

# Texas Public Finance Authority

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Kimberly K. Edwards  
Executive Director

## MINUTES OF THE MEETING OF THE TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE BOARD MEETING

March 2, 2007

The Board of Directors (the "Board") of the Texas Public Finance Authority Charter School Finance Corporation (the "CSFC") convened in open meeting, notice duly posted pursuant to law (a copy of which notice is attached hereto as Exhibit "A") at 2:30 PM, Friday, March 2, 2007, Travis Building, Room 1-111, Austin, Texas. Present were: Mr. Bob Schulman, President, Ms. Marina Walne, Vice President; Mr. Omar Garcia, Secretary; Ms. Mary Perry, Director of the Division for Charter Schools, Texas Education Agency; Ms. Patsy O'Neil, Executive Director of the Resource Center for Charter Schools. Representing TPFA's staff was: Ms. Kimberly Edwards, Executive Director, Ms. Judith Porras, General Counsel, and Paula Hatfield.

Present in their designated capacities were the following persons: Jim Neal, Arnold Alaniz and Teresa Dill.

### **Item 1. Call to order.**

Mr. Schulman called the meeting to order at 2:33 p.m.

### **Item 2. Approval of minutes of the September 19, 2006 Board meeting.**

Mr. Schulman asked if there were any corrections or additions to the minutes of the Board meeting of September 19, 2006. Ms. Walne moved to approve the minutes. Mr. Garcia seconded. The motion passed unanimously.

**Item 3. Consider TCEP applications and award grants.**

Ms. Edwards thanked Ms. Perry and her staff for their assistance in reviewing the applications and all the schools that submitted applications. She noted that the program has \$10 million in grant funds to award and received 14 applications, requesting a total of \$8.77 million. As background she explained that the statute that created the TPFA CSFC Board and its ability to issue bonds on behalf of charter schools provided that the Comptroller could set up a fund for credit enhancement for bonds issued under Section 53.351 of the Education Code. Therefore, under current State law, the bonds must be issued by the TPFA Charter School Finance Corporation, in order to qualify for the grant funds.

She noted that seven of the applicants had already issued their bonds through a different conduit issuer, two had issued through TPFA CSFC and five had not yet issued bonds. Therefore, the summary sheet provided to the Board lists the applicants alphabetically, by the status of the bond issue and by their score to clarify which schools qualify under current statute and which schools would need a statutory change to receive the grant funds. Burnham Woods and KIPP are the only applicants that have issued their bonds through the TPFA CSFC, but Harmony Science Academy has requested the Board to issue bonds on their behalf in April, so they would also qualify.

Two bills have been filed that would amend the statute. House Bill 1400 by Representative Dutton, provides that the credit enhancement fund could be used for bonds issued by any issuer, and has some clean-up provisions to make some minor technical changes. Senator Shapiro offered a committee substitute to Senate Bill 4 that would simply say the credit enhancement fund could be used for schools issued by any issuer, but it does not have any of the technical clean-up language in HB 1400.

Ms. Edwards suggested that the Board could award the grants to schools that did not issue bonds through the TPFA CSFC contingent on passage of the legislation or ask the non-qualifying schools to reapply. She noted a second application process would probably be needed later this year, since we did not get applications in excess of the funds available. Ms. Walne asked if the current applicants knew that the bonds had to be financed through this organization. The Board was assured that this point had been emphasized in orientation sessions and was included in the TCEP application form.

Ms. Walne stated it was not totally satisfactory because there might be a school out there that did not apply. Mr. Schulman asked what was the balance of the grant. Ms. Edwards stated it was \$1.3 million, and if the schools that issued through other issuers were excluded, the balance was \$3.9 million. Ms. Walne also asked if the \$10 million amount was the cap. Ms. O'Neil stated the Corporation could apply for additional funds in April, but that it would probably not be advantageous because the current \$10 million had not yet been awarded. Mr. Schulman asked what the significance would be if a large chunk of funds were not dispersed. Ms. Edwards responded the Corporation has a performance agreement with the federal Department of Education under which the agreement is to make "good faith milestones," meaning to putting the money to use. After further

discussion, the Board also agreed to consider the need and schedule for a second round of applications at its next meeting.

