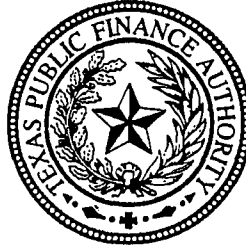


Texas Public Finance Authority

Board of Directors:
R. David Kelly, Chairman
H.L. Bert Mijares, Jr., Vice-Chairman
J. Vaughn Brock, Secretary
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

June 12, 2006

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., Monday, February 2, 2006, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: Bert Mijares, Vice-Chairman; Mr. Vaughn Brock, Secretary; Ms. Ruth Schiermeyer, Member; and Mr. Marcellus A. Taylor, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director, Ms. Judith Porras, General Counsel, Ms. Pamela Scivicque, Ms. Gabriela Klein, and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Tilghman Naylor, Bear Stearns; Mark Nitcholas, RBC Capital Markets; David Faris, Edward Jones; Keith Richard, Lehman Brothers; Kenneth Friesenhahn, Texas Legislative Service; Tim Kelley, Coastal Securities; Tim Peterson, First Southwest Co.; Carmen T. Best, Siebert Brandford Shank & Co.; Desrye Morgan, UBS Services, LLC; Curtis V. Flowers, Loop Capital Markets; Mario Carrasco, A. G. Edwards; Allen Westerman, SAMCO Capital Markets; and Michael Walker, Morgan Keegan.

Item 1. Call to order.

Mr. Mijares called the meeting to order at 11:56 A.M.

Item 2. Approval of minutes of the February 2, 2006 Board meeting:

Mr. Mijares asked if there were any corrections or additions to the minutes of the Board meeting of February 2. Mr. Brock moved to approve the minutes. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 3. Approve the Authority's Strategic Plan.

Ms. Edwards explained that the State of Texas uses the strategic planning process as a basis for the budget cycle. Agencies are required to do a strategic plan following a detailed set of instructions posted on the websites of the Governor and Legislative Budget Board offices.

TPFA's Strategic Plan follows those instructions and contains all the required components. The Board was also provided changed pages that include additional information about the Master Lease Program. The Plan includes a customer satisfaction report and a workforce analysis. The workforce analysis reflects the Authority's stable workforce and projects retirement eligibility, which could have an impact on the Authority's workforce in about 5 years.

The customer service report is compiled from a customer satisfaction survey that was sent to all TPFA client agencies. This year it was conducted online for the first time. The survey produced a lower response rate than prior years, but the responses were good. Seventy-three percent of respondents reported they strongly agreed with the description of having had a good experience with TPFA, with another 25% agreeing, for a total satisfaction rating of 98%. The other 2% were neutral.

Ms. Edwards reviewed other highlights of the plan, including increase activity in the Master Lease program as a result of high utility costs, and focus on other agency projects such as full implementation of the integrated accounting system to streamline workflow that could result in some reassigning of job duties or reorganization. The Authority will also continue to work on the debt management system database, master lease database, timekeeping database and network security. The Strategic Plan will be submitted by the July 7 deadline after Board approval.

Mr. Mijares asked if there was any other discussion regarding the Strategic Plan submitted by staff. Mr. Brock moved to accept the Strategic Plan. Mr. Taylor seconded. The motion passed unanimously.

Item 4. Consideration and possible action to adopt a proposed rule relating to Historically Underutilized Businesses.

Ms. Edwards explained that the Government Code requires all agencies to adopt the HUB rules that the Texas Building & Procurement Commission promulgated. The Board is being asked to adopt a rule that incorporates the TBPC rule by reference. Ms. Porras included a copy of the Texas Building & Procurement Commission's rule in the Board packet materials.

Mr. Mijares asked if there were any questions. Mr. Mijares asked about the status of the Authority's HUB performance. Ms. Edwards referenced the HUB Report in the Strategic Plan, Tab G. Mr. Mijares then asked for a motion to adopt the proposed rule. Ms. Schiermeyer moved to adopt the rule. Mr. Taylor seconded. The motion passed unanimously.

