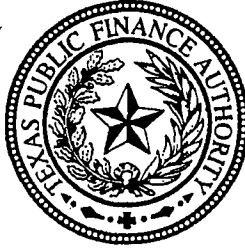


# Texas Public Finance Authority

Board of Directors:  
R. David Kelly, Chairman  
H.L. Bert Mijares, Jr., Vice-Chairman  
J. Vaughn Brock, Secretary  
Carin M. Barth  
Linda McKenna  
Ruth C. Schiermeyer  
Marcellus A. Taylor



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Kimberly K. Edwards  
Executive Director

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

October 5, 2006

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, October 5, 2006, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: David Kelly, Chairman; Bert Mijares, Vice-Chairman; Mr. Vaughn Brock, Secretary; Ms. Linda McKenna, Member; and Ms. Carin Barth, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director, Mr. John Hernandez, Ms. Gabriela Klein, Ms. Pamela Scivicque, and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Les Browne, Grigsby Browne & Co.; Art Morales, Ramirez & Co., Inc.; Debbie Jones, Morgan Keegan & Co.; Keith Richard, Patrick Scott, Lehman Brothers; Bob Kinney, Desrye Morgan, UBS; Tilghman Naylor, Bear Stearns; Curtis V. Flowers, Loop Capital Markets; Andy Bynam, Citigroup; Dale Lehman, Piper Jaffray; Curt Shelmire, Merrill Lynch; Carmen Best, Siebert Brandford Shank; David Potter, Morgan Stanley; Mario Carrasco, A. G. Edwards; Nancy Hagquist, Winstead, Sechrest & Minick; Tim Kelley, Coastal Securities; Mike Bartolotta, First Southwest Co.; Terry Colley, Larry Oaks, Texas Historical Commission; and Jody Wright, Legislative Budget Board.

### Item 1. Call to Order.

Mr. Kelly called the meeting to order at 10:29 A.M.

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

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

### Item 3. Excuse board member absences.

Mr. Mijares moved to excuse board member absences due to business or personal reasons. Ms. McKenna seconded. The motion passed unanimously.

**Item 4. Approve the minutes of the August 17, 2006 and September 7, 2006 Board meetings.**

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of June 12. Ms. Barth moved to approve the minutes. Ms. McKenna seconded. The motion passed unanimously.

**Item 5. Consideration, discussion, and possible action to approve a Request for Financing from the Texas Historical Commission to finance approximately \$9,000,000 of construction projects for the National Museum of the Pacific War, select a method of sale, appoint outside consultants, and take other necessary related action.**

Ms. Edwards stated that the Texas Historical Commission had submitted a request for financing in the amount of \$9 million for revenue bonds. The funds finance construction projects related to the National Museum of the Pacific War, formerly known as the Nimitz Memorial Museum in Fredericksburg. The authority to issue these bonds was approved two legislative sessions ago. She introduced Larry Oaks and Terry Colley from the Texas Historical Commission. Mr. Colley explained the \$9 million would be used to complete the renovation of the historic Admiral Nimitz Hotel portion of the Museum and to begin the expansion of the George Bush Gallery, a 40,000 square foot addition to the existing gallery. It will permit the storytelling of the last three years of the Pacific War.

Staff recommended a competitive sale, that Coastal Securities serve as financial advisor and Winstead, Sechrest & Minick serve as bond counsel. Ms. Edwards noted that the Bonds may have to be issued as taxable because the facility is to be operated by an outside foundation, but this issue will be review by tax counsel. She also explained the proposed timeline includes submission of an application to the Bond Review Board for consideration at their November 16 meeting and scheduling a sale for bids to be received in conjunction with a December board meeting.

Ms. McKenna moved to accept staff's recommendation. Mr. Mijares seconded. The motion passed unanimously.

**Item 6. Consideration, discussion, and possible action to authorize refinancing the Authority's outstanding general obligations, including fixing out commercial paper, select a method of sale, appoint outside consultants, and take other necessary related action.**

Ms. Edwards stated that interest rates continue to decline and she thought it would be prudent to put the Authority in a position to fix out the commercial paper if the desired interest rate target could be met. At current market conditions, the CP could be fixed out at 4.25%. Of course, they could not be certain that these market conditions would be sustained, but that the Authority should assemble a team and prepare documents so they could be in a position to take advantage of favorable market conditions. She noted that although the Board's previous discussions had focused on the Series 2002A program, after conversations with Texas Department of Transportation staff, the Board should consider fixing out the outstanding Series 2002B CP program, which finances the Colonias Road Program for TxDoT.

She also noted that at these interest rate levels a few advance refunding candidates provided some savings. Additionally proposals for forward delivery of bonds to execute current refundings in 2007 and 2008 had been reviewed, but these are really separate transactions from the CP fix-out.

They require further analysis, and are not being recommended at this time. Mr. Kelley concurred.

Ms. Edwards further clarified that her recommendations for fixing out CP only applied the CP currently outstanding; she did not recommend including additional CP that the Authority plans to issue for each program in the next few weeks, due to arbitrage rebate issues. She also noted that fixing out the CP would create additional capacity under the liquidity agreements with the Comptroller's office.

