

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS:

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



EXECUTIVE DIRECTOR

Robert P. Coalter

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

February 7, 2013

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, February 7, 2013, Stephen F. Austin State Office Building, 1700 North Congress Avenue, Room 170, Austin, Texas. Present were: Mr. Joe Meister, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Gerald Alley, Secretary; and Mr. Tom Roddy, Member.

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

Present in their designated capacities were the following persons: Patrick Scott, Barclays; Dalton Smith, Bank of America Merrill Lynch; Mary DeLeon, Escamilla, Poneck & Cruz, LLP; Tim Kelley, Piper Jaffray; Andy Bynam, Mesirow Financial; Art Morales, Siebert Brandford Shank & Co.; Paul Jack, Estrada Hinojosa; Jim Niederle, Hutchison Shockey; Daniel Rodriguez, Coastal Securities; Chris Allen, First Southwest Co.; and Raul Calvoz, Tuggey Fernandez, LLP; Marty DeLeon, Escamilla, Poneck & Cruz.

Mr. Meister called the meeting to order at 10:31 a.m.

Item 2. Excuse absences of board members.

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

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

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of November 6, 2012. Ms. Durso stated the meeting date contained a typo and that the meeting date should read November 6 instead of November 1. Mr. Alley moved to approve the minutes as amended. Mr. Roddy seconded. The motion passed unanimously.

Item 4. Consideration, discussion and possible action on the appointment of Texas Public Finance Authority Charter School Finance Corporation board member to fill vacancy of Dr. Walne for appointment through May 1, 2015, and re-appointment of Paul Jack and Robert Schulman to two-year terms expiring May 1, 2015.

Ms. Durso stated the Charter School Finance Corporation board is made up of five members and its purpose is to administer the Texas Credit Enhancement Grant program from the U.S. Department of Education and to approve requests for financings from charter schools that want to use the Corporation as its issuing authority for its debt. Dr. Walne has served as the President for a number of years, and she has stated her desire to resign. She continues to serve on the Board until her replacement is appointed. There was a vacancy on the Board so notice was posted in the *Texas Register*, and an announcement of the vacancy sent to the Texas Charter School Association and the Texas Education Agency. The notice was also placed on TPFA's website and current Board members were asked for recommendations, if any.

Two applicants responded to the request. Both are attorneys who reside in Austin. Mr. Raul Calvoz serves Of Counsel to Tuggey Fernandez, LLP. His practice has been in mergers and acquisitions and other business matters. His resume is provided for your review.

Mr. Marty DeLeon is an attorney with Escamilla, Poneck & Cruz, which is one of the small firms on the Authority's bond counsel pool. Mr. DeLeon has served as a fifth grade teacher and also represented school districts and statewide education associations before the legislature and Texas Education Agency. In an interest of disclosure, Ms. Durso indicated she had worked with Mr. DeLeon at the Public Utility Commission and Mr. Coalter worked with him at the Comptroller's Office some years ago. Ms. Durso stated she had spoken with Mr. DeLeon about potential conflicts of interest because of his firm's practice in municipal finance. If his firm or his clients have an issue before the Board it would require him to recuse himself from that discussion just as Mr. Schulman does if his clients come before the Board.

Staff recommends the appointment of Mr. DeLeon partly because of his long career in education. Both Mr. Calvoz and Mr. DeLeon are present if the Board would like to speak to them directly.

Mr. Meister invited Mr. Calvoz and Mr. DeLeon to introduce themselves to the Board. Mr. Calvoz stated he was interested in serving on the Board and that he brings a diverse perspective when looking at the current membership of the Board. He stated that for the past approximate 10 years he has been in business. He is pursuing a Ph.D. program at UT Austin in education. He stated he believed his diverse view would potentially be of benefit. Mr. Meister asked what Mr. Calvoz' understanding was of the role of the Board member and this agency. Mr. Calvoz answered that he had read the enabling legislation, but that his understanding was of a general

nature. There is a system within the State of Texas that allows for various forms of charter schools once approved by the Texas Education Agency to pursue facility funding through this organization that is a branch of the Authority's Board. The CSFC Board serves to approve financings for the issuance of bonds. Mr. Meister stated Mr. Calvoz' resume was impressive and asked if he was a full time student. Mr. Calvoz stated he was Of Counsel with the firm Tuggey Fernandez, LLP and that most of his day hours are spent in business development, start-up companies or early stage companies. He said he was a member of the Central Texas Angel Network in Austin and in excess of 800 companies a year seek early stage funding. He stated that his primary purpose in pursuing the Ph.D. in education was due to his interest in education and improvements that can be done through private sector approaches. Mr. Alley congratulated Mr. Calvoz on his resume and stated he could do some other things in the market work place. Mr. Alley stated that there was no higher contribution than giving back, and this is a good cause.