Item 5. Review and consider the schedule and requirements for the Legislative Appropriations Request.

Ms. Edwards directed the Board to the materials distributed to them for review. After the Board packets were mailed, instructions were received for the Legislative Appropriations Request. All agencies were asked to submit their request for funding at a level equal to 90% of their prior years' general revenue funding. Debt service is exempt from this requirement. The Authority's operating budget is about \$800,000 per year and about half of it is funded with general revenue, so a 10% reduction in GR would result in a \$40,000 per year reduction. Since about 96% of the agency's budget is salaries, there is not a lot of room to make the requested cuts.

Ms. Edwards reviewed the FY 06 projected results and FY 07 projected operating budget. She stated that the Authority was carrying forward about \$22,000 from FY 06 into FY07 and that since there have been fewer Board meetings in FY 06, travel, mail and consumable expenditures were under budget. However, the IT position, which previously had been funded as a half-time

position, was now a full-time position to do internal programming on projects such as the debt management system, allowing the Authority to avoid outside consultant contracts.

Ms. Edwards explained the impact of the longevity increase and the across-the-board pay raises that the legislature authorized in 2005 and reviewed various funding level scenarios for FY 08-09, so that they would know what exceptional items may need to be requested. This included an analysis of the travel budget for Board meetings, which after salaries is the Authority's second largest expenditure.

Ms. Schiermeyer asked if more meetings were expected in the future since the Legislature approved the tuition revenue bonds for construction. Ms. Edwards stated that since the Legislature did not fund any debt service for the bonds, she did not expect the Universities to issue them this year, but that there were a couple of small revenue bonds to issue for Parks and Wildlife Department.

Mr. Mijares asked if the Authority was going to ask for a special exemption from the Attorney General for meetings where we have one agenda item that could be taken care of by phone. Ms. Porras stated it would not be an exception or ruling from the Attorney General. It would require legislative action. Mr. Mijares asked who would carry such legislation and Ms. Porras stated it was something to be evaluated later in the fall after elections and committee assignments had been made. Mr. Mijares requested this option be explored. Ms. Schiermeyer also commented that she has had experience on a board that uses an unanimous consent agenda. She explained that such a procedure may give another level of security to the legislature compared to a voice vote by telephone, which provides no proof of what the vote was. It was agreed that this may be incorporated into a cost-savings procedure also.

Ms. Edwards stated staff would prepare the LAR and options for exceptional items for Board consideration. She noted that to meet a 90% GR funding level, even if all non-salary cuts were made, salaries will still need to be reduced about \$40,000. Ms. Edwards said she would not propose eliminating any single position, but articulate that we would absorb the cuts through various salary measures such as attrition, reorganization or across the board salary reductions. In reply to Mr. Brock's questions, Ms. Edwards explained that in the past, management had been able to respond to turnover by reorganizing to reduce the overall workforce.

Ms. Edwards also explained that in the FY06-07 LAR the Authority did not request general revenue to fund its exceptional items, but proposed using the fees from the Master Lease Program instead. However, Ms. Edwards expressed reluctance to rely on those fees to fund exceptional items in this LAR for two reasons: (i) those fees are ultimately paid from general revenues; and (ii) there is no longer a connection between the actual cost of the program and the percentage of the budget funded from that program. Therefore, it may be a better approach, long-term, to rely on general revenue.

She also noted that last year the Board pursued reclassification of the Executive Director's salary to Article IX, Section 3.05 (b) of the Appropriations Act (which gives the Governor the discretion to set the not-to-exceed limit on the ED salary, rather than the Legislature specifying the amount in the agency's bill pattern) and that the position be changed from a Group 4 to a Group 5. Although the Legislature did approve an increase in the ED salary cap, it did not reclassify the position, partly because the request was made after the LAR was submitted. Ms. Edwards asked if the Board would like to pursue a similar change this year, and if so, suggested it be included in the LAR.

