

Texas Public Finance Authority

Board of Directors:
R. David Kelly, Chairman
H.L. Bert Mijares, Jr., Vice-Chairman
J. Vaughn Brock, Secretary
Carin M. Barth
Linda McKenna
Ruth C. Schiermeyer
Marcellus A. Taylor



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

300 West 15th Street
Suite 411
Austin, Texas 78701
Fax: 512/463-5501
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

August 17, 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 3:00 P.M., Thursday, August 17, 2006, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: David Kelly, Chairman; Mr. Vaughn Brock, Secretary; Ms. Ruth Schiermeyer, Member; and Ms. Carin Barth, Member.

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

Present in their designated capacities were the following persons: Dale Lehman, Piper Jaffray; Tilghman Naylor, Bear Stearns; Art Morales, Ramirez & Co., Inc.; Michael Walker, Morgan Keegan; Bob Kenney, Desrye Mogan, UBS; Keith Richard, Patrick Scott, Lehman Brothers; Curtis V. Flowers, Loop Capital Market; Curt Shelmire, Merrill Lynch; Andy Bynam, Citigroup; David Potter, Morgan Stanley; Duane Westerman, SAMCO Capital Markets; Carmen T. Best, Siebert Brandford Shank & Co.; Charlotte Kight-Marshall, TKG & Associates; Nancy Hagquist, Winstead, Sechrest & Minick; Barron Wallace, Vinson & Elkins; Tim Peterson, First Southwest Co.; Tim Kelley, Coastal Securities; Ed Robertson, Governor's Office; and Jody Wright, LBB.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 3:08 P.M.

Item 2. Approval of minutes of the June 12, 2006 Board meeting.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of June 12. Mr. Brock moved to approve the minutes. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 3. Discussion, consideration, and possible action to approve the Authority's Legislative Appropriation Request to the 80th Legislature.

Ms. Edwards reviewed the Authority's Legislative Appropriations Request for FY 2008-09 biennium. The baseline request reflects a 10% reduction in the General Revenue funding. In order to meet this funding level, the Authority would have to cut spending in all areas, including Board meeting travel (to six meetings a year), IT hardware, software and accounting system licenses renewal, staff training and travel, and a \$61,802 cut in salaries, to be achieved by either eliminating one position or an across the board pay reduction of about 4%.

She discussed three proposed exceptional items for additional funding. Exception Item 1 would restore the 10% cut; Item 2 would include additional funding for full agency operations and Item 3 would include an additional amount of about \$62,000 to provide funds for merit pay increases for staff and an increase in the Executive Director's salary. She noted that the LAR also included a request to reclassify the Executive Director position to a Group 5 in Article IX, Section 3.05(b)(3) of the Appropriations Act.

Ms. Edwards noted that the LAR requested General Revenue as the Method of Finance for Exceptional Items 1 and 2 and Appropriated Receipts for Exceptional Item 3. The Appropriated Receipts could include administrative fees from the Master Lease Program and /or revenues from interagency contracts, such as an issuance fee collected by the TPFPA Charter School Finance Corporation. Ms. Edwards also reviewed the FY 2006 and 2007 operating budget and the performance measure projections included in the LAR.

Discussion ensued. Mr. Kelly requested staff to update the state comparison and cost analysis prepared during the last appropriations cycle for the budget hearings. Ms. Schiermeyer requested that Exceptional Item 3 be amended to clarify that it was a 4% merit increase for the biennium, or about 2% per year, which is more in line with private sector compensation increases. She also noted that private sector compensation packages rarely include longevity pay, and suggested the Legislature could consider providing more funds for discretionary merit increases instead of longevity.

Ms. Edwards thanked staff and LBB analysts for their work on the LAR. Ms. Schiermeyer moved approval of the LAR. Mr. Brock seconded. The motion passed unanimously.

Item 4. Discussion, consideration, and possible action to authorize the issuance of fixed rate bonds to refund outstanding general obligation commercial paper, select a method of sale, outside consultants, and other necessary related actions.

Ms. Edwards stated that Tim Kelley of Coastal Securities, the Authority's financial advisor, had updated the analysis concerning a fix out of commercial paper. Mr. Kelley indicated that interest rates had continued to decline and that CP could be fixed out at current market conditions at a True Interest Cost of approximately 4.40%. He reviewed the bar charts showing the impact of a fixout on the Authority's mix of fixed and variable rate debt. The Chair suggested no action be taken at this time, but that the issue continue to be reviewed monthly. Mr. Brock also recommended staying with the variable rate.

Item 5. Discussion, consideration, and possible action to adopt new administrative rule 1 TAC 223.1 concerning historically underutilized businesses.

Ms. Edwards stated that the Government Code requires all state agencies to adopt the rules that the Texas Building & Procurement Commission has adopted for historically underutilized businesses. The rule was proposed in June and may be adopted as a final rule. Ms. Schiermeyer moved to adopt the rule. Mr. Brock seconded. The motion passed unanimously.

Item 6. Other Business/Staff Report.

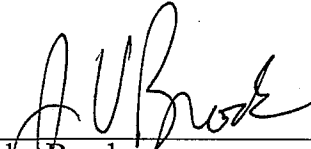
Ms. Edwards provided copies of her memorandum to the Bond Review Board concerning the cost of the payment of interest only on the Authority's bonds. Ms. Schiermeyer asked about the lower bond rating for Texas Southern University. Ms. Edwards stated that given the circumstances, the action was expected. She also stated her concern that additional debt issued for TSU would likely be very costly.

Mr Kelly introduced new board member, Carin Barth, and welcomed her.

Item 7. Adjourn.

The meeting adjourned at 3:59 P.M.

The foregoing minutes were approved and passed by the Board of Directors on October 5, 2006.



Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!
Row inserted

TRD: 2006007130
Date Posted: 08/09/2006
Status: Accepted
Agency Id: 0113
Date of Submission: 08/09/2006
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority Charter School Finance Corporation
Liaison Id: 3
Date of Meeting: 08/17/2006
Time of Meeting: 10:30 AM (###:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.206
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
 CHARTER SCHOOL FINANCE CORPORATION
 THURSDAY, AUGUST 17, 2006 10:30 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.026
 AUSTIN, TEXAS 78701

1. Call to order.

Agenda:

2. Approval of minutes of the April 24, 2006 Board meeting.

3. Consideration, discussion, and possible action on a Request for Financing from Kipp, Inc, Houston, including action to adopt and approve a trust indenture, loan agreement, and other necessary related matters for the issuance of the Kipp, Inc. Education Revenue Bonds, Series 2006A and 2006B.

4. 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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