

Texas Public Finance Authority

Board of Directors:

H.L. Bert Mijares Jr., Chair
Ruth C. Schiermeyer, Vice Chair
Linda McKenna, Secretary
Gerald Alley
Carin M. Barth
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

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

February 7, 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 10:30 a.m., Thursday, February 7, 2008, Travis Building, Room 1-100, Austin, Texas. Present were: Mr. Bert Mijares, Chair, Ms. Ruth Schiermeyer, Vice Chair, Mr. Gerald Alley, Member, Ms. Carin Barth, 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; and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Jim Niederle, Oppenheimer & Co.; Mark Ellis, Depfa First Albany; Art Morales, Ramirez & Co., Inc.; Clarence Grier, RBC Capital Markets; Curt Shelmire, Merrill Lynch; Tilghman Naylor, Bear Stearns; Terry Thornton, Goldman Sachs & Co.; Dale Lehman, Piper Jaffray; Julie Houston, Winstead, Sechrest & Minick; Mark Dault, Regions Bank; Keith Richard, Banc of America Securities; Sam Miller, Legislative Budget Board; Tim Peterson, First Southwest Co.; Tim Kelley, Coastal Securities; Larry Oaks, Terry Colley, Stan Graves, Texas Historical Commission; David Barker, Stan Korn, Texas Facilities Commission; Jerry Kyle, Greg Shields, Andrews & Kurth; Desrye Morgan, UBS; and Yava Scott, Siebert Brandford Shank.

Item 1. Call to order.

Mr. Mijares called the meeting to order at 10:30 a.m. Mr. Mijares welcomed our new Board member, Mr. Gerald Alley.

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.

Ms. Barth moved to excuse board member absences. Mr. Meister seconded. The motion passed unanimously.

Item 4. Approval of minutes of the January 10, 2008 Board meeting.

Mr. Mijares asked if there were any corrections or additions to the minutes of the Board meeting January 10. Ms. Schiermeyer moved to approve the minutes. Ms. Barth seconded. The motion passed unanimously.

Item 5. Select winning bid and adopt a resolution authorizing the issuance of approximately \$20,175,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2008, the execution of documents in connection therewith, and other related actions to effect the sale and delivery of the bonds and resolve related matters.

Ms. Edwards stated the bonds were sold competitively at 9:30 a.m., using the IPREO electronic bidding system. The twelve bidders were Southwest Securities, 4.099632%; UBS Securities, 4.148299%; Morgan Keegan, 4.179159%; Fidelity Capital Markets, 4.179698%; Wachovia Securities, 4.192787%; Morgan Stanley, 4.206777%; BOSCO, 4.208983%; Piper Jaffray, 4.212958%; Bank of America, 4.229999%; Bear Stearns, 4.238743%; Depfa First Albany, 4.253553% and Goldman Sachs, 4.317125%. The low bidder was Southwest Securities.

Tim Peterson, First Southwest Co., served as the financial advisor on this transaction and verified each of the bids. As is the typical practice, the bonds were pre-qualified for bond insurance by FSA and Assured Guaranty, and the bid instructions allowed the bidders to determine whether they wanted to use bond insurance. The winning bid from Southwest Securities included the use of FSA bond insurance, at a premium of \$248,000 or 87 basis points on the overall debt service. In 2005, the insurance premium was in the range of 20-25 basis. The substantial increase is because several bond insurers are facing rating changes due to exposure to sub-prime mortgage related products, and as a result there is no investor demand for bonds insured by those firms. As a result, FSA and AG, which do not have high exposure, are in a position to charge higher premiums. Nonetheless, the insurance is still cost effective: First Southwest estimates that the True Interest Cost on the bonds would be at least 30 basis points higher if the bonds were sold without insurance.

Ms. Edwards stated the University's Board of Regents would be meeting later in the afternoon to adopt an identical resolution committing them to raise the revenue sufficient to pay the debt service on the bonds.

Mr. Meister moved to award the winning bid to Southwest Securities and to adopt the Resolution. Ms. Schiermeyer seconded. Mr. Alley abstained. The motion passed upon the affirmative vote of the remaining four members.

