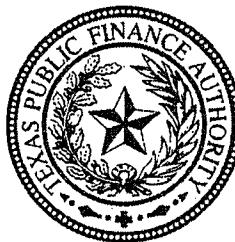


# Texas Public Finance Authority

**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



Mailing Address:  
Post Office Box 12906  
Austin, Texas 78711-2906

Physical Address:  
300 West 15th Street, Suite 411  
Austin, Texas 78701

Telephone: (512) 463-5544  
Facsimile: (512) 463-5501  
[www.tpfa.state.tx.us](http://www.tpfa.state.tx.us)

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

January 10, 2008

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, January 10, 2008, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Bert Mijares, Chairman, Ms. Ruth Schiermeyer, Secretary, 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 and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Lester Graves Lennon, Stone & Youngberg; Dale Lehman, Piper Jaffrey; Keith Richard, Bank of America Securities; Curtis V. Flowers, Loop Capital Markets; Andy Bynam, Citigroup; Patrick Scott, Lehman Brothers; Carmen Best, Siebert Brandford Shank; Clarence Grier, RBC Capital Markets; Tilghman Naylor, Bear Stearns; Mark Ellis, Depfa First Albany; Rafael Muniz, Goldman Sachs; John Hall, Winstead, Secrest & Minick; Sally Becker, State Office of Risk Management, Art Morales, Ramirez & Co.; David Potter, Morgan Stanley; Liz Prado, Legislative Budget Board; Kenneth Friesenhahn, Texas Legislative Service; Tim Peterson, First Southwest Co. and Tim Kelley, Coastal Securities.

**Item 1. Call to order.**

Mr. Mijares called the meeting to order at 10:00 a.m.

**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. Roddy moved to excuse board member absences. Ms. McKenna seconded. The motion passed unanimously.

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

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

**Item 5. Consideration, discussion, and possible action to approve a Request for Financing from the Department of Aging and Disability Services to finance approximately \$39,760,811 of construction projects, pursuant to the Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.**

Ms. Edwards stated this agenda and the following Item 6 are financing requests for the Department of Aging and Disability Services and the Department of Health Services, which are both under the administration of the Health & Human Services Commission. The agencies were appropriated general obligation proceeds, from the new \$1 billion constitutional authorization, for various renovation and repair projects.

Staff recommended the requests be approved to be financed through a bond issue or commercial paper depending on the timing of when the agencies needed funds and interest rates and market conditions. Mr. Mijares asked when the Legislative Budget Board's (LBB) approval was expected. Ms. Edwards stated the agencies had submitted their project lists to the LBB in November, and she would follow up on the approval. Ms. Schiermeyer asked whether all planned expenditures were long-term capital expenditures. Ms. Edwards stated it appears the expenditures are for capital items, such as foundation and roof repairs, and water and sewer pipe replacements etc., but she will confirm this with the agencies.

Ms. Schiermeyer moved to approve the request for financing and approve staff recommendations for the method of sale to be either commercial paper or fixed rate bonds depending on the most cost effective method and pending LBB approval. Ms. McKenna seconded. The motion passed unanimously.

**Item 6. Consideration, discussion, and possible action to approve a Request for Financing from the Department of Health Services to finance approximately \$30,632,149 of construction projects, pursuant to the**

**Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.**

Ms. Edward stated this request for the Department of Health Services is similar to Item 5. Victor Moore is the architect for both agencies and oversees both projects. Staff makes the same recommendations.

Ms. McKenna moved to accept staff's recommendations. Ms. Schiermeyer seconded. The motion passed unanimously.

- Item 7. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Historical Commission to finance approximately \$48,000,000 of construction projects, pursuant to the Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.**

This item was not considered. It will posted for a subsequent meeting.

- Item 8. Consideration, discussion, and possible action to approve the Preliminary Official Statement and Notice of Sale for the Stephen F. Austin State University, Series 2008, and take other necessary related action.**

Ms. Edwards reviewed the Stephen F. Austin State University financing. The bond issue is for approximately \$20 million of tuition revenue bonds to finance the University's Education Research Center. At the last meeting, the Board approved a competitive sale of the bonds. The Board is required to approve the distribution of the Preliminary Official Statement and the Notice of Sale and Bid Form, which will be distributed to potential buyers about a week before the sale. Bids will be taken, via the Parity electronic bidding service, prior to the February 7 Board meeting. The bids will be verified by the Financial Advisor and staff for compliance with the bid requirements and identification of the apparent low bid, or the bid with the lowest true interest cost, and presented to the Board, in open meeting, for the formal selection of the winning bid and the award of the bonds to that bidder.

