

TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

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Section 49-n, Article III, of the Texas Constitution (Constitutional Provision) provides that the Texas Legislature may authorize the Texas Transportation Commission (commission) to issue bonds and other public securities and enter into bond enhancement agreements that are payable from revenue deposited to the credit of the state highway fund to fund state highway improvement projects.

Pursuant to the constitutional provision, the Texas Legislature enacted Section 222.003, Texas Transportation Code (Enabling Act), which authorizes the commission to issue bonds and other public securities secured by a pledge of and payable from revenue deposited to the credit of the highway fund.

The Enabling Act, as amended, provides that (i) the aggregate principal amount of such bonds and other public securities may not exceed \$6 billion, (ii) the commission may issue bonds or other public securities in an aggregate principal amount of not more than \$1.5 billion each year, (iii) \$1.2 billion of the aggregate principal amount of such bonds or other public securities must be issued to fund safety projects that reduce accidents or correct or improve hazardous locations on the state highway system, and (iv) bonds and other public securities and credit agreements may not have a principal amount or terms that are expected to cause annual expenditures with respect thereto to exceed 10 percent of the amount deposited to the credit of the highway fund in the preceding year.

Pursuant to the Enabling Act, the commission has adopted rules, codified as 43 TAC §§15.170-15.174, that prescribe criteria for selecting projects (including safety projects) eligible for funding under the Enabling Act.

Pursuant to Minute Order No. 110472, dated March 30, 2006, the commission approved a "Master Resolution Establishing a Financing Program for Bonds, other Public Securities and Credit Agreements Secured by and Payable from Revenue Deposited to the Credit of the State Highway Fund" (Master Resolution) to establish a revenue financing program (Financing Program) to provide a financing structure to facilitate the commission's exercise of the powers and authority conferred by the Enabling Act and pursuant to which the commission is authorized to issue obligations (Senior Obligations), including bonds, notes and other public securities, and execute credit agreements and qualified hedge agreements, secured by and payable from a pledge of and lien on revenues deposited to the credit of the highway fund, as provided by the Master Resolution, and further approved a first supplemental resolution to the Master Resolution which authorized the issuance of "Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006" (the "Initial Senior Obligations"), which were issued in the original aggregate principal amount of \$600 million.

Pursuant to Minute Order No. 110729, dated October 26, 2006, the commission approved the second and third supplemental resolutions to the Master Resolution which authorized the issuance of "Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006A and Series 2006B" (which, collectively with the Series 2006 Bonds, are the "Outstanding Senior Obligations"), which were issued in the original aggregate principal amount of \$852,550,000 and \$100 million, respectively.

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The commission has determined it to be in the best interest of the state to issue additional Senior Obligations, as herein provided.

Government Code, §1231.041 provides that a state agency may not issue a state security, including a bond, unless the Texas Bond Review Board (board) approves the issuance; and, Government Code, §1231.042 provides that, in order to obtain the approval of the board to issue a state security, a state agency must apply to the board in the manner prescribed by the board.

Pursuant to this authority, the board has adopted bond review rules, codified as 34 TAC §§181.1-181.12. Section 181.3 provides that a state agency that proposes to issue state securities shall apply for board approval by filing an application with the board and prescribes documentation required to be included with an application.

IT IS THEREFORE ORDERED by the commission that the Texas Department of Transportation (department) is authorized and directed to file with the board an application for approval of the issuance of additional Senior Obligations, in an aggregate principal amount not to exceed \$1.5 billion of bonds and other public securities authorized to be issued pursuant to and in accordance with the terms of the Enabling Act, and any necessary ancillary documents, for the purpose of financing the costs of highway improvement projects.

IT IS FURTHER ORDERED by the commission that the department is directed to present for the commission's consideration at a future meeting one or more minute orders to approve the final documentation authorizing the issuance of such additional Senior Obligations, including any agreements related thereto.

Submitted and reviewed by:

Recommended by:

Chief Financial Officer

Executive Director

Minute Number Date Passed