Mr. Calvoz stated one of his three children was in a public school, but the other two children were dyslexic and attended private schools to receive additional support. He stated he felt strongly about parents' rights to determine which path is best in terms of education and is one of the reasons he is interested in charter schools. Mr. Meister asked if there was a particular vision Mr. Calvoz had for this agency. Mr. Calvoz said it was very early, and he did review the information on the website. One item he would address is more transparency about what the agency does. He believed that one route for funding the Agency is donations and in that respect, there was none on the website. Mr. Calvoz stated that he would like to learn what steps could be taken in that direction.

Mr. DeLeon introduced himself as a former school teacher. He has worked his entire career working on education policy primarily representing school districts. His law firm, Escamilla, Poneck and Cruz is a school law firm that represents school districts. He has a deep background in education with his in-laws being former school teachers. He has followed the credit enhancement issue for charter schools legislation and facilities funding. He stated he believed charter schools received a bad rap in many cases, but they do a lot of credit recovery and serve students that do not fit the regular model. His experience at Texas Association of School Boards supported both public and charter schools. He said charter schools were an important mission since the legislature was considering school vouchers that would divert state dollars from public schools. He stated charter schools were no longer a movement, but fulfilled an important mission in the State of Texas. Charter schools are an institution that needs to be recognized. Facility funding is one of the biggest challenges, because right now the average daily attendance funding (ADA) is being used to pay for facilities and maintenance. The Texas Supreme Court will hopefully address that going forward. Mr. Meister asked why or what about the position interested him. Mr. DeLeon answered that his firm does public finance work and his knowledge would be of benefit. Charter schools perform a valuable service for students that do not pursue the traditional education route. Many students need an alternative opportunity and serving on the board would help him to fulfill that mission. Mr. DeLeon stated he would like to make a contribution helping charter schools secure funding for facilities or renovations. Mr. Alley asked what Mr. DeLeon's perspective was considering his service as a fifth grade teacher on how better facilities would help the education process. Mr. DeLeon answered "absolutely." Facilities make a difference; a newer or renovated facility changes the

climate for the staff, parents and students. He stated his own two children attend a 50-year-old school and AISD is considering a bond proposal for renovation and that he could only imagine the hardship of charter schools renovating abandoned malls and other facilities that pale in contrast to other public school facilities. The work that the CSFC does transcends down to the parents and students. Ms. Schiermeyer asked if he was looking to the State to fund the facilities. Mr. DeLeon said it was a partnership, and if the State does not help, the charter schools are being short-changed. The ADA money is primarily used to help run the school, but the funds may be used to pay for salaries and is used to maintain the facilities. The districts have the luxury of the tax base. The IFA has not been funded adequately, but it is available and gives the districts an advantage for facilities funding.

Ms. Durso provided a brief explanation of the Charter School Finance Corporation. It was created in part because when charter school issues came before the TPFA Board some years ago there was concern that the TPFA Board did not have an understanding of education issues. What both of the applicants mentioned is that charter schools, even though they are public schools, do not get the same facilities funding or tax base like a school district. Charter schools get funding through private means. The CSFC Board reviews the requests for financing much like this Board does, but also looks at the school enrollment, what funding is received is on a per student basis, and how those funds are diverted to pay for a facility opposed to paying for school teachers or supplies. Those are some of the issues that staff presents to the CSFC Board. Mr. Alley asked if the analysis of the feasibility is done out of TPFA's offices, and Ms. Durso answered "yes." Ms. Durso stated the financing requests were similar to the requests that come before the TPFA Board except that staff takes those requests to the CSFC Board. That board is purely volunteer. Members do not receive anything for attendance or expenses, and the CSFC has no income whatsoever. The requests are taken to the Bond Review Board and the Office of Attorney General for reviews just like the TPFA requests for financings. Mr. Coalter said that one of the important parts of the TPFA/CSFC's Board is the members' ability to understand charter schools. It gives staff the missing part, because staff has not been involved in education. Mr. Alley asked how much money is funded. Ms. Durso said TPFA does not provide any funding except through its Texas Credit Enhancement Grant program, which is a grant given in consortium with the Texas Education Agency and the Texas Charter School Association. The consortium applied for a grant through the U.S. Department of Education (USDOE). The USDOE grant plus \$100,000 the Texas Education Agency sits in a fund and remains there even when a grant is awarded to a charter school. It is similar to a debt service reserve fund. The award sits in the fund and helps the charter school get a better credit rating on the school's credit. The money never actually goes to the school. It sits in the fund as long as the bond issue is outstanding. Until very recently, almost all of the funds were used, but a defeasance freed up money for the CSFC Board to award again.

Mr. Meister asked if staff had a recommendation. Ms. Durso said staff recommended Mr. DeLeon based on his lengthy career in education to fill Dr. Walne's vacancy. Dr. Walne brought a wealth of education knowledge to the Board. When the Board looks at the different issues, not only financings as the staff brings a lot of knowledge about financings, but the CSFC Board members typically help guide staff and the evaluation of the documents as to the efficacy of the charter school, its finance condition, its likelihood of maintaining its charter throughout the term of the bonds. That is typically the type of expertise members bring to that board. Ms.

