

Texas Public Finance Authority

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

October 30, 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 10:00 a.m., Tuesday, October 30, 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: Mr. Robert Coalter, Executive Director, Ms. Susan K. Durso, General Counsel, John Hernandez, Deputy Director, and Paula Hatfield.

Item 1. Call to order.

Dr. Barnes called the meeting to order at 10:09 a.m. Mr. Jack moved to excuse the absences of Dr. Walne and Mr. Schulman. Mr. Canby seconded. The motion passed unanimously.

Item 2. Approve the minutes of the March 9, 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 application of Wayside Schools (formerly Eden Park).

Mr. Coalter stated a grant application submitted by Wayside Academy requested \$1.28 million or any remaining funds in the Texas Charter Education Program grant fund. It was the only application received.

The Texas Charter School Association ("TCSA") also reviewed the application. Both TPFA staff and staff from the TCSA agree in recommending that the remaining balance in the fund, \$910,311.95, be awarded to Wayside Academy. Unless another grant recipient does a refunding, additional funds will not be available until 2025. Mr. Sage, Andrews & Kurth and Teresa Elliott from Wayside are available to answer questions.

Mr. Sage stated Ms. Elliott was on her way to the meeting and would be able to speak more about the school, but that he would begin discussing the financials. Mr. Sage, Andrews & Kurth, stated he was bond counsel for the school and expressed appreciation for the ability to visit with the Board. Wayside Academy started out as Eden Park Academy. Recently, the school developed a relationship with Louis Sachar, the author of the Sideways Stories from Wayside School. He also wrote Holes. Sachar partnered with Eden Park Academy and this relationship resulted in the school name change.

Wayside Schools is the organizational name and the original campus is still named Eden Park Academy. The new campus being developed on IH-35 is going to be called the Real Learning Academy, which is the elementary-middle school, and Sci-Tech Academy is going to be the high school. This financing project is intended to cover the purchase of the old Target facility and the renovation for Phases 1 and 2 to take it through development and be opened for classes for Pre-K, elementary for this spring. Over the summer the renovations will be completed for the high school space within the same building. An empty Target big-box store is large. The remaining portion of the financing is for equipment purchases and about \$2-1/2 million for renovations on the original campus, Eden Park, such as roof repair, parking lots, moving things around to optimize the space, but no major work other than updating the facility.

The plan is to issue three series of bonds: 2012 A and B, will be a tax-exempt and a taxable series, and a series 2012Z, which are qualified zone school bonds. An application was made to the Texas Education Agency under the qualified zone bond program and the school received an allocation from the 2010 allocations. The importance of a 2010 allocation is that it is a direct pay product that came out of the stimulus bill back in 2009. The qualified zone bonds have been around a long time, but the allocations in 2009 and 2010 were eligible for direct pay support. On the day the bonds are priced, there is a credit rate posted on the federal Treasury website. The taxable bonds will be issued and the federal government will pay the credit rate portion of the interest rate on those bonds or, essentially, subsidize the interest rate on those bonds. The school will be responsible for the total interest, making periodic filings with the IRS. The filing function is assigned to the trustee. The obligation is primarily the school's and all the school's numbers support its ability to do that. The federal government is expected to honor that commitment to pay the subsidized rate.

Wayside Schools has received a rating of BB+, stable, one notch below investment grade. From participating in the rating process, Standard & Poor's seemed impressed with the school, but the school has a very aggressive growth plan and for that reason it may have missed the investment grade rating. Mr. Sage asked for questions.

Mr. Jack asked if the school had run scenarios as to the financial implications if the subsidy was not received. Mr. Sage answered "yes." He said the school had very healthy coverages, but all its coverage is dependent on students showing up. If students show up as planned, and if certain factors do not change, such as state funding or student involvement, healthy coverage is present. Charter school financing is always dependent on student enrollment. The waiting list and success demonstrated in other areas provides confidence that the school will have the financial ability to withstand a loss of the subsidy.

Ms. Teresa Elliott arrived and her presence was noted. Mr. Jack asked if the S&P rating was followed up with a written report. Mr. Sage indicated he would provide a copy of the report to the Authority for the

Board. Dr. Barnes asked if an address was known for the Target facility. Mr. Sage introduced Teresa Elliott. She answered it was 6405 S. IH-35 at the intersection of IH-35 and William Cannon. Ms. Elliott stated she was the Chief Operating Officer at Wayside Schools.

