

Texas Public Finance Authority

Board of Directors:

D. Joseph Meister, Chair
Ruth C. Schiermeyer, Vice Chair
Gerald Alley, Secretary
Billy M. Atkinson, Jr.
Mark W. Eidman
Rodney K. Moore
Robert T. Roddy, Jr.

Robert P. Coalter
Executive Director



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MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY

October 4, 2012

The Board of Directors (the "Board") of the Texas Public Finance Authority (the "Authority") convened in open meeting, notice duly posted pursuant to law (a copy of which notice is attached hereto as Exhibit "A") at 10:30 a.m., Thursday, October 4, 2012, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Joe Meister, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Gerald Alley, Secretary; Mr. Rodney Moore, Member; and Mr. Mark Eidman, Member.

Representing the Authority's staff were: Robert P. Coalter, Executive Director; Susan K. Durso, General Counsel; Pamela Scivicque, Business Manager, Chris Gilliland, MLPP Coordinator, and Paula Hatfield.

Present in their designated capacities were the following persons: Jennie Zhao, Jefferies & Co.; Jorge Rodriguez, Daniel Rodriguez, Coastal Securities; Jon Arnold, Drexel Hamilton; Danielle Bradford, Piper Jaffray; Desrye Morgan, Robert Kinney, Wells Fargo; Rick Menchaca, BOSCO, Inc.; and Chris Allen, First Southwest Co.

Mr. Meister called the meeting to order at 10:40 a.m.

Item 2. Excuse absences of board members.

Mr. Moore moved to excuse the absences of Mr. Roddy and Mr. Atkinson. Mr. Eidman seconded. The motion passed unanimously.

Item 3. Approve the minutes of the September 6, 2012, Board meeting.

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of September 6, 2012. Ms. Schiermeyer moved to approve the minutes. Mr. Moore seconded. The motion passed unanimously.

Item 4. Consideration, discussion and possible action on Agency Rule Review and amendment to 10 Texas Administrative Code §225.7 regarding the collection of administrative fees for the Master Lease Purchase Program.

Ms. Durso introduced this item related to the requirement that each agency review its rules once every four years to determine whether the reason for which each rule was adopted continued to exist. Ms. Durso explained that staff is recommending that the agency last reviewed its rules beginning in the fall of 2008. She recommended that the agency file its proposed plan of review in the *Texas Register* and complete its review by August 31, 2013. To start the rule review Ms. Durso stated that staff recommended revising rule section 225.7 regarding the collection of administrative fees for the Master Lease Purchase Program because the current rule only provided for the collection of the fee once in a fiscal year. Staff recommends amending the rule to permit the agency to collect the fee no more frequently than twice in a fiscal year, upon notice to the participating agencies.

Mr. Meister asked if any contacts had been made to other agencies that would be impacted by these changes and what impact would be done to those agencies internal operations. Mr. Coalter stated that all of the agencies, each and every one of them, had been contacted prior to bringing up this idea and no resistance was received. Mr. Coalter said that he believed in the past there was resistance and the reason it was done annually is the extra paperwork required of the Comptroller's office and in order to reduce that, but there have been no complaints when all of the clients were asked, informed it was probably going to happen and that it was understood before the agencies submitted their budgets.

Mr. Meister asked if anyone else had any questions. There were no questions. Ms. Schiermeyer moved adoption to authorize staff to publish the Notice of Agency Rule Review and publish for comment the proposed amendment to 10 Texas Administrative Code §225.7 in the *Texas Register*. Mr. Eidman seconded. The motion passed unanimously.

Item 5. Consideration, discussion and possible action to address vacancy on TPFA Charter School Finance Corporation Board.

