

TEXAS PUBLIC FINANCE AUTHORITY

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MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION

May 20, 2015

The Board of Directors (the "Board") of the Texas Public Finance Authority Charter School Finance Corporation (the "TPFA CSFC") convened in open meeting, notice duly posted pursuant to law (a copy of which notice is attached hereto as Exhibit "A") at 9:30 a.m., Thursday, May 20, 2015 at the William P. Clements, Jr. Building, 300 W. 15th Street, Room 103 in Austin, Texas. Present in their designated capacities were: Dr. Susan Barnes, President; Mr. James C. Thompson, Vice President; Mr. Paul Jack, Secretary/Treasurer; Dr. Nancy Grayson, Director; Mr. Adam Jones, Director.

Representing the Authority's staff were: Lee Deviney, Executive Director; John Hernandez, Deputy Director; Kevin Van Oort, General Counsel; Pamela Scivicque, Director, Business Administration; Donna Weinberger, Bond Administration Specialist; Robert Jocius, Sr. Project Manager; and Alper Demir, Financial Analyst.

In attendance were the following persons, representing the entity indicated: Tom Sage, Andrews Kurth LLP; Anand Kesavan, KIPP Austin Public Schools; and Drew Masterson, First Southwest Co.

Item 1. Call to order.

Dr. Barnes called the meeting to order at 9:38 a.m.

Dr. Barnes noted that a quorum was present and that Mr. Jack is in route.

Item 2. Approve the minutes of the August 22, 2014, Board meeting.

Dr. Barnes asked if there were any changes to the minutes as presented.

Action: Mr. Thompson moved to approve the minutes as presented. Mr. Jones seconded the motion. The motion passed unanimously.

Mr. Deviney introduced new TPFA staff members: Alper Demir, Robert Jocius and Donna Weinberger and Mr. Adam Jones, the newest appointed member of the TPFA CSFC Board.

Mr. Paul Jack joined the meeting at 9:46 a.m.

Item 3. Consideration, discussion and possible action related to the Texas Credit Enhancement Program (TCEP) and related application instructions.

Mr. Deviney reminded the Board that until the D&O policy was in place, the board was unable to meet and the TCEP application was put on hold. The application is substantively the same as the last application and has been sent to TEA and TCOSA for comments, which are due to be returned by May 25. Application packets are scheduled to be available on May 29, 2014. Applications would be due on August 28, 2015. The TPFA CSFC Board is scheduled to meet in October to award TCEP allocations.

Discussion ensued regarding the amount of award allocations, the average award amount and the cap on awards. Mr. Deviney stated there is currently a one million dollar cap on each award.

Action: No action taken.

Item 4. Consideration, discussion and possible action on a Request for Financing from KIPP Austin Public Schools to adopt a resolution authorizing the issuance of one or more series of Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (KIPP Austin Public Schools); a loan agreement; a trust indenture; appoint Issuer's Counsel and other matters in connection therewith.

Mr. Deviney introduced the finance team consisting of Tom Sage, Andrews Kurth LLC, as bond counsel; Drew Masterson, First Southwest Co., as financial advisor; Anand Kesavan with KIPP Austin Public Schools; and Robert Jocius, TPFA Project Manager.

Mr. Deviney directed the Board's attention to the supplemental information and gave an overview of enrollment data, dates of the charter and the financing details of KIPP Austin. The Education Revenue Bond Series 2015A, in the amount of \$4,123,000.00, is expected to be issued as bank-qualified tax-exempt bonds and issued through a separate issuer in order to secure the desired bank-qualified status. Bond proceeds for this portion of the project would be used to refinance a short-term construction loan (from a local bank) the proceeds of which were used to purchase the land and facility to house the K-12 educational program at the new North Campus located at 8004 Cameron Road in Austin, Texas.

The Education Revenue Qualified Zone Academy Bonds (QZAB), Series 2015Z, in the amount of \$25,377,000, is expected to be issued as taxable QZABs through a private placement with a bank at an interest of 0% over 15 years. Bond proceeds

will be primarily used to renovate or repair the site and the 189,000 sf facility at the North Campus to house grades K-12. For tax purposes, approximately \$5.7 million of the \$25.4 million of QZAB bonds will be used to renovate the building at the East Campus location. All site construction and building renovation are expected to be substantially completed in August 2016.

