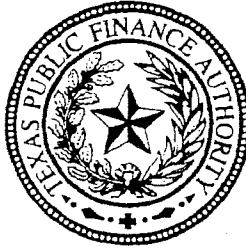


Texas Public Finance Authority

Board of Directors:

David Kelly, Chairman
L. Bert Mijares, Jr., Vice-Chairman
J. Vaughn Brock
Helen Huey
John C. Kerr
Daniel T. Serna

Kimberly K. Edwards
Executive Director



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MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY September 17, 2002

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 2:00 P.M., Tuesday, September 17, 2002, Capitol Extension Hearing Room E2.030, Austin, Texas. Present were: Mr. John Kerr, Chairman, Mr. Bert Mijares, Vice Chairman, Mr. Dan Serna, Board Member, Mr. David Kelly, Board Member, and Mr. Vaughn Brock, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director; Ms. Judith Porras, General Counsel; Mr. John Hernandez, Deputy Director; Ms. Paula Hatfield and Ms. Donna Richardson. Gabriela Klein, Pamela Scivicque, Ophelia Guerrero, and Ricky Horne were also in attendance.

Present in their designated capacities were the following persons: Dale Lehman, US Bancorp Piper Jaffray; Curtis V. Flowers, Loop Capital Markets; Tilghman Naylor, Bear Stearns; Bill Newman, Chris Allen, PFM; Nora Chavez, AG Edwards; John Daniel, Lehman Brothers; Karin Werness, Bank One; Mark Nitcholas, RBC Dain Rauscher; Erlinda Dimas, Keith Richard, Siebert Brandford Shank; Art Morales, Banc of America Securities; Tom Oppenheim, Morgan Keegan & Co.; Andy Bynam, Saloman Smith Barney; Bill Holland, Texas Youth Commission; Harry Fischer, Texas Department of Agriculture; Stanton Korn, Texas Building and Procurement Commission; Nancy Hagquist, Winstead Sechrest & Minick; Suewan Johnson, Vinson & Elkins; Tim Kelley, Coastal Securities; Kay Watson, CKW Financial Group; and Mike Bartolotta, First Southwest Co.

Item 1. Call to order.

Mr. Kerr called the meeting to order at 2:16 P.M.

Item 2. Approval of minutes of the July 30, 2002 Board meeting.

Mr. Kerr asked if there were any corrections or additions to the minutes of the Board meeting of July 30, 2002. There being none, Mr. Mijares moved to approve the minutes of the Board Meeting as presented. Mr. Brock seconded the motion. The motion passed unanimously.

Item 3. Consider a Request for Financing from Stephen F. Austin State University for the renovations to their football stadium press box in the amount of approximately \$1.2 million through the issuance of revenue bonds or other obligations, select a method of sale, financial advisor(s) and bond counsel, and take other necessary related action.

Ms. Edwards described the request for renovating Stephen F. Austin's press box, which includes installing an elevator to meet ADA requirements. The total project cost is \$3.2 million. In addition to bond proceeds, the project will also be funded with cash balances in a student fees fund and revenues from a soft drink company contract. The security pledge for the debt will be the consolidated revenue of the University as provided under Master Bond Resolution adopted in 1998. The Bonds will be additional bonds under that resolution. Stephen F. Austin's Board and the Texas Higher Education Coordinating Board have approved the project. Staff recommends financing through a private placement with an investor or bank; and that Public Financial Management serve as financial advisor and Delgado Acosta Braden & Jones, PC serve as bond counsel. Vaughn Brock moved to approve the request and the recommended method of sale. Bert Mijares seconded. The motion passed unanimously. Bert Mijares moved to accept staff's recommendation for financial advisor and bond counsel. Mr. Brock seconded. The motion passed unanimously.

Item 4. Consider possible General Obligation and Revenue Bond Refunding Opportunities and take any necessary action (including selection of Financial Advisor, Bond Counsel and Underwriter).

Agenda items 4 and 5 were discussed together.

Item 5. Consider and approve amendment to the method of issuing and selling approximately \$90 million of general obligations to finance projects for certain agencies, previously authorized as commercial paper.

