

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS:

Billy M. Atkinson, Jr., Chair
Ruth C. Schiermeyer, Vice Chair
Gerald B. Alley, Secretary
Ramon Manning
Walker N. Moody
Rodney K. Moore
Robert T. Roddy, Jr.



EXECUTIVE DIRECTOR
Lee Deviney

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

June 1, 2018

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 with the Office of the Secretary of State, (a copy of which notice is attached hereto as Exhibit "A") at 10:00 a.m. on Friday, June 1, 2018 at the Capitol Extension Hearing Room E2.028, 1400 N. Congress Avenue, Austin, Texas. Present were: Mr. Paul Jack, Secretary/Treasurer; Dr. Nancy Grayson, Director; David Miller, Director; Mr. Monty Humble, Director; and Mr. Steve West, Director.

In attendance were the following TPFA staff: Lee Deviney, Executive Director; John Hernandez, Deputy Director; Kevin Van Oort, General Counsel; Robert Jocius, Program Manager; and Matthew Berry, Financial Analyst.

Item 1. Call to order.

Mr. Jack called the meeting to order at 10:00 a.m. and noted the existence of a quorum. Mr. Jack confirmed that the meeting had been duly posted with the Office of the Secretary of State.

Item 2. TPFA-CSFC corporate governance and election of officers.

Mr. Deviney advised the Board that due to vacancies on the Board that the Board officer positions, other than Secretary/Treasurer currently held by Mr. Jack, are vacant.

The Board reviewed the TPFA-CSFC by-laws. Mr. Jack suggested that it would be timely to elect officers at the current meeting.

Action: Motion by Mr. Humble to nominate Mr. Jack as Board Chair. Second by Mr. Miller. The motion passed unanimously.

Action: Motion by Mr. Humble to nominate Mr. West as Secretary/Treasurer. Second by Mr. Miller. The motion passed unanimously.

Action: Motion by Mr. Humble to nominate Mr. Miller as Vice Chair. Second by Dr. Grayson. The motion passed unanimously.

Item 3. Review and approval of the minutes of the November 3, 2017 Board meeting.

Mr. Jack asked if there were any corrections or additions to the minutes as presented. No changes were proposed.

Action: Mr. Humble moved to approve the minutes as presented. Second by Dr. Grayson. The motion passed unanimously.

Item 4. Texas Credit Enhancement Program (“TCEP”):

a) Review and Monitoring by the U.S. Department of Education.

Mr. Deviney reported that he had recently attended the annual meeting of charter school directors, sponsored by U.S. Department of Education (“DOE”). At that meeting, Mr. Deviney requested that the DOE finalize the recently conducted performance review of the TCEP program.

b) TCEP Performance Agreement.

Mr. Deviney explained that a request for an amendment to the Texas Credit Enhancement Program (“TCEP”) performance agreement with the DOE had been previously submitted, but there had not been a decision from DOE on that request. The Board inquired if additional funds would be available for the program. Mr. Deviney advised that Board that a funding round took place in May 2018; however, the TCEP had not utilized all its funds and it would have been unlikely to receive additional funds. Should there be another round of funding available for TCEP, Mr. Deviney indicated that he would like to be in a position to request such funds in 2019.

Item 5. Status Report on TCEP participants.

Mr. Hernandez summarized the current financial position of the TCEP program. Mr. Hernandez indicated that the TCEP fund has earned approximately \$1.8 million in interest. The fund currently earns 1.8%, based on the State Treasury’s pool rate. Mr. Hernandez also advised the Board that there is currently not a limit to the amount of funds that can be requested by a school. Schools primarily use the TCEP award for a debt service reserve account.

Item 6. Consideration, discussion and possible action related to granting credit enhancement awards under the Texas Credit Enhancement Program.

Mr. Deviney outlined the current eligibility requirements for the Texas Credit Enhancement Program (“TCEP”). Mr. Deviney also stated that most of the eligibility requirements and the procedural requirements for filing an application are established through the TCEP application instructions. He further indicated that staff may need to make non-substantive changes to the application instructions necessary to keep it current and up to date in the future. Mr. Jack noted that the application form referenced a specific fiscal year as an example of a non-substantive item that would need to be updated. Mr. Jack indicated the Board’s concurrence with staff’s request to make such non-substantive changes to the application form and instructions as necessary.

