

Minutes of the
TEXAS WATER RESOURCES FINANCE AUTHORITY
September 19, 2006

Member James E. Herring called to order the meeting of the Texas Water Resources Finance Authority at approximately 10:38 a.m. in Room 170 of the Stephen F. Austin Building, Austin, Texas. The following Board Members were present, constituting a quorum:

Bill Meadows, Vice Chairman
Thomas Weir Labatt III, Secretary/Treasurer
E.G. Rod Pittman, Member
Jack Hunt, Member
James E. Herring, Member

Chairman D.V. Guerra, 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 AUGUST 2006 MEETING.

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

2. CONSIDER AUTHORIZING THE DEVELOPMENT FUND MANAGER TO PROCEED WITH THE ISSUANCE OF A REQUEST FOR QUALIFICATIONS AND THE SELECTION PROCESS FOR FINANCIAL ADVISORY SERVICES.

Ms. Nancy Banks Marsteller, Development Fund Manager, Office of Chief Financial Officer, provided a brief overview of the proposed Request for Qualifications (RFQ) written for the selection of one firm to provide both financial advisory and investment advisory services to advise the Board on debt related matters and to maximize the investment of Board funds.

Ms. Marsteller provided a brief overview of the current five-year contract with First Southwest Company, Inc. (FSW) that has provided financial advisory services related primarily to the issuance of bonds for the Authority and the Board. The Authority and the Board issued over a billion dollars in bonds, FSW earned over \$758,000 in fees and expenses, equating to approximately 74 cents per bond, which is a very comparative rate for similar volume and services for the five-year contract. She noted the FSW contract will expire on December 31, 2006.

Staff recommended the Board/Authority authorize issuance of the RFQ as proposed to ensure adequate time to select a firm and negotiate a new contract prior to the current contract expiring. The RFQ and staff's evaluation will follow a standardized selection process and anticipates submitting their recommendation for a firm at the November meeting.

It was the Board consensus for staff to modify the RFQ and solicit separate bids for financial advisory and investment advisory services that could be provided by one firm collectively or two separate firms for two separate services.

Mr. Labatt moved to approve staff's recommendation for the proposed RFQ with the amended language as requested; Mr. Meadows seconded the motion; it passed unanimously 5-0.

The meeting adjourned at 10:56 a.m.

APPROVED and ordered of record this the 14th day of November 2006.

TEXAS WATER RESOURCES FINANCE AUTHORITY

D.V. Guerra, Jr., Chairman

ATTEST:

Thomas Weir Labatt III, Secretary/Treasurer