Mr. Brock asked about a request from the legislative budget office to pay down bonds. Ms. Edwards said that the Authority had responded to the request with assistance from financial advisor Tim Kelley, Coastal Securities, but had not received a definitive conclusion from the LBB. She noted that there was sufficient time to obtain such a conclusion, since the CP fix-out could not be sold prior to obtaining Bond Review Board approval on November 16. Mr. Kelley explained the analysis he had done on the defeasance. He does not think fixing out the CP would run contrary to the debt defeasance, if it occurred. Discussion ensued. Mr. Brock stated he thought the Authority should get more input before deciding to fix-out, particularly with the attractive short-term rates. Ms. Edwards confirmed that the Board would have the opportunity to consider the issue further at the November meeting, but that she would like to put a team in place now so that staff could submit the BRB application.

Mr. Mijares stated he thought it prudent to be prepared with a team in place. Mr. Kelly agreed with Mr. Mijares, but stated that the issue could be reviewed at a later meeting.

Mr. Brock agreed. Following this discussion, Ms. Edwards restated her complete recommendation as follows:

Refinancing the Authority's general obligation CP at a true interest cost of 4.25% (assuming a standard 20 year, level principal repayment), and the refinancing of general obligation bonds with the following savings parameters: at least 1% present value savings for maturities that are less than one year to the call date, at least 3% present value savings for maturities that are one to five years to the call date, at least 4% present value savings for maturities that are more than five years to the call date.

Mr. Mijares moved to accept staff's recommendation. Mr. Brock seconded. The motion passed unanimously.

Staff recommended a negotiated sale with Coastal Securities serving as the Financial Advisor; Vinson and Elkins and Escamilla and Poneck serving as bond counsel; Lehman Brothers and Citigroup serving as co-senior managers with Lehman Brothers running the books, Estrada Hinojosa, Loop Capital, Morgan Keegan, RBC Dain Rauscher, Ramirez & Co., and Siebert, Brandford & Shank serving as the Underwriter Team.

Mr. Mijares moved to accept staff's recommendation. Ms. McKenna seconded. The motion passed unanimously.

**Item 7. Consideration, discussion, and possible action to select an arbitrage consultant for the Authority's bonds and variable rate programs.**

Ms. Edwards stated the Authority received six proposals in response to the Request for Proposals issued in June. She noted the review process had been interesting and the proposals reflected a maturing industry. She thanked the firms for their work in submitting quality proposals. Staff recommended PFM Asset Management to serve as the Authority's arbitrage consultant.

Mr. Mijares moved to accept staff's recommendation. Mr. Brock seconded. The motion passed unanimously.

**Item 8. Consideration, discussion, and possible action to appoint outside counsel to advise and assist the Authority with anticipated legislation affecting the Authority and its client agencies.**

Ms. Edwards explained that the Authority had set aside funds in the budget for outside counsel services. The Authority anticipates use of outside counsel to address issues dealing with the Governor's veto regarding the Texas Military Facilities Commission's budget and issues arising from the disposition of assets financed with bonds. Staff recommends engaging McCall Parkhurst & Horton to assist the Authority with these issues.

Ms. McKenna moved to accept staff's recommendation. Mr. Brock seconded. The motion passed unanimously.

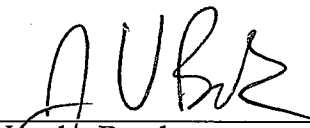
**Item 9. Other Business/Staff Report.**

Ms. Edwards stated the Authority's Senate Finance Committee hearing went very well. She also advised the Board she had testified at a hearing of the Joint Interim Committee on Windstorm Coverage.

**Item 10. Adjourn.**

The meeting adjourned at 11:14 A.M.

The foregoing minutes were approved and passed by the Board of Directors on November 2, 2006.

  
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Vaughn Brock  
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"



## Open Meeting Submission

*Success!*

Row inserted

**TRD:** 2006008593  
**Date Posted:** 09/27/2006  
**Status:** Accepted  
**Agency Id:** 0113  
**Date of Submission:** 09/27/2006  
**Agency Name:** Texas Public Finance Authority  
**Board:** Texas Public Finance Authority  
**Liaison Id:** 3  
**Date of Meeting:** 10/05/2006  
**Time of Meeting:** 10:30 AM ( ##:## AM Local Time)  
**Street Location:** Capitol Extension Hearing Room E2.026  
**City Location:** Austin  
**State Location:** TX  
**Original Meeting TRD#:** 2006008590  
**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 5, 2006 10:30 A.M.  
 CAPITOL EXTENSION HEARING ROOM E2.026  
 AUSTIN, TEXAS 78701

1. Call to order.

- Agenda:**
2. Confirm meeting posting compliance with the Open Meetings Act.
  3. Excuse board member absences.
  4. Approve the minutes of the August 17, 2006 and September 7, 2006 Board meetings.
  5. Consideration, discussion, and possible action to approve a Request for

Financing from the Texas Historical Commission to finance approximately \$9,000,000 of construction projects for the National Museum of the Pacific War, select a method of sale, appoint outside consultants, and take other necessary related action.

6. Consideration, discussion, and possible action to authorize refinancing the Authority's outstanding general obligations, including fixing out commercial paper, select a method of sale, appoint outside consultants, and take other necessary related action.

7. Consideration, discussion, and possible action to select an arbitrage consultant for the Authority's bonds and variable rate programs.

8. Consideration, discussion, and possible action to appoint outside counsel to advise and assist the Authority with anticipated legislation affecting the Authority and its client agencies.

9. Other Business/Staff Report.

Closed Meeting

10. Pursuant to Texas Government 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

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

12. 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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