

Texas Public Finance Authority

Board of Directors:

H.L. Bert Mijares Jr., Chair
Ruth C. Schiermeyer, Vice Chair
Linda McKenna, Secretary
Carin M. Barth
R. David Kelly
D. Joseph Meister
Robert T. Roddy, Jr.

Kimberly K. Edwards
Executive Director



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

October 4, 2007

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, October 4, 2007, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. David Kelly, Chairman, Mr. Bert Mijares, Vice-Chairman, Mr. Tom Roddy, Member, Ms. Linda McKenna, Member, and Mr. Joe Meister, Member.

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

Present in their designated capacities were the following persons: Mario Carrasco, Lisa Vanderbeek, Nora Chavez, AG Edwards; Jody Wright, Legislative Budget Board; Tilghman Naylor, Bear Stearns; David Potter, Morgan Stanley; Desrye Morgan, Bob Kinney, UBS; Carmen Best, Siebert Brandford Shank; Andy Bynam, Citigroup; Dale Lehman, Piper Jaffray; Debi Jones, Morgan Keegan; Becky Villasenor, Ramirez & Co., Inc.; Barron Wallace, Vinson & Elkins; and Tim Kelley, Coastal Securities.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 10:03 a.m. Mr. Kelly turned the meeting over to the new Board Chairman, Mr. Mijares. Mr. Mijares thanked David Kelly for his leadership over the last 4 years and his commitment to the Authority.

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

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

Item 3. Excuse board member absences.

Mr. Kelly moved to excuse board member absences. Ms. McKenna seconded. The motion passed unanimously.

Item 4. Approval of minutes of the September 6, 2007 Board meeting.

Mr. Mijares asked if there were any corrections or additions to the minutes of the Board meeting September 6. Mr. Meister moved to approve the minutes. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 5. Report on sale of TPFA \$239,420,000 General Obligation Refunding Bonds, Series 2008 and \$45,000,000 TPFA Building Revenue Bonds (TDCJ Projects), Series 2007.

Ms. Edwards stated only the \$45,000,000 building revenue bonds had been sold. Market conditions were good in mid-September leading up to and subsequent to the Federal Reserve meeting on the 18th. AG Edwards was asked to accelerate the pricing by about three weeks, and the bonds were priced on September 25.

Ms. Nora Chavez, manager of the Texas public finance office of AG Edwards (now Wachovia), the Senior Manager, reviewed the pricing highlights, including the 3.8% interest rate, the par value savings of 3.2% that exceeded the 3% parameter, and the actual savings of almost \$1.5 million. She discussed the two tier marketing approach that created opportunity for retail participation with short maturities and large block sizes in certain maturities for institutional investors. Because of the underwriting team's good marketing efforts, rates were lowered by one or two basis points.

Ms. Edwards reported to the Board that the other issue, the TPFA \$239,420,000 General Obligation Refunding Bonds, Series 2008, is on a day-to-day schedule. Mr. Bob Kinney, UBS, explained that a smaller pool of buyers are offering rates with higher spreads than what was previously expected for the longer delivery. When the pool of prospective buyers is broader there is more competition to own the bond. Ms. Edwards stated that ideally, the pricing of the third issue, a new money General Obligation issue, would be separated by 15 days for tax purposes, but these forward delivery bonds remain in a day-to-day mode. Tim Kelley of Coastal Securities, the Financial Advisor, stated that one of the relevant factors being watched is market erosion at various points in the yield curve. Most of the rate increases have been on the long end; these bonds only go out to 2015. Less volatility on the short-end of the yield curve provides some ability to wait on the market.

Item 6. Consider the adoption of a Resolution and approval of the Preliminary Official Statement for the Texas Public Finance Authority General Obligation Bonds, Series 2007 in the approximate amount of \$100 million.

Ms. Edwards reminded the Board that this transaction was initially approved by the Board for funding through the Authority's commercial paper program. However, with interest rates so low and the need to maximize interest earnings for agencies' project funds, a fixed-rate new money issue is recommended. The Board will have to adopt the Bond Resolution, which includes approving the Preliminary Official Statement and designating a pricing committee. The required approval letter from the Legislative Budget Board for the Texas Facilities Commission project has not yet been received, but after it is received, the Official Statement can be printed and the bonds priced. The possible pricing dates might be Monday, October 15.

Andy Bynam, Citigroup, stated that if the Official Statement was printed by Monday, October 8 at the latest, and if the LBB approval letter is received, he would recommend pricing on Monday, October 15. Monday is not typically the best day to price, but a \$5.5 billion Ohio tobacco deal is scheduled for Tuesday and a \$2.5 California general obligation deal is scheduled for Wednesday of that week. Those deals will receive attention and it would be best to price in front of them or wait until October 23.

