

MINUTES OF THE
TEXAS WATER DEVELOPMENT BOARD
FINANCE COMMITTEE MEETING
February 2, 2012

Chairman Thomas Weir Labatt III called to order the meeting of the Finance Committee of the Texas Water Development Board at 9:30 a.m. in Room 170 of the Stephen F. Austin Building, Austin, Texas. The following members were present:

Thomas Weir Labatt III
Edward G. Vaughan
Monte Cluck

Board members Lewis H. McMahan and Joe M. Crutcher also attended the meeting. Board Member Billy Bradford, Jr. did not attend.

Members of Texas Water Development Board staff attending included: Chris Adams, Jorge Arroyo, Stacy Barna, Jim Bateman, Benjamin Benzaquen, Joyce Bourenane, Kelly Burton, Melanie Callahan, Katherine Calnan, Chris Caran, David Carter, Jo Ann Duncan, Wendy Foster, Monica Galuski, Maxine Gilford, Lisa Glenn, Rene Gonzales, Mark Hall, Dan Hardin, Ruben Hernandez, Amanda Jenami, Sandy Kaiser, Merry Klonower, Dain Larson, Amanda Lavin, Darryl Lindgens, Mireya Loewe, Ryan Long, Robert Mace, Piper Montemayor, Ben Munguia, Darrell Nichols, Brenda O'Neill, Javier Pena, Ken Petersen, Lisa Petoskey, Samantha Pollard, Debbie Ramirez, Steve Rodriguez, Caaren Skrobarczyk, Joel Smith, John Steib, John Sutton, Rebecca Trevino, Comer Tuck, and Jeff Walker.

The following individuals were present:

Jan Bartholomew, San Jacinto River Authority
Bill Blitch, City of Willis
Matt Boles, RBC Capital Markets
Jim Buie, Raymond James
Arthur Faiello, City of Willis
Hector Forestor, City of Willis
Jose Gaylan, Bank of Texas
David Holland, Coastal Securities
Jerry Kyle, Jr., Andrews Kurth LLP
Dale Lehman, Piper Jaffray
Tom Lin, Merrill Lynch
Phillip Martin, First Southwest Co.
Mike Mathend, City of Willis
Mitchell Page, San Jacinto River Authority
Timothy Peterson, J.P. Morgan
Keith Richard, Morgan Stanley
Ben Rosenberg, Coastal Securities
Shirley Ross, Sharp Phillips Consulting
Don Sarich, San Jacinto River Authority
Carlos Sharpless, M.R. Beal
Dalton Smith, Merrill Lynch
Jennie Zhao, Jefferies

1. CONSIDER APPROVAL OF THE MINUTES OF THE DECEMBER 2011 MEETING.

Mr. Vaughan moved to approve the minutes as submitted; the motion was seconded by Mr. Cluck; it passed unanimously.

2. BRIEFING AND DISCUSSION ON THE QUARTERLY INVESTMENT REPORT FOR THE PERIOD SEPTEMBER 1, 2011 THROUGH NOVEMBER 30, 2011. Piper Montemayor, Director, Debt & Portfolio Management, presented this item.

No action was taken on this item.

3. CONSIDER RECOMMENDING FOR APPROVAL BY RESOLUTION, THE ESTABLISHMENT OF A NEW TAX-EXEMPT LENDING RATE SCALE FOR THE ECONOMICALLY DISADVANTAGED AREAS PROGRAM. (Board Consent Item No. 7.) Benjamin Benzaquen, Financial Analyst, Debt & Portfolio Management, presented this item.

Mr. Vaughan moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

4. CONSIDER RECOMMENDING FOR APPROVAL BY RESOLUTION, THE ESTABLISHMENT OF A NEW TAX-EXEMPT LENDING RATE SCALE FOR THE WATER INFRASTRUCTURE FUND PROGRAM. (Board Consent Item No. 8.) Benjamin Benzaquen, Financial Analyst, Debt and Portfolio Management, presented this item.

Mr. Vaughan moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

5. CONSIDER RECOMMENDING FOR APPROVAL: (A) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO TAKE ALL NECESSARY ACTIONS FOR THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE BONDS, IN ONE OR MORE SERIES (DEVELOPMENT FUND PROGRAM) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$180 MILLION; AND (B) SELECTION OF UNDERWRITER(S) FOR THE NEGOTIATION OF THE BOND ISSUE. (Board Consent Item No. 9) Monica Galuski, Financial Analyst, Debt and Portfolio Management, presented this item.

Mr. Vaughan moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

6. CONSIDER RECOMMENDING FOR APPROVAL: (A) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO TAKE ALL NECESSARY ACTIONS FOR THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS (ECONOMICALLY DISTRESSED AREAS PROGRAM) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$16 MILLION; AND (B) SELECTION OF UNDERWRITER(S) FOR THE NEGOTIATION OF THE BOND ISSUE. (Board Consent

Item No. 10) Monica Galuski, Financial Analyst, Debt & Portfolio Management, presented this item.

Mr. Cluck moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Vaughan; it passed unanimously.

7. CONSIDER RECOMMENDING FOR APPROVAL: (A) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO TAKE ALL NECESSARY ACTIONS FOR THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS (STATE PARTICIPATION PROGRAM) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50 MILLION; AND (B) SELECTION OF UNDERWRITER(S) FOR THE NEGOTIATION OF THE BOND ISSUE. (Board Consent Item No. 11) Monica Galuski, Financial Analyst, Debt & Portfolio Management, presented this item.

Mr. Vaughan moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

8. CONSIDER RECOMMENDING FOR APPROVAL, A RESOLUTION AUTHORIZING THE USE OF DEPOSITORY INTEREST TO PREPAY DRINKING WATER STATE REVOLVING FUND MATCH DEBT. (Board Consent Item No. 12) Piper Montemayor, Director, Debt & Portfolio Management, presented this item.

Mr. Vaughan moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

9. CONSIDER RECOMMENDING FOR APPROVAL BY RESOLUTION, A REQUEST FROM THE **SAN JACINTO RIVER AUTHORITY (MONTGOMERY COUNTY)** FOR A LOAN IN THE AMOUNT OF \$175,000,000 FROM THE WATER DEVELOPMENT FUND TO FINANCE DEVELOPMENT COSTS FOR A WATER SUPPLY PROJECT, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Board Consent Item No. 19) Caaren Skrobarczyk, Financial Assessment, presented this item. Piper Montemayor, Director, Debt & Portfolio Management, also addressed the Board.

Mr. Vaughan moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

10. CONSIDER RECOMMENDING FOR APPROVAL BY RESOLUTION, A REQUEST FROM THE **CITY OF WILLIS (MONTGOMERY COUNTY)** FOR A LOAN IN THE AMOUNT OF \$3,150,000 FROM THE DRINKING WATER STATE REVOLVING FUND TO FINANCE WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN COMMITMENT OPTION. (Board Consent Item No. 23) Dain Larsen, Financial Assessment, presented this item. David Yager, Project Engineering & Review, also addressed the Board.

Mr. Vaughan moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

11. THE COMMITTEE MAY DISCUSS ITEMS FROM THE WORK SESSION OF FEBRUARY 1, 2012, THE AUDIT COMMITTEE, AND BOARD MEETING OF FEBRUARY 2, 2012.

No other items were discussed.

The meeting adjourned at 10:01 a.m.

APPROVED and ordered of record this the 1st day of March, 2012.

TEXAS WATER DEVELOPMENT BOARD
FINANCE COMMITTEE

Thomas Weir Labatt III, Chairman

ATTEST:

Melanie Callahan
Executive Administrator