

Minutes of the  
TEXAS WATER RESOURCES FINANCE AUTHORITY  
August 15, 2006

Chairman D.V. Guerra, Jr. called to order the meeting of the Texas Water Resources Finance Authority at approximately 3:35 p.m. in Room 170 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  
E.G. Rod Pittman, Member  
Jack Hunt, Member  
James E. Herring, Member

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 2006 MEETING.

Mr. Pittman moved to approve the minutes as submitted; Mr. Labatt seconded the motion; it passed unanimously 6-0.

2. CONSIDER SELECTING A TEAM OF UNDERWRITERS FOR FUTURE AUTHORITY NEGOTIATED BOND SALES AND OTHER FINANCIAL TRANSACTIONS OCCURRING PRIOR TO AUGUST 31, 2008.

Ms. Veronica Hinojosa-Segura, Director of the Treasury Division, gave a brief overview of the criteria utilized in the selection process, and the names of firms recommended by staff for the new bond underwriting team #6. The new team will become effective September 1, 2006, and is expected to remain in place until August 31, 2008. It was noted that the Board and the Authority reserve the right to shorten or lengthen the two-year duration of the syndicate, and may add or remove firms from the team at any time based on factors that may include performance, and changes in staff or ownership interest.

Responding to a Board member question, Ms. Hinojosa-Segura stated that there are two new firms joining the underwriting team that includes Cabrera Capital Markets and Lehman Brothers.

Mr. Labatt moved to approve the staff recommendation; Mr. Pittman seconded the motion; it passed unanimously 6-0.

3. CONSIDER APPROVING THE SELECTION OF A FIRM AS THE PROVIDER OF ARBITRAGE COMPLIANCE SERVICES FOR ALL OF THE AUTHORITY'S EXISTING AND NEW, IF ANY, BOND ISSUES FOR A TWO-YEAR PERIOD.

Ms. Rosia Ervin, Funds Manager of the Treasury Division, provided a brief background on the selection process for a firm as the provider of arbitrage compliance services for the Authority and the Board. She noted that First Southwest Asset Management currently performs these services; however, the contract will expire August 31, 2006. Upon review of the proposals and proposed fee structures, staff recommends the firm of Ernst & Young to provide these services for a two-year period. Staff recommends the Authority authorize the proposed two-year contract beginning September 1, 2006, and ending August 31, 2008, and will provide for annual renewals at the Authority's option for up to five years.

Mr. Hunt moved to approve the staff recommendation; Mr. Labatt seconded the motion; it passed unanimously 6-0.

Chairman D.V. Guerra, Jr., recessed the meeting at 3:45 p.m. to convene the regular Board meeting and reconvened at 4:40 p.m. to consider the remaining TWRFA item no. 4.

4. CONSIDER AUTHORIZING FUTURE PAYMENTS FROM THE TEXAS WATER RESOURCES FINANCE AUTHORITY FOR ADMINISTRATION AND RESEARCH AND PLANNING IN A TOTAL AMOUNT NOT TO EXCEED \$5.1 MILLION.

Portfolio Analyst Erika Herrera provided a brief background on the bond portfolio servicing agreement and process for the Board and the Authority. She stated that this agreement requires that future payments must be done once a year. She noted that this item was discussed in the Finance Committee.

Staff recommends that the Authority authorize the transfer of the following: a) on or before September 15, 2006 of a future payment of \$1,344,202 from the Authority's Revenue Fund to the Board's Administrative Fund; and b) the transfer on or before September 15, 2006 of a future payment of \$3,717,000 from the Authority's Revenue Fund to the Water Assistance Fund.

Mr. Labatt moved to approve the staff recommendation; Mr. Hunt seconded the motion; it passed unanimously 6-0.

The meeting adjourned at 4:45 p.m.

APPROVED and ordered of record this the 19th day of September 2006.

TEXAS WATER RESOURCES FINANCE AUTHORITY

---

D.V. Guerra, Jr., Chairman

ATTEST:

---

Thomas Weir Labatt III, Secretary/Treasurer