Mr. Deviney presented the TCEP application submitted by the Tejano Center for Community Concerns and provided demographic and statistical background information on the applicant. Further, Mr. Deviney described the refunding transaction for which the TCEP award is being requested.

Mr. Deviney indicated certain areas of concern for this applicant. First is the need for confirmation that the current financial management plan is improving the district’s cash flow and available cash balances. Another concern is enrollment demand. The applicant does not have a waiting list which creates a concern that the applicant may have insufficient financial capacity to withstand enrollment volatility or economic and demographic changes. The applicant has reached its Texas Education Agency (“TEA”) enrollment cap and building capacity, which limits its capacity to generate future revenues and achieve financial stability. It is Tejano’s desire to issue refunding bonds, the nature of which would not increase the square footage of existing facilities.

Mr. Deviney advised the board that one of the requirements set by the CSFC board is that the charter must have earned at least a "Meets Standard" rating in the 2015-16 Financial Integrity Rating System of Texas (FIRST) for charter schools. While Tejano Center did have a "Superior" rating during the 2015-16 school year, it received "F – Substandard Performance" failing scores in both 2014-15 and 2016-17 school years.

Mr. Deviney advised the Board that staff recommend that the Board not take any action until the school is ready to issue bonds and wait until the next annual School FIRST rating is available.

Mr. Deviney advised the Board that the school’s financial advisor, Mr. Louis Wilkes with US Capital Advisors, is available to answer questions.

Mr. Wilkes described the financing plan and the financial position of the applicant. Mr. Wilkes explained that Hurricane Harvey contributed to the situation and that cash flow has been an issue. The new superintendent is working toward increasing fund balances and cutting the budget between \$500,000-\$1,000,000. Mr. Wilkes explained the current loan is at 9% and the school would like to refinance under today’s rates of 4-4.5%. Mr. Wilkes explained that not taking any action is what the school would prefer, giving them a chance to improve their financial position as they recovery from the impact of Hurricane Harvey.

Action: No action was taken on the TCEP application submitted by Tejano Center for Community Concerns.

Mr. Berry presented the TCEP application submitted by A+ Charter Schools, Inc. (“A+ Charter”).

Mr. Berry indicated that the applicant has met all academic and financial performance standards and requirements to qualify for a TCEP award, based on information published by TEA.

The applicant has a history of charter renewals, last renewed in April 2015 for 10 years, and a good track record of student retention, student application volume, and a consistent waiting list.

Mr. Berry stated that A+ Charter has exhibited sustained growth over the last several school years. Its current enrollment accounts for less than 80% of the TEA enrollment cap of 1,750, and less than 70% of building capacity, which shows that A+ Charter has ample room for growth.

In addition, A+ Charter has received passing or above standard scores on the annual School FIRST rating, with the past two years being graded “A-Superior”.

The TCEP award would be used to take the place of the Debt Service Reserve Fund for the 2015A&B bonds, which were used to finance construction costs at the Dallas, TX campus.

Based on staff’s evaluation of the application materials and satisfaction of the eligibility requirements, staff recommends that the Board consider awarding A+ Charter with a TCEP allocation of up to \$1,323,856.26 as requested by the applicant, which is the charter’s maximum annual bond debt service.

Action: Motion by Mr. Miller to approve a TCEP guarantee for A+ Charter Schools, based on the application, in the amount of \$1,323,856.26. Second by Dr. Grayson. The motion passed unanimously.

Mr. Berry presented the TCEP application submitted by Arlington Classics Academy (“ACA”). Mr. Berry advised the Board that the applicant has met all academic and financial performance standards and requirements to qualify for a TCEP award, based on information published by the TEA.

Mr. Berry stated that ACA has good academic performance, consistent student retention, application volume, student waiting list, and a good history of charter renewal, which was last renewed August 2013 for 10 years. Further, ACA has received passing or above standard scores on the annual School FIRST rating, with the past two years being graded “A-Superior”.

The enrollment for the 2016-17 school year was 1,486, which is less than 75% of the TEA enrollment cap of 2,000. This shows that ACA has ample room to grow.

Mr. Berry advised the Board that the applicant previously received a TCEP allocation of \$1,000,000 in 2017.

