected for the biennium. The firms recommended for the "Co-manager Only" pool demonstrated sufficient performance and qualifications, particularly distribution capability, to serve the Authority as a co-manager, but have not demonstrated the ability to serve as a senior manager due to limited capital or banker coverage.

Ms. Edwards also recommended the Board to adopt a proposed revision to the Underwriting Policies and Procedures for Negotiated Bond Sales, which would require the Authority's advance approval of any bond sale related travel.

Mr. Mijares moved to accept staff's recommendations. Mr. Ellis seconded. The motion passed unanimously.

Item 7. Consider the renewal of a contract for arbitrage compliance services for the Authority's commercial paper programs.

Ms. Edwards stated in 2000 an RFP for Arbitrage Rebate Compliance Services was issued and First Southwest Asset Management and Deloitte Touche were selected. First Southwest Asset Management handled the fixed rate bond issues and Deloitte Touche handled the commercial paper. Each of those contracts had an option to renew for two 2-year terms. That renewal has occurred on the First Southwest contract and it will expire in October 2006.

Ms. Edwards explained that Deloitte's contract was not renewed in 2002 because the commercial paper programs that Deloitte had been hired for had been refunded through the issuance of fixed rate bonds), and staff did not anticipate that the new Series 2002 CP programs, which had just been established, would need rebate calculations in the next year. However, in 2003, as a result of the Series 2003 Refunding which fixed out some of the Series 2002 CP, the Board accepted staff recommendation to again contract with Deloitte for the necessary arbitrage work for the new CP programs. This contract with Deloitte expires October 31, 2005.

Staff recommended the Board renew this contract with Deloitte & Touche for one year. This will put the Deloitte and First Southwest contracts on the same schedule and allow sufficient time for TPFA to issue an RFP for these services prior to the expiration of the contracts next year.

Mr. Ellis moved to accept staff's recommendation. Mr. Mijares seconded. The motion passed unanimously.

Item 8. Other Business/Staff Report.

No other business was discussed.

Item 9. Adjourn.

The meeting adjourned at 12:45 P.M.

The foregoing minutes were approved and passed by the Board of Directors on December 1, 2005.



Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"

Open Meeting Submission

Success!

Row inserted

TRD: 2005008947
Date Posted: 10/26/2005
Status: Accepted
Agency Id: 0113
Date of Submission: 10/26/2005
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 11/03/2005
Time of Meeting: 11:00 AM (##:## AM Local Time)
Street Location: Capitol Extension, Room E.
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, NOVEMBER 3, 2005 11:00 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.010
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the October 6, 2005, Board meeting.
3. Post-sale analysis of the Stephen F. Austin Revenue Financing System Revenue Bonds, Series 2005A.
4. Consider a Request for Financing from the Texas Building and Procurement Commission for the issuance of general obligations to finance construction and repair projects, in an estimated amount of approximately \$29,000,000, appoint outside consultants, and take other necessary related action.
5. Consider and adopt SWAP policies.
6. Consider and select Underwriting Pool for the 2005-07 biennium and underwriting policies for negotiated sales.

7. Consider the renewal of a contract for arbitrage compliance services for the Authority's commercial paper programs.

8. Other Business/Staff Report.

Closed Meeting

9. Pursuant to Texas Government Code 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

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

Agenda:

11. 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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