Ms. Edwards stated opportunities to refund GO and revenue debt might exist due to the steady decline in interest rates that has occurred over the last several weeks. Furthermore due to the low interest rates, the Board should consider issuing fixed rate debt to finance projects instead of using the commercial paper program. She indicated bonds could be sold today at 4.25% true interest cost, and the University of Houston had a competitive sale today with a true interest cost of 4.16%.

She explained that there were about \$27 million of requests for financing from various agencies on today's agenda. In addition, at the last meeting in July the Board approved \$96 million of projects for MHMR (\$35m), School for the Blind & Visually Impaired (\$5m) Parks & Wildlife (\$36.7m) and Department of Public Safety (\$18.5m). Only about \$5 million of this has been issued through the commercial paper program. She recommended that the Board amend their action

approved in July regarding the method of sale to permit issuing fixed rate debt rather than commercial paper. The \$27 million of requests from this month should also be included in this fixed rate bond issue. Furthermore, the new money could be combined with a GO refunding. Typically combining a new money issue and a refunding issue helps your refunding because it increases your arbitrage yield limit and earn more in your escrow, you also achieve economies of scale on the cost of issuance, administrative costs.

Tim Kelley of Coastal Securities reviewed the analysis he prepared of the general obligation and revenue refundings and on issuing fixed rate bonds instead of commercial paper. He stated that the general obligation refundings did not meet the Board's 3% savings criteria under current market conditions, but the analysis illustrated the possible universe of candidates that might meet the guidelines if the market improves. On the revenue bond refunding, there is a small universe of about \$12 million that currently meets the 3% savings criteria. He reviewed a sensitivity analysis of the fixed rate bonds vs. CP, which incorporated variables such as the amount and timing of the issuance of debt, amount and timing of expenditure of bond proceeds, and interest rate projections for fixed rate bonds, commercial paper and investment earnings. The analysis concluded that based on the underlying assumptions in the model it was beneficial to issue some fixed rate debt. Ms. Edwards pointed out that another benefit of issuing the fixed rate debt was that it preserved liquidity of the commercial paper program. Discussion ensued.

Mr. Brock moved to accept staff's recommendation to issue fixed rate debt at a true interest cost of 4.25% or less and to amend the method of sale approved at the July Board meeting for the requests from the Texas Department of Mental Health and Mental Retardation, the Texas School for the Blind and Visually Impaired, the Texas Parks and Wildlife, and the Department of Public Safety. These requests will be financed with fixed rate debt rather than commercial paper if the fixed rate debt has a TIC of 4.25% or less. The par amount of the fixed rate issued will be determined by staff to meet the client agencies' immediate funding needs, and commercial paper would continue to be issued to the extent that a request was not funded through the fixed rate issue. However, the maximum principal amount of the fixed rate issue would not exceed \$118 million. Mr. Mijares seconded. The motion passed unanimously.

Ms. Edwards recommended that the method of sale be a negotiated sale, and that Lehman Brothers serve as the senior manager, Bank One Capital Markets, Bank of America Securities, Estrada Hinojosa and Morgan Keegan & Co. Serve as co-managers. Mr. Serna moved to accept staff's recommendation. Mr. Brock seconded. The motion passed unanimously.

Staff recommended Coastal Securities and CKW Financial Group, Inc. serve as financial advisors and Vinson & Elkins LLP and Delgado Acosta Braden & Jones PC serve as bond counsel. Mr. Brock moved to accept staff's recommendation. Mr. Mijares seconded. The motion passed unanimously.

Ms. Edwards explained that the general obligation refunding does not currently meet the 3% savings criteria established by the Board's debt management guidelines, but she recommended that the Authority should be in a position to add a refunding component to the fixed rate bond issue if rates improved. She recommended the Board refund those bonds (i.e., maturities) that would result

in a refunding with an overall aggregate net present values savings of at least 3%, provided that any maturities that have a call date that is less than one year from the closing date may also be refunded if those maturities have at least positive savings. Mr Kerr and Mr. David Kelly clarified that the intent was to include bonds that were within a year of the call date as long as they increase the dollar amount of the savings, even if they had the effect of pulling the overall present value savings below 3%. Mr. Tim Kelley clarified that it was the Board's intent to refund those maturities in conjunction with a fixed rate issue, even if there were no maturities that produced an overall 3% present value refunding. Mr. Brock moved to proceed with a refunding that meets staff's recommendation. Mr. Mijares seconded. The motion passed unanimously.

