

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
TEXAS PUBLIC FINANCE AUTHORITY
December 18, 2001**

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 2:08 P.M., Tuesday, December 18, 2001, William P. Clements Building, Room 103, Austin, Texas. Present were: Mr. Dan Serna, Vice Chairman, Mr. John Kerr, Board Member, Mr. H.L. Bert Mijares, Board Member, and Ms. Helen Huey, Board Member. Ms. Huey participated via conference call in accordance with Texas Government Code, Section 551.125.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director; Ms. Judith Porras, General Counsel; John Hernandez, Deputy Director; Ms. Paula Hatfield and Ms. Donna Richardson. Ophelia Guerrero, Chief Accountant was also in attendance.

Present in their designated capacities were the following persons: David Potter, First Southwest Company; Tilghman Naylor, Bear Stearns; Curt Shelmire, Morgan Stanley; Suewan Johnson, Vinson & Elkins, LLP; Robbi J. Jones, SBK-Brooks; Karin Werness, Bank One Capital Markets; Tim Kelley, Coastal Securities; Carol Polumbo, McCall, Parkhurst & Horton, LLP; Tina Peterman, JP Morgan; Kay Watson, CKW Financial Group; Curtis V. Flowers, Loop Capital Markets; Mark Nitcholas, Dain Rauscher; Tony Rose, State Auditor's Office; and Wanda Thompson and S. Alexander, Texas Department of Health.

Item 1. Call to order.

Mr. Serna called the meeting to order at 2:08 P.M.

Item 2. Approval of minutes of the November 27, 2001 Board meeting.

Mr. Serna asked if there were any corrections or additions to the minutes of the Board meeting of November 27, 2001. There being none, Mr. Mijares moved to approve the minutes as presented. Mr. Kerr seconded the motion. The motion passed unanimously.

Item 3. Consider Request for Financing from the Texas Department of Health for financing of new construction of health care facilities in San Antonio, Harlingen and Hidalgo County, in the amount of \$33,900,000, through the issuance of general obligations, select a method of sale, and take other necessary related action.

Mr. Mijares recused himself from this issue. Wanda Thompson from the Texas Department of Health described three projects: construction of a new 75 bed hospital facility in San Antonio at the Texas Center for Infectious Diseases and construction of two out-patient clinics, one located in Harlingen at the existing South Texas Health Care System campus, and one located in Hidalgo County at a location to be determined. Ms. Thompson explained the distribution and financing schedule.

Ms. Edwards explained that these projects were to be funded by the new GO bonds approved by the voters in November and therefore it was staff's recommendation that they be funded through a new GO Commercial Paper program that the Authority planned to establish. She recommended that this request be combined with requests she expected to receive in the next month from Texas School for the Deaf and Texas Department of Criminal Justice to establish the new CP program.

Mr. Kerr moved to approve the request for financing. Ms. Huey seconded. The motion passed unanimously with one abstention.

Item 4. Consider resolution authorizing the issuance of approximately \$14 million Texas Military Facilities Commission Revenue Bonds, Series 2002, the execution of documents in connection therewith, and designating a Pricing Committee to sell the bonds.

Ms. Edwards reminded the Board that these bonds were approved for sale at the October Board Meeting through a negotiated sale with Coastal Securities as the Underwriter. She provided handout materials to the Board showing the proposed maturity structure and interest scales. She informed the Board that in addition to funding the Commission's \$5 million request for new projects, the Authority would also issue refunding bonds to achieve economic savings and make some amendments to the 1979 resolution under which the bonds are issued.

David Potter of First Southwest Company, provided comments regarding the status of the market and the 11th interest rate cut of the year. Tim Kelley, Coastal Securities, provided comments concerning interest rates, and that supply was building and he recommended that Ms. Edwards be prepared to sell in early January.

Carol Polumbo of McCall Parkhurst explained the bond resolution and the modifications that were being made to the resolution. She explained that it was a "springing resolution" which meant that certain provisions would take effect in 2005 when all the existing bonds would have either matured or been called. Specifically, the "springing" provisions include the elimination of the reserve fund requirement, the elimination of the requirement for semi-annual maturities, and a provision allowing for subordinate obligations such as leases through the Authority's Master Lease Program. She stated that the Texas Military Facilities Commission met December 7 and approved

their resolution, which had identical springing provisions and a refunding savings parameter of \$20,000 gross debt service savings. Mr. Kerr questioned whether the Official Statement included any disclosure of the modifications. Ms. Polumbo reported the modifications were disclosed.

The Board selected Helen Huey, Cynthia Meyer and Bert Mijares, as Pricing Committee members, with Dan Serna serving as the alternate member. Mr. Kerr moved to adopt the resolution, approving the savings parameter of at least \$20,000 gross debt service savings, approval of the POS in the form submitted, and the pricing committee. Ms. Mijares seconded. The motion passed unanimously.

Item 5. Review the status of the proposed general obligation refunding bond issue to fix-out commercial paper and market conditions, discuss refunding alternatives, and take action as may be appropriate with respect thereto.

Tilghman Naylor reported the market was not close to the fix-out guidelines. Rates were 25 to 30 basis points higher than at the November Board Meeting. He recommended continuing to monitor the market until the next Board Meeting.

Item 6. Other Business/Staff Report.

Ms. Edwards reported that the RFP for the internal audit had been posted, responses were due by January 3 and that a number of questions had been received from interested parties. The questions and answers had been posted on TPFA's website.

Item 7. Adjourn.

The meeting adjourned at 2:55 P.M.

The foregoing minutes were approved and passed by the Board of Directors on January 15, 2002.

Cynthia L. Meyer
Secretary, Board of Directors

ATTACHMENT
Posting Notice - Exhibit "A"