Ms. Durso stated that the Authority's non-profit corporation, the Charter School Finance Corporation, meets infrequently whenever there is either a financing request from an open enrollment charter school or when it is issuing a grant proposal application request for its TCEP grants. The members of the Board serve staggered terms of 2 years each and like this Board, they continue to serve until a replacement has been appointed. At the last meeting of the CSFC Board, with the anticipation of the terms of three Board members coming up for expiration in May, each of those members was asked about their interest in reappointment. Dr. Barnes and Mr. Schulman stated that they would like to be re-appointed. Dr. Barnes currently serves as the Vice Chair. Dr. Walne who has been serving as the Chair asked that she not be reappointed, therefore, staff is recommending that the Board reappoint Dr. Barnes and Mr. Schulman. Both Dr. Barnes and Mr. Schulman are very active and interested members on the Board. Dr. Barnes has a background in education, she was most recently with the Texas Higher Education Coordinating Board, but has recently retired. Mr. Schulman is an attorney from San Antonio who represents charter schools in financings and other matters. Staff recommends for the third

position--Dr. Walne's position, since she does not wish to be re-appointed--that a notice be posted in the *Texas Register*, supply it to the Texas Education Agency and the Texas Charter School Association seeking qualified candidates to apply, as has been done in the past. Staff will review those applications and make a recommendation for this Board's consideration to fill the vacancy.

Mr. Alley asked if Dr. Barnes would move to the President slot since is Vice President. Ms. Durso stated when the CSFC Board meets, they would elect a new Chair according the bylaws. Mr. Meister stated this was a black box to him and did not understand the composition of this Board or how these individuals are here. He noted that the process described is interesting. He asked whether the candidates come with recommendations from leaders within State government or did they simply apply? He asked if these appointments went through the Governor's Appointment office and Ms. Durso answered "no." Mr. Meister stated he did not know these individuals and stated he felt he had not been close to their selection and it was difficult to know whether these recommendations on the merits are good or whether there are better candidates available.

Ms. Durso stated as has been done in the past, most recently, two years ago, when there were some vacancies on the Board, recommendations were sought from the Texas Charter School Association, from the Board members themselves who are involved in the education world and also from Texas Education Agency. The application process in place includes gathering resumes, recommendations and other information that is then been brought to this Board and presented in the Board packets with staff recommendations based on staff knowledge and vetting of the applications and what each candidate might add to the composition of the Board. From that information, the TPFA Board has taken those applications, reviewed them and made decisions.

Mr. Meister asked about the two CSFC Board members whose terms are expiring and who have expressed interest in renewing. Mr. Eidman said there would be one new replacement. Ms. Durso stated that if she understood the question correctly, whether the TPFA Board had the option of not re-appointing Mr. Schulman and Dr. Barnes and seek new candidates for those positions, the answer is "yes." Ms. Durso stated that the last time the Board needed candidates the posting was placed twice in order to find qualified candidates. Dr. Barnes and Mr. Schulman both have experience on the Board and a background, just as the TPFA Board members do, some of whom who have been reappointed and have some knowledge about what is being asked for review and both add quite a bit to the Board.

Mr. Eidman asked what these Board members do. He stated that if he understood the function of this Board, it might help. Ms. Durso stated that the Board acts through Chapter 53 of the Education Code and the CSFC acts as an conduit issuer for open enrollment charter schools, which are public schools, that are seeking financings for facility construction or capital projects and unlike school districts, which have a taxing ability and have their own resolutions and make their own decisions about who is going to issue debt and pay for it, these bodies come forward and go through the CSFC. There are also some small corporations throughout the state that have small jurisdictions, such as Dallas that has a small corporation so only charter schools that are within the jurisdiction of Dallas can use that Dallas corporation. The CSFC body was