Ms. Edwards directed the Board's attention to the cover of the Preliminary Official Statement to review the maturity schedule. Normally, the University's bonds are structured with October 15 principal payments. Because the bonds will sell in February, the first payment would not occur until October, in the next fiscal year. The University's \$2.6 million appropriation to reimburse the debt service would lapse. Therefore, at the University's request, after discussion with First Southwest's desk, a payment on April 15 was structured in order to use some of the appropriation. Ms. Edwards added, as is standard for the Authority's competitive sales, the transaction will be pre-qualified for bond insurance and bidders will decide whether or not to use bond insurance.

Ms. Schiermeyer asked about the legislative appropriation for the project. Ms. Edwards stated the appropriation is to reimburse debt service only. If the Legislature does not continue to appropriate the full amount of the debt service, the obligations would be paid from the University's revenue alone. Discussion ensued about the University's enrollment trends, current levels of outstanding debt, and the nature of projects financed with previous and the current bond issue. Ms. Edwards noted that Fitch placed the University on negative outlook in 2005 citing enrollment trends and debt levels.

Mr. Meister moved to approve the Preliminary Official Statement and Notice of Sale. Ms. Schiermeyer seconded. The motion passed unanimously.

The Board next considered Item 10 relating to property insurance.

**Item 9. Consideration, discussion, and possible action to select an underwriter pool and related matters.**

Ms. Edwards explained the current members of the underwriter's pool were asked to update the information on file for them. The request was issued in October, and the proposals were due at the end of November. Twenty-eight proposals were received. Twenty-five of the responses were from members of the current pool. The three firms not currently in the pool (Butler Wick, Stone & Youngberg, and Fidelity Capital Markets), also submitted information. These firms have made a good effort to cover the Authority, attend Board meetings and submit ideas to the Authority. There have been a number of changes at other firms: Popular Securities has ceased its municipal securities operation, AG Edwards was acquired by Wachovia Securities, and SBK Brooks' information showed a decrease in capital to substantially below \$1 million. Further, MR Beal, which is currently in the pool, did not submit updated information as requested. Mr. Mijares stated that he believes a firm should not be considered if it did not submit a response to the request.

For these considerations, staff recommended the following firms be included in the pool in the senior manager category: Bank of America Securities, Bear Stearns, Citigroup, Depfa First Albany, Estrada Hinojosa, Goldman Sachs, JP Morgan, Lehman Brothers, Loop Capital Markets, Merrill Lynch, Morgan Keegan, Morgan Stanley, Piper Jaffray, RBC Capital Markets, Ramirez & Co., Siebert Brandford Shank, UBS and Wachovia. Staff further recommended the following firms be included in the co-manager category: Butler Wick & Co., Edward Jones, Fidelity Capital Markets, Jackson Securities, SAMCO Capital Markets, Southwest Securities, Stone & Youngberg and Valubond.

Mr. Meister moved to accept staff's recommendation for the pool and adding or removing firms pursuant to the Authority's existing underwriting policies. Ms. Schiermeyer seconded. The motion passed unanimously.

**Item 10. Consideration, discussion, and possible action on obtaining property insurance for facilities covered by revenue bond debt.**

Ms. Edwards explained that under State law state agencies that have the legal authority to purchase property insurance are required to do so through the State Office of Risk Management (SORM). When TPFA's revenue bonds were first issued in the early 1990s, the market for lease revenue debt was less mature; therefore, the covenants required property insurance on the financed facilities, if cost-effective. Since 1992, the Authority has issued Request for Proposals for property insurance and FM Global, or its predecessor, has been consistently the provider.

In 2006 when the last RFP was issued, SORM was beginning their statewide program to provide insurance for agencies. At that time, FM Global submitted a proposal and SORM obtained a proposal from its carrier. After an extensive evaluation process, the Authority obtained a waiver from obtaining the insurance from SORM based on the fact the FM Global policy provided more coverage at a lower premium. Under that policy, an annual renewal is now due February 1. FM Global has provided a new proposal for the next year, and SORM has also provided a policy proposal from its carrier. Ms. Sally Becker, Risk Management Specialist, with SORM was introduced to review SORM's program, procedures, and its insurance proposal

