

Texas Public Finance Authority

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Susan K. Durso
Interim Executive Director



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

March 9, 2012

The Board of Directors of 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 11:00 a.m., Friday, March 9, 2012, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Dr. Susan Barnes, Vice-Chair, Mr. Paul Jack, Secretary; and Mr. Tom Canby, Member. Representing TPFA's staff was: Ms. Susan K. Durso, Interim Executive Director and General Counsel and Paula Hatfield.

Item 1. Call to order.

Dr. Barnes called the meeting to order at 11:15 a.m. Mr. Jack moved to excuse the absences of Dr. Walne and Mr. Schulman. Mr. Canby seconded. The motion passed unanimously.

Ms. Durso informed the Board that Dr. Walne indicated she did not wish to be reappointed to the Board. If anyone on the Board has any suggestion or recommendation for another candidate to serve on the Board, please let that person know of the vacancy. Mr. Schulman had not indicated a preference on his reappointment yet.

Mr. Schulman arrived at 11:18 a.m. for the meeting. Mr. Schulman stated he was interested in continuing his service on the Board, but was a bit conflicted about it since he represents 80 charter schools as clients. Ms. Durso reminded Board members that their service continues until a replacement is appointed.

Item 2. Approve the minutes of the October 21, 2011 Board meeting.

Dr. Barnes asked if there are any changes to the minutes as presented. Mr. Jack moved to approve the minutes as presented. Mr. Canby seconded. The motion passed unanimously.

Item 3. Consideration and possible action on Texas Credit Enhancement Program (TCEP) grant applications and timeline for new applications.

Ms. Durso explained that the Texas Credit Enhancement Program grant was issued on December 2 and the deadline was January 20. No applications were received. While attending the Bond Buyer conference Ms. Durso was asked when the application request would be issued again. The dates were revised to make the applications available on Monday if the Board approves this request. A notice for the *Texas Register* alerting folks of the re-issuance has been prepared. The application deadline would be April 16. One of the reasons the date is for such a short duration is that perhaps the applicants had too much time previously, which allowed for it to fall off their radar. Staff would evaluate applications using the criteria in the application and a May or June meeting would be necessary for Board approval.

All of the items previously discussed in the prior meeting were included in the new application. Mr. Hernandez attended the Charter School Finance Grantees Program in Washington, D.C., a meeting where all the grantees discuss their state's programs, and one of the issues that presented was one of compliance. Dr. Barnes had recommended that the application include a requirement for a signature indicating compliance. The program is improving and the Federal government review of the grantees is increasing which has made it a little difficult to get the information from original applicants because there are no reporting requirements in those documents. Reporting requirement changes are being incorporated into the agreements.

Mr. Schulman asked if the information needed was open records. Ms. Durso said "yes." Ms. Durso said that asking for such information through open records is an option, but staff tries not to act threatening. A lot of entities consider an open records request to be threatening. Mr. Jack asking if when this next application period closes, if no applications are received or if applicants are received for less than the availability, is there any mechanism to allow staff to extend the application period or keep it open. Ms. Durso stated that if the Board asks staff to do that, it would be possible to incorporate that into the document. Mr. Jack said he was interested in extending the period. Mr. Schulman asked if this was done at this time would it be an encouragement to those not diligent about applying, maybe not. Ms. Durso said it was not necessary to put it in the document, the Board could simply direct staff to issue the application and if no responses are received, to leave it open and staff could exercise that authority. Mr. Schulman said that was preferable to him. He said he would also like to know about the funds.

Ms. Durso explained that the CSFC has a purpose separate and apart from the grant program under the Education Code for making itself available as a conduit issuer for charter schools that have jurisdiction in more than one area. The type of charter school that seeks the CSFC as the issuer are those with campuses in multiple jurisdictions because CSFC is the only provider with statewide jurisdiction. So, for example, if Kipp would have to go to a conduit issuer in Houston and Dallas-- Dallas just recently formed an issuer organization. Mr. Schulman said CSFC was an entity of efficiency. Ms. Durso said it was also the least cost. The other organizations have a higher fee for issuance. Now, the grant agreement with the Federal government for those grantees for whom TPFACSF issues debt, there is a limitation on the fee to \$5,000. There was an increase in fees for those applicants for which CSFC serves as a conduit issuer. Those fees are

the \$6,000 up to a total \$8,500. There is a purpose for the organization. Those schools that have the wherewithal to be in the market have been in the market and simply do not have the capacity for more debt at the moment. Mr. Schulman stated there was also an Attorney General's opinion being sought about the constitutionality of it. Ms. Durso said all those things may inhibit that program. Mr. Jack asked if the Board was okay with giving staff discretion to open, close or extend the grant application process. Dr. Barnes said there was no Board objection.