Ms. Edwards stated that the sooner this transaction is completed, the larger the window will be to separate it from the refunding by 15 days so that they are two separate transactions for tax purposes. Rates are still very good. Mr. Kelley, Coastal Securities, ran numbers yesterday which indicated a 4.33 % rate.

Pricing committee members were designated to be Linda McKenna, Ruth Schiermeyer and Tom Roddy. Joe Meister and Carin Barth were designated alternates.

Ms. McKenna moved to approve the Official Statement, and the Bond Resolution with the designated pricing committee as stated above. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 7. Consider approval of the defeasance of the Authority's Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2003, select bond counsel and take other necessary related action.

Ms. Edwards stated that in 2003 the Authority issued about \$1.4 billion of bonds for the Texas Workforce Commission to repay federal funds which had been borrowed to make up a deficit in the State's unemployment compensation fund. The interest rate on the federal funds was 6.2%.

Coastal Securities and First Southwest Co. served as financial advisors and Goldman Sachs was the lead underwriter. The transaction was structured in about six weeks in order

to close by October 1 of 2003. After receiving a private letter ruling, about half of the bonds were connected to tax-exempt bonds. Half of the bonds were structured as variable rate and half as fixed rate so that it would be short and exposure would be diversified to the different interest rate environments. In spite of having a good history and track record of collections from employers, in order to get the bond insurance and rating agencies on board it was necessary to show 150 times coverage. The variable rate debt was structured with a final maturity in 2009, but subject to early pay off if excess revenues were collected.

At the time the variable rate bonds were issued, the rates were 1.17% and overall, the transaction had a 2.7% financing cost. It has been a very successful transaction.

Now, the unemployment trust fund has a surplus. During the last Legislative Session the Legislature authorized the use of the surplus in the unemployment trust fund to pay off the bonds. Currently, the Workforce Commission estimates the surplus will be about \$330 million. The proposed transaction is to use the surplus revenue to pay down the variable rate debt as it comes due and set up an escrow to legally defease the fixed rate bonds. There is \$82.7 million of variable rate, \$3.7 million of which will be paid off tomorrow (October 5) and approximately \$250 million of fixed rate debt due December 15, June 15, 2008 and December 15, 2008.

TPFA has an existing financial advisory contract with First Southwest in place to help administer the bonds. There is not an existing contract for legal counsel, but a legal opinion is needed for the defeasance. Staff would like to recommend that Vinson & Elkins be retained as bond counsel to continue their work on this matter.

Ms. Schiermeyer moved to accept staff's recommendation to engage First Southwest Co. and Vinson & Elkins on this transaction. Mr. Meister seconded. The motion passed unanimously.

Item 8. Other Business/Staff Report.

No other business was discussed.

Item 9. Closed Meeting.

The Chair recessed the open meeting for the Board to convene a closed session pursuant to Texas Government Code, sections 551.071(2) and 551.074(a)(1).

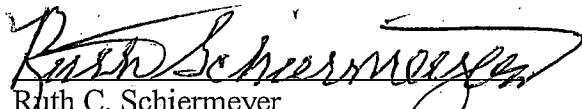
Item 10. Reconvene Open Meeting.

The Board reconvened the opening meeting at 11:35 a.m. No action was necessary from the closed session.

Item 11. Adjourn.

The meeting adjourned at 11:35 a.m.

The foregoing minutes were approved and passed by the Board of Directors on December 6, 2007.


Ruth C. Schiermeyer
Secretary

Attachment: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!

Row inserted

TRD: 2007008191
 Date Posted: 09/26/2007
 Status: Accepted
 Agency Id: 0113
 Date of Submission: 09/26/2007
 Agency Name: Texas Public Finance Authority
 Board: Texas Public Finance Authority
 Liaison Id: 3
 Date of Meeting: 10/04/2007
 Time of Meeting: 10:00 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
 THURSDAY, OCTOBER 4, 2007 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 September 6, 2007 Board meeting.

5. Report on sale of TPFA \$239,420,000 General Obligation Refunding Bonds, Series 2008 and \$45,000,000 TPFA Building Revenue Bonds (TDCJ Projects), Series 2007.

6. Consider the adoption of a Resolution and approval of the Preliminary Official Statement for the Texas Public Finance Authority General Obligation Bonds, Series 2007 in the approximate amount of \$100 million.

7. Consider approval of the defeasance of the Authority's Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2003, select bond counsel and take other necessary related action.

8. Other Business/Staff Report.

Closed Meeting

9. Pursuant to Texas Government, 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.

Pursuant to Texas Government Code, Section 551.074(a)(1), the Board may convene in closed session to deliberate personnel matters, including evaluation of the Executive Director.

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.

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.