Ms. Becker explained that an agency does have to request a waiver from SORM in order to purchase property insurance independently. SORM's decision on a waiver request is based on what it considers to be the best interests of the State; for example waivers might be granted for a unique exposure, unusual risk or if something was not covered by the statewide program. Ms. Becker also explained the coverage provided by the statewide program. The statewide master policy with National Union Fire provides a \$50 million per occurrence limit that is shared by all the participants in the program. If more than one participant suffers damage from the same occurrence, the \$50 million would be distributed among those incurring the damage. If agencies have higher limits or total higher insurable values, SORM builds excess policies in the name of that agency that no one else shares. The Authority has \$1.3 billion of value on the schedule at the moment. SORM's program can provide coverage up to \$1 billion consisting of the first layer \$50 million, a second layer, provided by Lexington of up to \$450 million in excess of the first \$50 million, and a third excess policy with Travelers for \$500 million. All the excess policies will be written so that they are exactly the same as the master policy, and there will be no lapse or missing coverage. In addition, the SORM program will provide flood and named windstorm coverage for the Corpus Christi location, and flood and windstorm coverage for the Houston location. Therefore, a separate policy with the Texas Windstorm Insurance Association can be terminated.

Ms. Edwards summarized that the FM Global policy premium would be higher than SORM's premium (\$572,825 versus \$462,811), and therefore, the Authority has no basis upon which to request a waiver from SORM. Mr. Meister asked about the Authority's loss

history. Ms. Edwards stated there have been four claims, including the losses incurred from flooding in Houston from Tropical Storm Allison, and the largest claim was for \$1.2 million.

Ms. Edwards stated the Board's role was to determine if the insurance is cost-effective to comply with bond documents. Staff recommendation is to purchase the policy provided by SORM. Ms. Schiermeyer moved to accept staff's recommendation. Mr. Roddy seconded. The motion passed unanimously.

**Item 11. Other Business/Staff Report.  
TWC Defeasance**

Ms. Edwards reported the TWC Defeasance was completed December 15. She thanked everyone involved in the transaction.

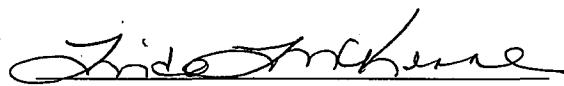
Ms. Edwards informed the Board that the Comptroller's Office had agreed to provide liquidity for the new Commercial Paper program.

Ms. Edwards reminded the Board about the competitive sale on February 7. She also stated the GO Refunding would be priced on January 23. Mr. Tim Kelley, Coastal Securities, stated that under current market conditions the savings would be over \$14 million.

**Item 12. Adjourn.**

The meeting adjourned at 10:58 a.m.

The foregoing minutes were approved and passed by the Board of Directors on February 7, 2008.



Linda McKenna  
Secretary

Attachment: Posting Notice – Exhibit "A"



## Open Meeting Submission

*Success!*

Row inserted

**TRD:** 2008000013

**Date Posted:** 01/02/2008

**Status:** Accepted

**Agency Id:** 0113

**Date of Submission:** 01/02/2008

**Agency Name:** Texas Public Finance Authority

**Board:** Texas Public Finance Authority

**Liaison Id:** 3

**Date of Meeting:** 01/10/2008

**Time of Meeting:** 10:00 AM ( ##:## AM Local Time)

**Street Location:** Capital Extension Hearing Room E2.028

**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, JANUARY 10, 2008 10:00 A.M.  
CAPITOL EXTENSION HEARING ROOM E2.028  
AUSTIN, TEXAS 78701

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 December 6, 2007 Board meeting.
5. Consideration, discussion, and possible action to approve a Request for Financing from the Department of Aging and Disability Services to finance approximately \$39,760,811 of construction projects, pursuant to the Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.

6. Consideration, discussion, and possible action to approve a Request for Financing from the Department of Health Services to finance approximately \$30,632,149 of construction projects, pursuant to the Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.
7. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Historical Commission to finance approximately \$48,000,000 of construction projects, pursuant to the Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.
8. Consideration, discussion, and possible action to approve the Preliminary Official Statement and Notice of Sale for the Stephen F. Austin State University, Series 2008, and take other necessary related action.
9. Consideration, discussion, and possible action to select an underwriter pool and related matters.
10. Consideration, discussion, and possible action on obtaining property insurance for facilities covered by revenue bond debt.

11. Other Business/Staff Report.  
TWC Defeasance

Closed Meeting

12. 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.

Reconvene Open Meeting

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

14. 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.