

Minutes of the
TEXAS WATER RESOURCES FINANCE AUTHORITY
August 20, 2003

Chairman D. V. Guerra, Jr. called to order the meeting of the Texas Water Resources Finance Authority at 10:38 a.m. in Room 118 of the Stephen F. Austin Building, Austin, Texas. The following Board members were present, constituting a quorum:

D. V. Guerra, Jr., Chairman
Bill Meadows, Vice Chairman
Thomas Weir Labatt III, Secretary/Treasurer
Jack Hunt, Member
E.G. Rod Pittman, Member

Member Wales H. Madden, Jr. was absent.

Persons attending were among those present at the Texas Water Development Board meeting of the same date.

The Authority then considered items on the formal agenda in the following order.

1. CONSIDER APPROVAL OF THE MINUTES OF THE JULY 2003 MEETING.

Mr. Hunt moved to approve the minutes as submitted; Mr. Pittman seconded the motion; it passed unanimously 5-0.

2. CONSIDER AUTHORIZING THE TRANSFER OF \$174,903 AS A FUTURE PAYMENT FROM THE TEXAS WATER RESOURCES FINANCE AUTHORITY TO THE TEXAS WATER DEVELOPMENT BOARD TO BE USED FOR ADMINISTRATIVE EXPENSES RELATED TO WATER PLANNING.

Development Fund Manager Nancy Marstiller stated that in conjunction with the Authority's original bond transaction in 1989 and with the TWRFA refunding in 1999, the Authority entered into a Sale and Servicing Agreement with the Board. She stated that the Amended Agreement provided that the Authority pay the Board an initial payment and in addition make future payments as directed. She said that future payments are made from excess cash flows after the requirements for the coverage margin have been met and may be used for any lawful purpose. Ms. Marstiller said that based on the directive of Rider 10 in the General Appropriations Act, the Board staff has determined that the coverage margin requirements of the Amended Agreement have been met for FY 2003 and that the \$174,903 for administrative expenses is available for transfer. The Agreement also provides that the requested amount shall be paid to the Board prior to September 15, 2003.

Mr. Hunt moved to approve the staff recommendation; Mr. Meadows seconded the motion; it passed unanimously 5-0.

3. CONSIDER AUTHORIZING THE TRANSFER OF \$7,971,655 AS A FUTURE PAYMENT FROM THE TEXAS WATER RESOURCES FINANCE AUTHORITY TO THE TEXAS WATER DEVELOPMENT BOARD.

Ms. Marsteller stated that all future payments are made from excess cash flows after the Authority's 1.06 debt coverage requirements have been met annually. She said that numerous scenarios for prepayment exposures and default exposures were evaluated and staff has determined that the coverage margin requirements of the Amended Agreement have all been met and that the \$7,971,655 requested by the Texas Water Development Board will be available for transfer to the Board and that it shall be paid prior to September 15, 2003.

Mr. Pittman moved to approve the staff recommendation; Mr. Hunt seconded the motion; it passed unanimously 5-0.

4. CONSIDER SELECTING A TEAM OF UNDERWRITERS FOR FUTURE AUTHORITY NEGOTIATED BOND SALES AND OTHER FINANCIAL TRANSACTIONS OCCURRING PRIOR TO AUGUST 31, 2005 WITH A PROVISION FOR POST TRANSACTION AND FISCAL YEAR-END PERFORMANCE EVALUATIONS.

Ms. Marsteller requested that the same team of sixteen underwriters approved at the Board meeting be approved for the Authority.

Mr. Hunt moved to approve the staff recommendation; Mr. Labatt seconded the motion; it passed unanimously 5-0.

5. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO EXECUTE CONTRACTS FOR BOND COUNSEL SERVICES.

General Counsel Suzanne Schwartz stated that last month the Authority authorized staff to negotiate contracts for bond counsel services with McCall Parkhurst & Horton L.L.P., and recommended the Authority authorize execution of the contract.

Mr. Labatt moved to approve the staff recommendation; Mr. Hunt seconded the motion; it passed unanimously 5-0.

The meeting adjourned at 10:44 a.m.

APPROVED and ordered of record this the 19th day of November, 2003.

TEXAS WATER RESOURCES FINANCE AUTHORITY

D.V. Guerra, Jr., Chairman

ATTEST:

Thomas Weir Labatt III, Secretary/Treasurer