Ms. Elliott stated the schools were begun with Eden Park Academy, the highest performing charter school in Austin. It has been recognized or exemplary for the last seven years consecutively. The last four years it has been exemplary. On the last FIRST rating, the school received a perfect 65 score. The school has a solid record of managing its finances very well and its academic program. Ms. Elliott explained that when she was with the Texas Charter School Association as its chief operating officer, she was approached by Eden Park Academy for the opportunity to have a vision of expanding its operation into east Austin. The school is currently located at Manchaca and William Cannon. The school explored going east into an area of greater need to expand its program. Ms. Elliott stated she helped Wayside apply for an expansion amendment and through that process got to know its Board, knows its vision and the Board chairman asked Ms. Elliott if she would work for the schools. Ms. Elliott stated Wayside has a vision of growing from 250 students to 2,500 students and taking the program into east Austin. An international baccalaureate program has been introduced into the program and is the only program in the 78704 zip code area, the poorest zip code in Austin. This area also has the highest crime rate.

Eden Park Academy has a solid record and its intervention program makes them exceptional. Students are truly watched and their progress followed by developing a solid plan to plug learning gaps. Ms. Elliott stated it now has 340 kids at the new campus, a temporary site located a mile from the permanent school.

Mr. Canby asked from Ms. Elliott's perspective, what is the prospect of loss of federal funding? Ms. Elliott asked whether the question was related to the subsidy for the QZSBs. Mr. Canby replied for the QZSBs and in general. Ms. Elliott stated it definitely would impact the school, that when one adds back the depreciation, the result is almost 1.5% ratio to repay the debt structure, which would not be ideal; but it would be possible to pay the debt and has been taken into consideration by the financial model. In the highest years, about \$365,000 a year would be needed to pay if the QZSB subsidy were lost.

Dr. Barnes stated she had worked with Eden Park Academy when she was the director of the charter school division of Texas Education Agency. This school was one of the first charter schools to establish a very strong working relationship with its service provider, Jim Johnson, and it was very positive. Dr. Barnes noted the positive fruition over time of that effort. Ms. Elliott stated that when she was TCSA and a model for expansion was being developed that would help propagate the expansion of high performing charter schools, ~~Eden Park was the first choice of a school to work with knowing it had a desire to grow.~~ Eden Park was the standout model in terms of financial model and following rules, TEA materials.

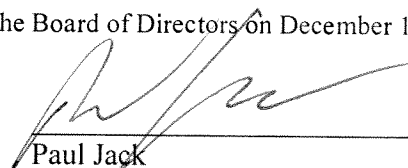
Mr. Jack moved to approve staff's recommendation on the grant application of Wayside Schools and authorize staff to undertake any action necessary to effect the grant. Mr. Canby seconded. The motion passed unanimously.

Ms. Durso asked to confirm that the grant is for \$910,311.95. Dr. Barnes indicated that amount was correct.

Item 4. Adjourn.

The meeting adjourned at 10:27 a.m.

The foregoing minutes were approved and passed by the Board of Directors on December 10, 2012.



Paul Jack
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Current Meeting Notices

Agency Name: Texas Public Finance Authority
Date of Meeting: 10/30/2012
Time of Meeting: 10:00 AM (Local Time)
Board: Texas Public Finance Authority Charter School Finance Corporation
Status: Active
Street Location: Capitol Extension Hearing Room E2.028
City Location: Austin
Meeting State: TX
TRD ID: 2012007386
Submit Date: 10/22/2012
Emergency Meeting?: No
Additional Information Obtained From: Paula Hatfield, 512-463-5544, 300 w. 15th St., Ste. 411, Austin, TX 78701

Agenda: TEXAS PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL FINANCE CORPORATION
Tuesday, October 30, 2012 -- 10:00 A.M.
CAPITOL EXTENSION HEARING ROOM E2.028
AUSTIN, TEXAS 78701

1. Call to order.
2. Approve the minutes of the March 9, 2012 Board meeting.
3. Terms of service for Susan K. Barnes, Ph.D. and Bob Schulman.
4. Consideration and possible action on Texas Credit Enhancement Program (TCEP) grant application of Wayside Schools (formerly Eden Park).

5. Executive Session:

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.

6. Discussion of possible future meeting dates.

7. 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. If you need any additional information, contact Paula Hatfield, 512/463 5544, 300 W. 15th Street, Suite 411, Austin, Texas 78701.

For comments and or questions about this website please contact *Texas Register*
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