Mr. Berry indicated that based on staff's evaluation of the application materials and satisfaction of the eligibility requirements, staff recommends that the Board consider awarding ACA with an additional TCEP allocation of up to \$1,000,000, as requested by the applicant, which together with the previous TCEP allocation, adds up to ACA's average annual bond debt service.

Action: Motion by Mr. Miller to approve a TCEP guarantee for the Arlington Classics Academy, based on the application, in the amount of \$1,000,000. Second by Dr. Grayson. The motion passed unanimously.

Mr. Berry presented the TCEP application submitted by the UME Preparatory Academy ("UMEP"). Mr. Berry indicated that the charter has met all academic and financial performance standards and requirements to qualify for a TCEP award, based on information published by the TEA. Further, there is evidence of good academic performance, student retention, application volume, appropriate waiting list service demographics, and a history of charter renewal, which was last renewed in February 2017 for 10 years. In addition, UMEP has received passing or above standard scores on the annual School FIRST rating, with the past two years being graded "A-Superior".

The current enrollment of 749 is well below the recently approved increased enrollment cap of 2,000 students. With the addition of a new high school facility, UMEP has ample room for growth.

Based on staff's evaluation of the application materials and satisfaction of the eligibility requirements, staff recommends that the Board consider awarding UMEP Charter with a TCEP allocation of up to \$1,388,750, as requested by the applicant, which is the charter's maximum annual bond debt service.

Action: Motion by Mr. Miller to approve a TCEP guarantee for the UME Preparatory Academy, based on the application, in the amount of \$1,388,750. Second by Mr. West. The motion passed unanimously.

Item 7. Staff update:

(a) Requests for CSFC bond issuance.

Mr. Deviney advised that there were no outstanding requests for financing. Mr. Deviney provided additional background regarding other entities in Texas that provide credit enhancement for charter schools, as well as serving as bond issuers.

(b) Charter Awards, Closures and related matters.

Mr. Deviney reported that there have been no changes from the report previously provided to the Board.

Item 8. Discussion of possible future meeting dates.

A tentative meeting date of September 14, 2018 was discussed.

Item 9. Adjourn

Mr. Jack adjourned the meeting at 11:08 a.m.

The foregoing minutes were approved and adopted by the Board of Directors on this 30th day of November 2018.



Steve West
Secretary, Board of Directors

ATTACHMENT: Exhibit A – Posting Notice



Open Meeting Information

Agency Name: Texas Public Finance Authority
Date of Meeting: 06/01/2018
Time of Meeting: 10:00 AM (Local Time)
Board: Texas Public Finance Authority Charter School Finance Corporation
Committee: Board Meeting
Status: Accepted
Street Location: Capitol Extension Hearing Room E2.028 State Capitol 1400 N. Congress Avenue
City Location: Austin
Meeting State: TX
TRD: 2018005575
Submit Date: 05/24/2018
Emergency Mtg: No

Additional

Information Donna Weinberger at 512-463-5544

Obtained From:

Texas Public Finance Authority
Charter School Finance Corporation
Board Meeting
Friday, June 1, 2018 - 10:00 A.M.
Capitol Extension Hearing Room E2.028
State Capitol
1400 N. Congress Avenue
Austin, Texas

AGENDA

Agenda:

The Board may discuss and take action regarding any of the following matters:

1. Confirm meeting posting compliance with the Open Meetings Act.
2. TPFA-CSFC corporate governance and election of officers.
3. Review and approval of the minutes of the November 3, 2017 Board meeting.
4. Texas Credit Enhancement Program (" TCEP "):
 - (a) Review and Monitoring by the U.S. Department of Education.

(b) TCEP Performance Agreement.

5. Status Report on TCEP participants.

6. Consideration, discussion and possible action related to granting credit enhancement awards under the Texas Credit Enhancement Program.

7. Staff update:

(a) Requests for CSFC bond issuance.

(b) Charter Awards, Closures and related matters.

8. Discussion of possible future meeting dates.

9. Adjourn

THE BOARD MAY GO INTO CLOSED SESSION REGARDING ANY ITEM ON THE AGENDA IF PERMITTED UNDER THE OPEN MEETINGS ACT, GOVERNMENT CODE CHAPTER 551.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Donna Weinberger at 512/463-5544. Requests should be made as far in advance as possible. Contact Donna Weinberger if you need any additional information, Texas Public Finance Authority, 300 W. 15th Street, Suite 411, Austin, TX 78701.

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