Item 6. Report on the sale of the TPFA General Obligation Refunding Bonds, Series 2008.

Ms. Edwards stated that the Authority had been monitoring this refunding since last spring and the Board had set a savings threshold of \$7.3 million in August, but the sale was delayed due to deteriorating market conditions for forward deliveries in the fall and the timing of other TPFA bond sales in December. However, the bonds were finally priced on January 23, 2008. She noted that the markets were uncertain due to a surprise 75 basis point rate cut by the Federal Reserve the day before pricing, but the Authority saw strong demand for its bonds due to the high credit quality and the short maturity schedule, with the final maturity in 2015. The final present value savings was \$19.35 million.

The bonds were priced by UBS Securities, with Coastal Securities as the financial advisor. Ms. Barth attended the pricing and Ms. McKenna and Mr. Meister participated by phone. Ms. Edwards thanked UBS, Coastal Securities and the pricing committee members, particularly Ms. Barth, for their guidance in deciding when to price the bonds.

Mr. Bob Kinney, UBS, reviewed the post sale analysis. He stated his firm had also been selected to be the Senior Underwriter on a \$1.1 billion transaction for the Texas Department of Transportation. With two Texas transactions occurring the same week, and potentially the same day, Ms. Edwards had suggested that the preliminary pricing calls be done together to determine which transaction would go first. UBS recommended TPFA price first, due to the much smaller size and shorter maturities. Ultimately, TxDOT priced the same day as TPFA, beginning their pricing at the conclusion of TPFA's order period. Although the market was very volatile, Mr. Kinney stated the managers did a good job of putting in orders, which let investors know the syndicate was willing to step up and buy bonds. Mr. Tim Kelley, Coastal Securities, agreed it was a very successful sale.

Item 7. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Historical Commission to finance approximately \$96,000,000 of construction projects, pursuant to Texas Constitution, Art. III, Sections 50-f and 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards stated general obligation bond proceeds were appropriated in this biennium for various repair projects. Proposition 8, approved in 2001, authorized a total of

\$850 million general obligation bonds, and \$1,000,000,000 of general obligation bonds were authorized in Proposition 4 in November 2007. The Historical Commission was appropriated general obligation proceeds of \$48,000,000 out of each authorization, a total of \$96,000,000. The request for financing contains a combination of both propositions and is for two separate programs.

The first program is the Courthouse renovation program. The Commission makes grants to various counties to restore, renovate, maintain and preserve historic courthouses around the state; \$31,000,000 of the appropriation from Proposition 8 and \$31,000,000 of the appropriation from Proposition 4 are allotted to the Courthouse renovation program. The second program is for renovation and repair projects on eighteen historical sites transferred to THC from the Parks and Wildlife Department.

Mr. Larry Oaks, Executive Director, Terry Colley, Deputy Director, and Stan Graves, of the Texas Historical Commission were introduced to discuss the agency's request. Mr. Oaks explained Round 5 of the Courthouse renovation program grants were awarded last Friday to counties who are participating in the program. Counties are required to prepare a master plan for their courthouse. A total of 125 of the 235 counties that have historic courthouses have participated in the program. Forty-seven counties competed for the approximate \$62 million awarded in the last round. Twelve full restoration grants were awarded as well as a couple of emergency grants.

The other program is for the renovation and repair of historical sites around the State, transferred to the Commission from the Parks and Wildlife Department. In addition to the \$17,000,000 of general obligation proceeds appropriated from each Proposition, a total of \$34,000,000, for capital improvements, the Commission received an annual appropriation to adequately fund the operation of the sites. The eighteen sites had been receiving funding at about \$1.8 million and next year will be funded at approximately \$7 million for operations and maintenance.

Mr. Alley asked if the renovations to courthouses were designed to LEED (Leadership in Energy and Environmental Design) standards. Mr. Oaks stated that LEED is perfectly compatible with historic preservation.

Item 8. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Facilities Commission to finance approximately \$32,000,000 of construction projects, pursuant to Texas Constitution, Art. III, Section 50-g, select a method of sale, appoint outside consultants, and take other necessary related action.