created by the legislature to one have multi-jurisdictional to serve statewide and also serve schools in areas in which there is no corporation under Chapter 53 to serve as the conduit issuer. So, this corporation works through the expertise of TPFA staff. CSFC has no staff and no assets. TPFA has an agreement with CSFC to provide staffing services and when the Board meets TPFA staff sets up the meetings and provides the evaluations and recommendations, if there is a financing request. Lately there have been a number of financing requests mostly because Qualified School Construction Bonds and QZone bonds that were part of the Federal government ARRA legislation. The State receives an allocation to reallocate to the individual schools and the individual schools hire a financial advisor, bond counsel, and the request for financing is submitted to this Board. Staff performs the same type of services that are performed for this Board. Ms. Durso stated the Board acts independently and determines whether or not to approve the financing. The financing goes before the Texas Bond Review Board, the Attorney General's office and is basically like a local jurisdiction issuer, in that its bond issues are subject to the same level of scrutiny by the State as are local jurisdictions who issue debt. Another thing that this particular corporation does is in concert with TEA and the Texas Charter School Association, it applied for a \$10 million grant from the Department of Education and that grant is used to provide reserve funds for these financings. The reserve funds are a guarantee grant and all of the \$10 million grant has been awarded at this point. However, there is probably close to \$1,000,000 in interest earnings that can be granted.

A grant application was issued last fall and responses were due in January. One late application was received and it was not prepared for financings so no new grants have been issued. Another grant application is likely to be issued this fall. A financing request has been received for a charter school located in San Antonio. When the CSFC meets, the request by staff to publish another request for applications will be placed on the agenda so another grant application can be open to address the \$1,000,000. Mr. Eidman thanked Ms. Durso for her excellent explanation.

Mr. Meister asked if Mr. Coalter had met these individuals and he answered "no, I have not." Mr. Coalter said from everything he had reviewed these individuals all have excellent credentials and expertise. He stated that Paul Jack, who is with Estrada Hinojosa, has finance understanding; Mr. Canby has finance background from Texas Education Agency and Texas Association of School Boards. As Ms. Durso stated, Mr. Schulman is an attorney, and along with Dr. Barnes and Dr. Walne, all are qualified. He stated Dr. Walne has a corporation that assists charter schools.

Mr. Meister asked about the appropriation for CSFC. Ms. Durso stated the CSFC has no appropriation. Ms. Durso stated TPFA is paid a fee from the proceeds of the bonds if debt is issued. If debt is issued for a grantee, the Department of Education limits the fee to \$5,000. If debt is issued and not associated with the grant program, both the CSFC Board and the TPFA Board approved a \$6,000 fee for the first series and if there are multiple series, the fee is another \$2,500 regardless of how many series are issued. Those fees are used to reimburse TPFA for staff's efforts in performing the financial evaluation and presenting the issue to the Texas Bond Review Board. The CSFC fees are very inexpensive compared to other corporations and so the CSFC is popular for that reason. Also, some of the larger charter schools that have multi-jurisdictional campuses use CSFC because only one approval process is necessary. For

example, Kipp Charter Schools or one of the large charter schools that have campuses in San Antonio, Dallas, Houston, Austin would have to go to corporations in each jurisdiction to get approval for a financing and if they make their request to the CSFC are campuses are considered together.

Mr. Meister stated he thought CSFC would receive more usage for the efficiency just described. Ms. Durso stated that from speaking with bond counsel there are two issues, one is that many of the charter schools do not like going through the Texas Bond Review Board process although the Attorney General review is still necessary and the other thing is that many of these schools cannot withstand the stress tests and scrutiny placed on their financials by TPFA CSFC in order for it to serve as their conduit issuer. Ms. Durso stated she did not know what other corporations used for stress tests, but TPFA staff stress their financials in order to be sure that paper is not in the market that defaults.

Mr. Alley asked about the \$6,000 fee and in light of budget issues is there an opportunity to move the fee and still maintain the current clients. Ms. Durso stated that bond counsel had said that the CSFC could easily charge \$15,000 to \$20,000. However, TPFA and TPFACSFC are not profit centers. Mr. Alley asked if costs were reimbursed. Ms. Durso stated expenses were being reimbursed and she stated she believed it probably took more staff time than the \$6-8,500 covers, but that is what the Board approved and the amount in the current agreement.

