

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

Kimberly K. Edwards
Executive Director



Post Office Box 12906
Austin, Texas 78711-2906
Telephone: (512) 463-5544
300 West 15th Street, Suite 411
Austin, Texas 78701
Facsimile: (512) 463-5501
www.tpfa.state.tx.us

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY

November 2, 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 10:00 A.M., Thursday, November 2, 2006, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: David Kelly, Chairman; Bert Mijares, Vice-Chairman; Mr. Vaughn Brock, Secretary; Ms. Ruth Schiermeyer, Member; Mr. Marcellus Taylor, Member; and Ms. Carin Barth, Member.

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

Present in their designated capacities were the following persons: Tilghman Naylor, Bear Stearns; Patrick Scott, John Daniel, Lehman Brothers; Bob Kinney, Eric Golynsky, UBS; Dale Lehman, Piper Jaffray; Debi Jones, Morgan Keegan; Paige Ziegler, Merrill Lynch; Charlotte Knight-Marshall, TKG & Associates; Nancy Hagquist, Winstead, Sechrest & Minick; and Jody Wright, Legislative Budget Board.

Item 1. Call to Order.

Mr. Kelly called the meeting to order at 10:00 A.M.

Item 2. Confirm meeting posting compliance with the Open Meetings Act.

Mr. Kelly confirmed the meeting had been duly posted in compliance with the Open Meetings Act.

Item 3. Excuse board member absences.

Mr. Mijares moved to excuse board member absences due to business or personal reasons. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 4. Approve the minutes of the October 5, 2006 Board meeting.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of October 5. Mr. Mijares moved to approve the minutes. Mr. Taylor seconded. The motion passed unanimously.

Item 5. Consider the adoption of a Resolution and approval of the Preliminary Offering Statement and Notice of Sale for the TPFAs Lease Revenue Bonds (Texas Historical Commission - Nimitz Museum Project), Series 2006, and take other necessary, related action.

Ms. Edwards stated that the Texas Historical Commission had submitted a request for financing at the last meeting to issue \$9 million of revenue bonds authorized by the 77th Legislature. The funds are primarily for renovations to the historic hotel portion of the Museum and an expansion of the George Bush Gallery. There is an operating agreement between the Texas Historical Commission and the Admiral Nimitz Foundation to operate the Museum. Although the Foundation is a tax-exempt 501(c)(3) entity, it is considered a private business for "governmental" bonds as defined by the tax code. Therefore, bond and tax counsel, and the Commission and Authority staffs determined it was not feasible to issue tax-exempt bonds. Mr. Taylor asked if the revenue the Museum generated is used to pay the bonds and whether there would be any restructuring of the lease to accommodate the additional interest and principal payments this particular bond will levy against the Museum. Ms. Edwards explained that the revenue to pay the bonds is from state appropriations to the Commission which is paid to the Authority as lease payments under the lease between the Commission and the Authority.

Ms. Edwards also reviewed the procedures for the competitive sale, which will be conducted electronically through Parity. The Preliminary Offering Statement will be distributed and posted online. Bidders will have to register with Parity to bid and will have to submit two manually signed bid forms and document their good faith efforts to include HUBs, if they are bidding as a syndicate. Alternatively, bids may still be submitted in written, hard copy. The bids will be accepted at 10 a.m. and the Board meeting will convene at 11 a.m. to award the sale of the bond.

Mr. Mijares asked whether there had been problems with electronic bidding. Mr. Kelley assured the Board that electronic bidding has matured and there should not be any problems with the procedures. The Chair asked if it was anticipated that bond insurance would be needed on these bonds. Mr. Tim Kelley, Coastal Securities, responded he thought it would be a close call; if used, he estimates the cost to be about 18-20 basis points, which is about \$20,000.

Mr. Mijares moved to approve the Resolution, Preliminary Official Statement, Notice of Sale and Bid Form. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 6. Consider the adoption of a Resolution and approval of the Preliminary Offering Statement for the TPFAs General Obligation Refunding Bonds, Series 2006, designate a pricing committee and take other necessary, related action.

Ms. Edwards stated that at the October meeting the Board selected a financing team so that the Authority would be in a position to take advantage of favorable interest rates and refund commercial paper at a true interest cost of 4.25%, if and when the market reached that level. At the time rates had dropped to the 4.20% range. Today the Board is requested to approve the Bond resolution authorizing the issuance of the bonds. Ms. Edwards noted that the resolution only contemplates refunding \$178 million of General Obligation Commercial Paper, Series A, and \$47.7 million of GO CP Series B, which finances the Colonias Road Program for a combined transaction

of approximately \$225 million. She stated that fixed rate refunding candidates were also analyzed, but none met the savings criteria established at the October Board meeting.

Mr. Kelly asked if more direction had been received regarding retiring debt. Ms. Edwards stated that an extensive analysis regarding debt defeasance options had been sent to the Legislative Budget Board. The analysis evaluated long-term fixed rate debt, not the commercial paper. The conclusion was that in general, the debt outstanding has low rates and only certain portions of it had favorable call dates, so defeasing it did not generate large savings. Regardless, if the leadership did decide to use surplus funds to defease debt, commercial paper, which is currently at a rate of 3.5%, would be the bottom tier of what would be paid off first. Even if it were fixed out at 4.25%, it would not be the best candidate for defeasance.

Tim Kelley, Coastal Securities, discussed two series of bonds that are callable next year, the Series 1997 and 1998 GO bonds, that would be the best candidates for cash defeasance. Mr. Brock asked if the bonds were callable or if they had to be defeased, i.e. did it really generate any savings for the state? Ms. Edwards stated the bonds have a call feature so interest is not paid after the call date, creating a legitimate savings, as opposed to a defeasance where an escrow is set up to pay the interest for the next years. Discussion ensued.

Ms. Edwards stated that last month the TIC for the CP fix out was about 4.25%. John Daniel and Patrick Scott, Lehman Brothers, provided a market update, noting that at current market rates the TIC would be about 4.17%.

Pending Bond Review Board approval on November 16 and if market conditions remain favorable, the sale will take place at Lehman Brothers' offices in New York. The Pricing Committee was designated to consist of Carin Barth, Ruth Schiermeyer, Bert Mijares, with Marcellus Taylor serving as alternate member:

Mr. Mijares moved to adopt the Resolution and approve the Preliminary Official Statement. Mr. Taylor seconded. The motion passed unanimously.

Item 7. Other Business/Staff Report.

No other business was discussed.

Item 8. Adjourn.

The meeting adjourned at 10:40 A.M.

The foregoing minutes were approved and passed by the Board of Directors on December 7, 2006.



Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!

Row inserted

TRD: 2006009404
Date Posted: 10/25/2006
Status: Accepted
Agency Id: 0113
Date of Submission: 10/25/2006
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 11/02/2006
Time of Meeting: 10:00 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
 THURSDAY, NOVEMBER 2, 2006 10:00 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.026
 AUSTIN, TEXAS 78701

- Agenda:**
1. Call to order.
 2. Confirm meeting posting compliance with the Open Meetings Act.
 3. Excuse board member absences.
 4. Approve the minutes of the October 5, 2006 Board meeting.
 5. Consider the adoption of a Resolution and approval of the Preliminary Offering Statement and Notice of Sale for the TPFA Lease Revenue Bonds (Texas Historical Commission - Nimitz Museum Project), Series 2006, and take other necessary, related action.

6. Consider the adoption of a Resolution and approval of the Preliminary Offering Statement for the TPFPA General Obligation Refunding Bonds, Series 2006, designate a pricing committee and take other necessary, related action.

7. Other Business/Staff Report.

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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