Dr. Barnes asked if there was any other question on the grant application. Mr. Jack asked about the accreditation and if it should be 2011, when 2010 was stated in the packet. Ms. Durso said it should be 2011. Dr. Barnes said it was finalized November 1. Ms. Durso stated she would update it, but also said it already had been updated, but was not reflected on the copy included in the packet. Mr. Canby asked in reference to TEA action to lower the ratings referred in Item 1, 2, 3, 4 that if it is taken between the time TEA rolls out the official ratings and if action is taken to lower the rating, that TEA notify CSFC. Ms. Durso asked if, after the applicant becomes a grantee, that notification should be included in the grantee agreement. Mr. Canby said that was another question. He asked if it was covered anywhere that TEA notifies CSFC that the rating has been lower, the context is communication. The rating is published on the website and it is acceptable. If the rating is lowered or action is being taken to lower the rating, CSFC would like to know in between time. Ms. Durso asked if he meant since the submission of the grant and approval. Mr. Canby said subsequent to approval. Ms. Durso said the time between submission and approval could be included in the document. The other is in the grant agreements signed by the applicants. Mr. Schulman said he believed that the applicant and the issuer perform is due diligence on the applicant. He thought the potential of adverse actions on the charter school can exist in response to Texas Education Agency audit, monitoring visit, investigation under Chapter 39 and he asked if the requested period be the last two years or if there have been any of those things, or whether anything is pending, that it be investigated. Ms. Durso said this was definitely done when issuing the debt. Mr. Schulman said it would be redundant, but Ms. Durso said, "not necessarily." Ms. Durso reviewed the grant application to see what was requested. Some of the complaints are simply parents complaining about child who did not get into the school. Ms. Durso asked if the Board wanted to include a question about whether or not an audit had occurred or if an audit resulted in an outcome other than just closure. Ms. Durso stated the discussion sounds a bit like the other questions added to the form on issuance and those items can be incorporated into the grant application if that is the objective. Mr. Jack asked if the applicant received a grant was it required to issue through the Board and Ms. Durso said "no."

Mr. Schulman said his thinking was that it might not be optimum to have a requirement for everything because many of them of innocent issues and it would be taxing on the CSFC and the schools. But, if some issue related to Chapter 39 or other authorized Federal or State audit, schools undergoing OCR and DOE investigations, CSFC would like to know about those items. Mr. Canby said the application could be just set aside. Mr. Schulman said if it was nothing more than allegation that it would be reviewed and explored. Ms. Durso read from the application, 'is the charter holder school director involved in any pending or potential litigation that may have a material impact' and she offered that text could be added to that and say "or audit proceeding." Mr. Schulman said he wanted it go beyond that, for review, monitoring visit, audit or investigation by Federal or State authorities. Dr. Barnes stated that some of those things happen automatically, an audit, and suggested stated "something that results in a corrective action." Dr. Barnes stated that would cover what was already in process and now things that are ongoing and not resolved are being requested. Ms. Durso read "may have a material impact on operations or financial conditions." That language targets the more substantive audit.

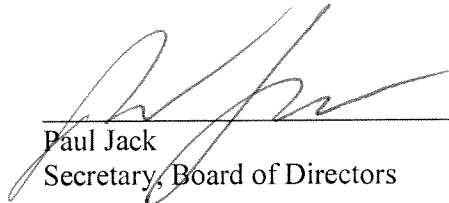
Mr. Schulman said the annual audits would be reviewed anyway. Mr. Schulman said that would not be captured by that request. Mr. Canby commented on III, under background, the third and fourth paragraphs, the amount of funds and requested a date be added. Ms. Durso said "as of February 29, 2012." Dr. Barnes agreed and thanked Mr. Canby for his careful reading.

Mr. Canby moved to adopt the grant application as discussed and to accept the timeline proposed by staff for issuance and acceptance of grant applications. Mr. Jack seconded. The motion passed unanimously.

Item 4. Adjourn.

The meeting adjourned at 11:40 a.m.

The foregoing minutes were approved and passed by the Board of Directors on October 30, 2012.



Paul Jack
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!

Row inserted

TRD: 2012001596

Date Posted: 03/01/2012

Status: Accepted

Agency Id: 0113

Date of Submission: 03/01/2012

Agency Name: Texas Public Finance Authority

Board: Texas Public Finance Authority Charter School Finance Corporation

Liaison Id: 3

Date of Meeting: 03/09/2012

Time of Meeting: 11:00 AM (##:## AM Local Time)

Street Location: Capitol Extension Hearing Room E2.028

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 9, 2012 -- 11:00 A.M.
CAPITOL EXTENSION HEARING ROOM E2.028
AUSTIN, TEXAS 78701

1. Call to order.
2. Approve the minutes of the October 21, 2011 Board meeting.
3. Consideration and possible action on Texas Credit Enhancement Program (TCEP) grant applications and timeline for new applications.

4. Executive Session:

Agenda: Pursuant to Texas Government 551.071(2), the Board may convene in closed session at any time during this meeting to obtain legal advice from its counsel concerning any matter listed on this agenda, in which the duty of its attorney under the Texas Disciplinary Rules of Professional Conduct conflicts with Texas Government Code, chapter 551.

Reconvene Open Meeting (after Executive Session):

The open meeting will be reconvened for final action of the Board concerning matters deliberated in the Closed Meeting, if such action is required.

5. Discussion of possible future meeting dates.

6. Adjourn.

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

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