Ms. Edwards introduced David Barker and Stan Korn from the Texas Facilities Commission. She stated this request was very similar to the request considered in August and covers projects for state office buildings. Mr. Barker explained the funding of \$32 million is to be used for critical deferred maintenance projects that the Legislature approved during the last session. The projects are widely varied and include roofs, HVAC systems,

lighting, fire protection, modernizing lighting systems in a portfolio of about 100 state office buildings.

Staff recommended approval of the Texas Historical Commission and Texas Facility Commission financing requests for funding either by long-term, fixed rate bonds or short-term commercial paper depending on the timing of the agency's expenditures and market conditions, with the understanding that staff will proceed with the commercial paper financing including obtaining Bond Review Board approval. The Facilities Commission's and the Historical Commission's projects authorized under Proposition 4 are to be financed with the new Series 2008 commercial paper program and the Historical Commission's project authorized under Proposition 8 will be financed with the Series 2002A commercial paper program. If a long-term fixed rate bond issue should be pursued, the Board will be required to select outside consultants, a method of sale, and resolve other related matters at a subsequent meeting.

Mr. Mijares commented he preferred the disbursement schedule to state it is unknown rather than showing equal payments. Ms. Edwards stated she had discussed this with the Texas Historical Commission, and assured the Board that detailed and accurate project budgets and expenditure schedules will be provided before any debt is issued for these projects. Any issuance will also be contingent upon receipt of the Legislative Budget Board approval.

Ms. Schiermeyer moved to accept staff's recommendation. Ms. Barth seconded. The motion passed unanimously.

Item 9. Select Commercial Paper dealer for the TPFA Commercial Paper, Series 2008 program.

Ms. Edwards stated the Authority is establishing a new commercial paper program to finance projects authorized by Proposition 4, the new \$1,000,000,000 constitutional authorization. Bond counsel and the financial advisor were selected in previous meetings. In November, the Authority asked underwriting pool members to update their information. Subsequently, the firms that are dealers for tax exempt commercial paper programs over \$50 million were asked to submit a proposed fee for providing dealer services for this program. Based on the firms' responses to the request to update their qualifications and the fee quotes, staff recommended Goldman Sachs to serve as the dealer for the 2008 Commercial Paper program.

Mr. Meister asked if Goldman administers one program already. Ms. Edwards responded that Goldman has been the dealer for the Master Lease Purchase Program, a revenue program, since 2003. JP Morgan and Lehman Brothers are the dealers on the general obligation programs.

Ms. Barth moved to accept staff's recommendation. Mr. Meister seconded. The motion passed unanimously.

**Item 10. Other Business/Staff Report.
Survey of Excellence**

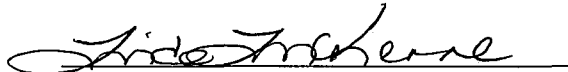
Ms. Edwards explained that most state agencies participate in the Survey of Excellence as part of the Strategic Plan process. A copy of the survey results had been provided to the Board, and she looked forward to working with staff to implement the survey results.

Mr. Mijares asked that a date be set for a Board work session with the Authority's financial advisors on bond insurance, municipal credits and related matters.

Item 11. Adjourn.

The meeting adjourned at 11:25 a.m.

The foregoing minutes were approved and passed by the Board of Directors on March 6, 2008.



Linda McKenna
Secretary

Attachment: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!
Row inserted

TRD: 2008001668
Date Posted: 02/27/2008
Status: Accepted
Agency Id: 0113
Date of Submission: 02/27/2008
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 03/06/2008
Time of Meeting: 10:00 AM (###:## AM Local Time)
Street Location: Capitol Extension Conference Room E1.022
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, MARCH 6, 2008 10:00 A.M.
 CAPITOL EXTENSION CONFERENCE ROOM E1.022
 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 February 7, 2008 Board meeting.
5. Board member work session on current market conditions and other matters relating to the Authority's responsibilities.
6. Consider the adoption of a Resolution establishing the Authority's State of Texas General Obligation Commercial Paper Notes, Series 2008,

approving the Offering Memorandum, and authorizing a Liquidity Agreement, Dealer Agreement, and Issuing and Paying Agent Agreement, and resolving related matters.

7. Other Business/Staff Report.

Closed Meeting

8. 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

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.

New

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