The bonds would not be obligations of the State and are anticipated to have an underlying rating of BBB from S&P and an enhanced rating of AAA as a result of a Permanent School Fund guarantee.

Discussion ensued regarding the enrollment cap, the mechanism for implementing an admissions lottery and whether this series of bonds is contingent upon the issuance of additional bonds. Mr. Deviney explained that the Series 2015A bonds were approved by the Board at its previous meeting, and that this request is for the QZABs.

Staff recommended approving the Request for Financing from KIPP Austin Public Schools to adopt a resolution authorizing the issuance of one or more series of Texas Public Finance Authority Staff recommends approving the Request for Financing from KIPP Austin Public Schools to adopt a resolution authorizing the issuance of one or more series of Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (KIPP Austin Public Schools); a loan agreement; a trust indenture; appoint Issuer's Counsel and other matters in connection therewith.

Staff also recommended the appointment of Bracewell & Giuliani LLP as Special Issuer's Counsel.

Action: Motion by Dr. Grayson to appoint Bracewell and Giuliani LLP as Special Issuer's Counsel for the transaction, second by Mr. Jack. Motion carried.

Action: Motion by Mr. Jack to approve the Bond Resolution for the Request for Financing and authorizing TPFA's staff to take any and all action necessary for the sale of the bonds, second by Mr. Thompson. Motion carried.

Item 5. Consideration, discussion and possible action related to the assessment of fees by the Texas Public Finance Authority Charter School Finance Corporation and the establishment of a bank account.

Mr. Deviney outlined the possibility of assessing a TCEP application fee for cost recovery related to the Corporation's D&O policy and Board member travel reimbursement, as well as other necessary Corporation expenses. The D&O policy is significantly higher than the previous policy and Board members are entitled to reasonable travel expenses, although there is no funding available for travel reimbursement. TPFA's board has expressed that future appointments to the Corporation be representative of a more broad geographic range and, although no current members have requested travel reimbursement, future travel

reimbursements to members from areas outside of central Texas may be forthcoming.

Discussion ensued regarding the authority for the Corporation to establish a bank account outside of the treasury, the appropriation authority of the Corporation and the recommended TCEP application fee. Mr. Deviney mentioned a fee range between \$500 -\$1,000 per application might be a consideration.

Mr. Van Oort explained the funds would be held outside of the treasury to pay the D&O policy, board travel expenses and any reasonable and necessary expenses of the Corporation.

Discussion continued regarding whether the fee would apply to all TCEP grant applicants.

The board directed staff to pursue obtaining additional information on opening a bank account and to confirm with the US Department of Education on whether an application fee may be assessed. Dr. Grayson suggested a June 2015 meeting to resolve this item before the application is posted.

Action: No action was taken. The item was tabled until the next meeting.

Item 6. Consideration, discussion and possible action relating to amending the Rules of the Texas Public Finance Authority Charter School Finance Corporation.

Mr. Van Oort presented the proposed updated rules, including the reference to the number of board members. Mr. Van Oort stated that the composition of the Board was governed by the Articles of Incorporation and the By-Laws and the text proposed for deletion was superfluous. The proposed change to Section III.4 would clarify that the Board is not required to call an *ad hoc* meeting to address a request for financing.

Action: Motion by Mr. Thompson to approve the amendments, second by Mr. Jack. Motion carried.

Item 7. Staff update:

(a) Directors and Officers Liability Insurance

Mr. Deviney updated the Board on the new D&O policy. The policy period is April 2, 2014 through April 2, 2015, and the policy deductible increased from \$1,000 to \$10,000.

(b) Legislative update, Appropriations and related matters

Mr. Deviney reported that HB 2851 is scheduled to be heard on May 8, 2015. If passed, the bill would provide limited immunity to the Corporation's board of directors and would also require the TPFA to seek the Governor's approval of

future appointments to the CSFC Board.

(c) Pending legislation, legislative appropriations and related matters

No Discussion

Item 8. Discussion of possible future meeting dates.

June 25, 2015, is the targeted date for the next meeting. Staff will survey members for their availability during the weeks of June 18th and June 25th to meet.

Item 9. Adjourn.

Mr. Thompson motioned to adjourn the meeting, second by Mr. Jones. Motion carries.

The meeting adjourned at 11:29 a.m.

The foregoing minutes were approved and adopted by the Board of Directors on October 24, 2016.



Paul Jack
Secretary, Board of Directors

ATTACHMENT: Post Notice – Exhibit A