Durso said she respected Mr. Calvoz's interest in education and pursuit of a doctorate in education policy. She stated that on balance, staff believes Mr. DeLeon brings more of the types of expertise needed for the Board, though both are fine candidates.

Ms. Schiermeyer asked about the qualification listed as a school teacher, and Ms. Durso said the recommendation for Mr. DeLeon was based on his overall lengthy experience in education. Ms. Durso said Mr. DeLeon was a teacher very early on in his career, and it is listed on page 2 of his resume. However, he has participated in education matters for years, including being counsel for Texas Association of School Boards.

Mr. Roddy said the candidates were excellent. He made a motion to appoint Mr. Calvoz to fill the vacancy left by the departure of Dr. Walne for a term to end May 1, 2015. Mr. Alley seconded. The motion passed unanimously.

Mr. Meister congratulated Mr. Calvoz and thanked Mr. DeLeon for his interest.

Ms. Durso stated that there was an additional item to consider. Mr. Paul Jack's and Mr. Bob Schulman's Board terms end May 2013. Both have served on the Board for multiple years and have made significant contributions. Both have indicated a desire to be reappointed. Their resumes were included in the Board packet. Staff recommends that Mr. Jack and Mr. Schulman be reappointed.

Ms. Schiermeyer moved to reappoint Mr. Jack and Mr. Schulman to terms ending May 1, 2015 on the TPFA Charter School Finance Corporation Board. Mr. Roddy seconded. The motion passed unanimously.

Item 5. Consideration and possible adoption of amendments as published to 34 Texas Administration Code, chapter 225, section 225.7.

Ms. Durso stated the Board might recall a discussion from October 2012 about Rule 225.7 that covers the administration of fees for the Master Lease Purchase Program. To allow staff more flexibility in the collection of those fees, a proposed amendment was published in the *Texas Register*. No comments were received. The amendment would allow for the collection of the fees no more frequently than semi-annually and disclosure of the amount would be at least one month prior to the collection. The collection process is automatic. The Authority produces a debit memo, it goes to the Comptroller's office, and the funds are transferred to a different account. Staff recommends the Board approve the amendment without changes to the published text. Mr. Meister asked if the Board members had any questions and none were stated.

Ms. Schiermeyer moved to adopt the amendments to Rule 225.7 without changes to the proposed amendments as published. Mr. Roddy seconded. The motion passed unanimously.

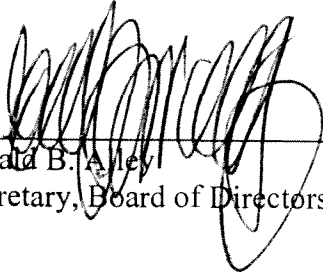
Item 6. Consideration and possible approval of staff recommendations to publish for comment amendments to certain rules in 34 Texas Administrative Code chapters 221 and 225, as a part of agency rule review process.

Ms. Durso explained that every four years every agency reviews its rules to ascertain if the reason for its existence remains. In that process, staff has reviewed all of the chapters identified. Staff is not recommending any changes to Rule 223, but are recommending a couple of changes to Rule 221 and Rule 225. Ms. Durso reviewed the proposed changes reflected in the Board members' red-lined copies of the rules.

Mr. Alley moved to approve staff's recommendation to publish amendments to certain rules as presented by staff, as a part of the agency's rule review process. Mr. Roddy seconded. The motion passed unanimously.

The meeting adjourned at 11:17 a.m.

The foregoing minutes were approved and passed by the Board of Directors on April 4, 2013.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!

Row inserted

TRD: 2013000737
Date Posted: 01/30/2013
Status: Accepted
Agency Id: 0113
Date of Submission: 01/30/2013
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 02/07/2013
Time of Meeting: 10:30 AM (###:## AM Local Time)
Street Location: 701 Congress Avenue, STA Building, Room 170
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, TX 78701.
 TEXAS PUBLIC FINANCE AUTHORITY
 THURSDAY, February 7, 2013, 10:30 A.M.
 STEPHEN F. AUSTIN STATE OFFICE BUILDING, ROOM 170
 701 Congress Avenue, Austin, Texas
 AUSTIN, TEXAS 78701

Agenda:

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 November 1, 2012, Board meeting.

4. Consideration, discussion and possible action on the appointment of Texas Public Finance Authority Charter School Finance Corporation board member to fill vacancy of Dr. Walne for appointment through May 1, 2015, and re-appointment of Paul Jack and Robert Schulman to two-year terms expiring May 1, 2015.

5. Consideration and possible adoption of amendments as published to 34 Texas Administration Code, chapter 225, section 225.7.

6. Consideration and possible approval of staff recommendations to publish for comment amendments to certain rules in 34 Texas Administrative Code chapters 221 and 225, as a part of agency rule review process.

7. 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, the General Counsel 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.

8. Discussion of future meeting dates and times.

9. 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.

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