The Board and staff had further extensive discussion on the impact of the facilities financing provisions and charter renewal requirements of SB 4. Jim Neal, representing Southwest Prep, one of the grant applicants, offered his understanding that SB4 would not, in fact, cause any of his campuses to be closed. The Board discussed several alternatives through which they could approve a grant application and ensure compliance with current state law and prospective changes, including contingency approvals and various effective dates. Ultimately, the Board determined that the legal contract between the Board and the grant recipient, which would most likely be in the form of a surety policy, would include a provision that the contract would be contingent on the grant recipient remaining in compliance with state law.

The Board also discussed at what level the accountability ratings should be evaluated for the purposes of the grant applications. The application required the applicant to have an acceptable rating for 2005 and 2006. Some applicants were using a portion of the bond funds for facilities at new campuses, to be operated under new charters, which did not have two years of ratings. Ms. Edwards explained that most of the bond financings were structured to pledge revenues of all campuses, so the relevant financial analysis was of the charter holder, not individual charters or campuses. Ms. O'Neill explained that it was not unusual for an expanding school to apply for a new charter for new campuses in order to be eligible for start-up funds. Ms. Perry and Ms. Walne expressed concern that the more restrictive language of the TCEP application may have discouraged some schools from applying for the grants.

The Board further questioned the evaluations and scoring of the applications by the TCEP work group. Although varying scores were assigned, Ms. Edwards pointed out much of the information submitted by applicants required some subjective analysis, but the work group was unanimous in their conclusion that all applications should be considered; they found no basis upon which to disqualify any applications on their substance.

Mr. Schulman excused himself from the decision-making portion of the meeting at 3:20 p.m. and Ms. Walne began chairing the meeting.

Mr. Garcia moved to approve the KIPP and Burnham Wood applications. Ms. Walne seconded. The motion passed unanimously.

Mr. Garcia moved to approve all the other applicants, specifically Arlington, Gateway, Southwest Preparatory, Island, Mainland, NYOS and North Hills, contingent on their eligibility according to State law and documentation of award that the school will continue under the standards in proposed legislation. Ms. Walne seconded. The motion passed unanimously.

Mr. Schulman returned to the Board meeting at 3:50 p.m. to participate in a brief discussion regarding a possible meeting date for April.

**Item 4.      Adjourn.**

The meeting adjourned at 4:00 p.m.

The foregoing minutes were approved and passed by the Board of Directors on April 26, 2007.



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Omar Garcia  
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



## Open Meeting Submission

*Success!*

Row inserted

**TRD:** 2007001649  
**Date Posted:** 02/22/2007  
**Status:** Accepted  
**Agency Id:** 0113  
**Date of Submission:** 02/22/2007  
**Agency Name:** Texas Public Finance Authority  
**Board:** Texas Public Finance Authority Charter School Finance Corporation  
**Liaison Id:** 3  
**Date of Meeting:** 03/02/2007  
**Time of Meeting:** 02:30 PM ( ###:## AM Local Time)  
**Street Location:** 1701 N. Congress Avenue, Room 1-111  
**City Location:** Austin  
**State Location:** TX  
**Liaison Name:** Paula Hatfield  
**Additional Information Obtained From:** If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, Texas 78701.

TEXAS PUBLIC FINANCE AUTHORITY  
 CHARTER SCHOOL FINANCE CORPORATION  
 FRIDAY, MARCH 2, 2007 2:30 P.M.  
 TRAVIS BUILDING, ROOM 1-111  
 1701 N. CONGRESS AVENUE  
 AUSTIN, TEXAS 78701

1. Call to order.
- Agenda:**
2. Approval of minutes of the September 19, 2006 Board meeting.
3. Consider TCEP applications and award grants.
4. Adjourn.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Paula Hatfield or Donna Richardson at 512/463-5544. Requests should be made as far in advance as

possible.

Certification: I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements. Kimberly K. Edwards, Executive Director, Certifying Official; Paula Hatfield, Agency Liaison.

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