Ms. Edwards recommended the same savings criteria for the revenue refunding bonds as approved for the general obligation bonds, a negotiated method of sale, that US Bancorp Piper Jaffray serve as senior manager, Ramirez & Co. and RBC Dain Rauscher serve as co-managers; Coastal Securities and CKW Financial Group, Inc. serve as financial advisors and Andrews & Kurth and Escamilla & Poneck, Inc. serve as bond counsel. Mr. Serna moved to accept staff's recommendation. Mr. Mijares seconded. The motion passed unanimously.

Item 6. Consider a Request for Financing from the Texas Youth Commission for construction and repair projects in the amount of approximately \$10,792,136 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

Bill Holland reviewed the project analysis for repairs, renovation and replacement, and for new construction of an education facility. Mr. Mijares moved for approval of the request for financing. Mr. Serna seconded. The motion passed unanimously.

Item 7. Consider a Request for Financing from the Texas Building and Procurement Commission for construction and repair projects in the amount of approximately \$16,484,500 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

Stanton Korn from Texas Building and Procurement Commission reviewed the request for construction and repair projects. Mr. Serna moved for approval of the request for financing. Mr. Mijares seconded. The motion passed unanimously.

Item 8. Consider a Request for Financing from the Texas Department of Agriculture for construction and repair projects in the amount of approximately \$45,000 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

Harvey Fisher, Deputy Assistant Commissioner for the Texas Department of Agriculture reviewed the request for deferred maintenance on the seed laboratory and greenhouses that were built in the early 1970s in Giddings. The buildings are structurally sound, but do require maintenance. Mr. Kelly moved to approve the request for financing. Mr. Brock seconded. The motion passed unanimously.

- Item 9. Other Business/Staff Report.**
- A. Legislative Appropriation Request
 - B. Internal Audit
 - C. Property Insurance

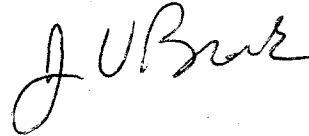
Mr. Edwards explained the format and content of the Staff Report that she and John Hernandez recently re-designed. The report provides information for current and historical interest rates, dealer performance on the commercial paper program, and other TPFA performance measures and debt data.

The Authority had its budget hearing on its Legislative Appropriation Request last week. The questions were equally distributed between the administrative and debt service budget. At the time of the hearing none of the considerations for the fixed rate debt actions had been contemplated so that information will need to be provided to the appropriate budget officer, as appropriate.

Item 11. Adjourn.

The meeting adjourned at 3:40 P.M.

The foregoing minutes were approved and passed by the Board of Directors on October 16, 2002.



Cynthia L. Meyer
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



Open Meeting Submission

Success!

Row inserted

TRD: 2002008487
Date Posted: 09/09/2002
Status: Accepted
Agency Id: 113
Date of Submission: 09/09/2002
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 09/17/2002
Time of Meeting: 02:00 PM (##:## AM Local Time)
Street Location: Capitol Extension, Room E2.030
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.

AGENDA

TEXAS PUBLIC FINANCE AUTHORITY
 TUESDAY, SEPTEMBER 17, 2002 2:00 PM
 CAPITOL EXTENSION, HEARING ROOM E2.030
 AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the July 30, 2002 Board meeting.
3. Consider a Request for Financing from Stephen F. Austin State University for the renovations to their football stadium press box in the amount of approximately \$1.2 million through the issuance of revenue bonds or other obligations, select a method of sale, financial advisor(s) and bond counsel, and take other necessary related action.
4. Consider a Request for Financing from the Texas Youth

Commission for construction and repair projects in the amount of approximately \$10,792,136 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

5. Consider a Request for Financing from the Texas Building and Procurement Commission for construction and repair projects in the amount of approximately \$16,484,500 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

Agenda:

6. Consider a Request for Financing from the Texas Department of Agriculture for construction and repair projects in the amount of approximately \$45,000 through the issuance of general obligation bonds, select a method of sale, and take other necessary related action.

7. Consider possible General Obligation and Revenue Bond Refunding Opportunities and take any necessary action (including selection of Financial Advisor, Bond Counsel and Underwriter).

8. Other Business/Staff Report.
- A. Legislative Appropriation Request
 - B. Internal Audit
 - C. Property Insurance

9. 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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