Ms. Schiermeyer moved that the changes regarding the executive director's salary be included in the LAR. Mr. Taylor seconded. The motion passed unanimously.

Item 6. Review and consider the scheduling of the issuance of a Request for Proposal for property insurance.

Ms. Edwards explained that the lease agreements and the bond resolutions on the revenue bonds require the Authority to obtain property insurance on bond financed property if it can be obtained at a cost-effective level. The Authority has traditionally issued a Request for Proposal in August, at the end of each biennium. The current insurance policy terminates on August 31.

Ms. Porras explained that Ms. Scivicque was holding off on issuing a new Request for Proposals, anticipating that the State Office of Risk Management, which has the statutory authority to buy insurance for all state agencies, would do a comprehensive policy that would benefit the Authority. SORM has the policy in place, but the premiums are much higher than the Authority pays with lower coverage. Therefore, the Authority will continue to purchase the insurance independently.

Staff recommended that they request the current provider to extend the policy for six months so that the Request for Proposals process could begin later in the fall. This would make the insurance policy be on a calendar year rather than a fiscal year. Mr. Taylor moved to accept staff's recommendation. Ms. Schiermeyer seconded. The motion passed unanimously.

7. Other Business/Staff Report.

RFP for Arbitrage Consultants - Ms. Edwards updated the Board regarding several items. The Authority's arbitrage rebate contracts terminate October 31. A Request for Proposals will be issued in late June, so that recommendations can be submitted to the Board in September.

Texas Workforce Commission Update - The Texas Workforce Commission Unemployment Obligation Assessment bonds, Series 2003 D-1 (Taxable) were converted to a weekly mode on April 26, as discussed during the February Board meeting.

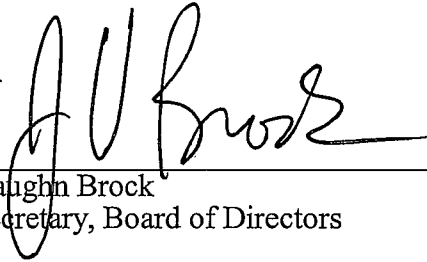
Tuition Revenue Bonds Update - During the last special session, the Legislature authorized the issuance of tuition revenue bonds for Texas Southern University (\$46.5 million); Midwestern State University (\$9.9 million); and Stephen F. Austin University (approximately \$30 million), but did not appropriate any debt service reimbursements. Ms. Edwards stated that she did not expect any requests to issue the bonds until these institutions have been appropriated their debt service reimbursement.

Cash Defeasance of GO Bonds - The Authority has \$15,265,000 of GO bonds, Series 1996-C, that have a call option on October 1, 2006. Staff proposes using a portion of the GO debt service appropriation to exercise the option and pay off the bonds early. This will achieve about \$2.8 million in debt service savings.

Item 8. Adjourn.

The meeting adjourned at 12:43 P.M.

The foregoing minutes were approved and passed by the Board of Directors on August 17, 2006.



Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!
Row inserted

TRD: 2006004711
Date Posted: 06/02/2006
Status: Accepted
Agency Id: 0113
Date of Submission: 06/02/2006
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 06/12/2006
Time of Meeting: 11:00 AM (###:## 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
 MONDAY, JUNE 12, 2006 11:00 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.026
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approve the minutes of the February 2, 2006 Board meeting.
3. Approve the Authority's Strategic Plan.
4. Consideration and possible action to adopt a proposed rule relating to Historically Underutilized Businesses.
5. Review and consider the schedule and requirements for the Legislative Appropriations Request.
6. Review and consider the scheduling of the issuance of a Request for Proposal

Agenda:

for property insurance.

7. Other Business/Staff Report.
RFP for Arbitrage Consultants
Texas Workforce Commission Update.
Tuition Revenue Bonds Update.

Closed Meeting

8. Pursuant to Texas Government 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

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.

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