Mr. Meister stated he supported taking a closer look at that because the fee does not sound like it adequately covers the value that gets provided, if staff is devoting time to these deals. Mr. Coalter stated this was one of the things he wanted to review as he goes through this process. Ms. Durso stated that the last time this was discussed the Board did have some concerns making sure that we do not overcharge for its services. Mr. Alley stated he appreciated that, but he said he did not see the private market quadruple return – somewhere there is a margin gap and should be evaluated for its true cost. Ms. Durso stated she would recommend that on the upcoming financing request that staff track actual time and calculate hourly rates and return the data to the Board showing what the output is for a financing.

Mr. Moore moved to reappoint Dr. Barnes and Mr. Schulman for two year terms expiring May 1, 2014, and authorize staff to publish a notice of vacancy on the Board created by the expiration of Dr. Walne's term and seeking applications from qualified candidates. Mr. Alley seconded. The motion passed unanimously.

Item 6. Staff Report (no action required).

Mr. Coalter stated the Authority was in the market for about \$85 million of CPRIT commercial paper. Some of the new markets and money market funds are taxable and have been opened up to us and have been interested so it does seem that our industrial base has been growing.

The Board moved into Executive session at 11:06 a.m.

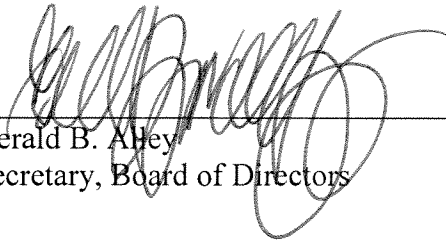
The Board reconvened open meeting at 11:48 a.m. As a result of the Executive Session, Mr. Moore moved that the Board authorizes the Chair to submit a letter to the Joint Budget

Legislative Appropriation Committee. Mr. Alley seconded. The motion passed unanimous.

**Item 8. Consideration, discussion, and possible action regarding the Authority's
Legislative Appropriations Request submitted for the FY14-15 biennium.**

The meeting adjourned at 11:50 a.m.

The foregoing minutes were approved and passed by the Board of Directors on November 1,
2012.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Current Meeting Notices

Agency Name: Texas Public Finance Authority

Date of Meeting: 10/04/2012

Time of Meeting: 10:30 AM (Local Time)

Board: Texas Public Finance Authority

Status: Active

Street Location: Capitol Hearing Extension Room E2.028

City Location: Austin

Meeting State: TX

TRD ID: 2012006704

Submit Date: 09/26/2012

Emergency Meeting?: No

Additional Information: If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, TX 78701.

Obtained

From:

Agenda: TEXAS PUBLIC FINANCE AUTHORITY
THURSDAY, October 4, 2012, 10:30 A.M.
Capitol Extension, Hearing Room E2.028
AUSTIN, TEXAS 78701

AGENDA

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members, if necessary.
3. Approve the minutes of the September 6, 2012, Board meeting.
4. Consideration, discussion and possible action on Agency Rule Review and amendment to 10

Texas Administrative Code §25.7 regarding the collection of administrative fees for the Master Lease Purchase Program.

5. Consideration, discussion and possible action to address vacancy on TPFA Charter School Finance Corporation Board.

6. Staff Report (no action required).

7. Consideration, discussion, and possible action regarding the Authority's Legislative Appropriations Request submitted for the FY14-15 biennium.

8. Executive Session:

a. Pursuant to Texas Government section 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.

b. Pursuant to Texas Government section 551.074, the Board may convene in closed session at any time during this meeting to deliberate personnel issues, including the duties, responsibilities and performance of the Executive Director and the duties and responsibilities and performance of other staff.

Reconvene Open Meeting:

The open meeting will be reconvened, and any final action required concerning matters deliberated in the Closed Meeting must be taken at this time.

9. Discussion of future meeting dates and times.

10. 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.

Certification: I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements. Susan K. Durso, General Counsel, Certifying Official; Paula Hatfield, Agency Liaison.

For comments and or questions about this website please contact *Texas Register*
register@sos.state.tx.us
