

# Texas Public Finance Authority

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

January 4, 2008

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 AM, Friday, January 4, 2008, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Ms. Marina Walne, Vice President, and Mr. Tom Canby, Member; Mr. Omar Garcia, Member. Representing TPFA's staff was: Ms. Kimberly Edwards, Executive Director, Ms. Judith Porras, General Counsel, and Paula Hatfield.

Present in their designated capacities were the following persons: Kimberly Edwards, Executive Director; Judith Porras, General Counsel; and Paula Hatfield.

### Item 1. Call to order.

Ms. Walne called the meeting to order at 10:03 a.m.

### Item 2. Approval of minutes of the July 25, 2007 Board meeting.

Ms. Walne asked if there any changes to the minutes. Mr. Canby moved to approve the minutes. Mr. Garcia seconded. The motion passed unanimously.

### Item 3. Consider TCEP applications and award grants.

Ms. Edwards stated \$2.6 million of remaining grant funds are available to allocate, although this amount changes as the \$10.1 million of grant funds held by the Comptroller of Public Accounts continues to earn about \$44,000 a month in interest. Three applications were received: Cosmos Foundation, IDEA and KIPP. Each school requested a grant of one million dollars, the maximum available to each school under the TCEP guidelines. Ms. Edwards noted that the TPFA Charter

School Finance Corporation issued the bonds for IDEA this past summer. IDEA did not apply during the first round of applications and could be called a collateral substitution. The other two applicants had not yet issued their bonds; Cosmos expects to issue in spring 2008 and KIPP expects to issue in December 2008.

Ms. Edwards noted that the scores of the three schools were generally in the same range and were all above the minimum score of 140. Ms. Moody, who was not able to attend the meeting, provided staff with some comments on the scoring. Further discussion ensued regarding the completeness of the information provided in the application and the campuses which would benefit from the bond proceeds.

Ms. Edwards stated that if each of the schools were awarded \$1 million; KIPP and Cosmos would have a total of \$2 million each of the \$3 million limit per charter holder.

Ms. Walne asked if the Board could award the grant contingent upon receipt of a signed resolution, as required in the application, and clarification of the use of proceeds. Ms. Porras indicated contingency funding was allowable.

Mr. Garcia asked Ms. Perry about the status of new campuses included in the applications and whether she had any feel for where the applicants are in the site selection process. Ms. Perry replied that the schools would have to submit expansion plans for TEA approval in the Spring. Ms. Walne added that is due by February 1. Mr. Garcia asked if schools that were rated unacceptable were eligible for this funding. Ms. Perry noted that one of the IDEA campuses was unacceptable. Mr. Garcia asked why it was being considered. Ms. Porras stated that she had not interpreted the criteria as stating that a school could not be considered if one campus was unacceptable; rather that only the campuses that would benefit from the bond funds were required to have two consecutive years of acceptable ratings. – She noted that in the application process it had been a challenge to define how the criteria should be applied to a charter, a charterholder, or campus, when typically the financing is needed for new campuses that may not have two years of data. Discussion ensued. Ms. Edwards stated that the accepted model in the public finance industry, including charter schools, universities or hospitals, the larger the pot of money pledged to the bonds, the better; i.e., a system-wide pledge is preferred. However, the structure of public education funding in Texas is just the opposite. One school district can not pledge revenues to another district's debt and since each charter is essentially a district, you can not cross-pledge between charters. Initially when the application was submitted to the Department of Education, we did not contemplate a single school (charter holder) having multiple charters and campuses. Later, as the concept evolved, the TCEP application was written a little broader to accommodate this structure while remaining consistent with the federal application. Ms. Porras said the application form does state that "The Charter must have academically acceptable ratings at the district or campus level." It is either/ or. It is clear on the face of the application that Frontier campus is rated unacceptable as TEA has pointed out.

Mr. Garcia asked Patsy O'Neill to discuss the federal application. Ms. O'Neill said her understanding was that the federal application stated each campus benefiting from grant funds would have an acceptable rating. She recommended that staff notify the US Department of Education if a different approach was taken. Ms. Walne asked if to date, any charter holder with an unacceptable campus rating had received grant funds and Ms. Porras answered "no." Ms. Walne stated she that

she did not want to change the criteria. Mr. Garcia asked if the Federal application was a campus by campus criteria.

Ms. O'Neill concurred with Ms. Walne, and Ms. Porras also noted that \$9 million of the bond proceeds from the bond issue in question funded the Frontier Campus, which had the unacceptable rating. In response to Mr. Garcia's question, Ms. Edwards clarified that these bonds were already sold and the reserve fund had been fully funded with bond proceeds; the school was not relying on the grant award to fund the reserve fund. Ms. Walne stated she felt the school was capable of improving its rating and applying again.

Mr. Garcia moved to approve KIPP's application. Mr. Canby seconded. The motion passed unanimously.

Mr. Canby moved to deny the application from IDEA. Mr. Garcia seconded. The motion passed unanimously.

Mr. Garcia moved to approve the COSMOS application, contingent on receipt of a Resolution signed by the school's Board and clarification of how proceeds will be applied to each campus, and other inconsistencies being clarified or remedied before funding. Mr. Canby seconded. The motion passed unanimously.

#### **Item 4. Other Business.**

Ms. O'Neill publicly congratulated and expressed appreciation for Ms. Edwards, her staff and TEA staff for the exceptional annual report submitted to the US Department of Education. Ms. Walne thanked Mary Perry and her staff for the memo she prepared reviewing the applications.

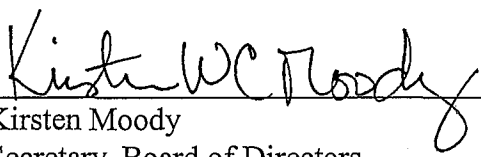
#### **Item 5. Adjourn.**

The meeting adjourned at 10:29 a.m.

Ms. Walne re-convened the meeting at 10:33 a.m. The Board instructed staff to do research on submitting another federal application, to issue another round of applications that would be due between October 15 and November 1, and to research how to allocate the last \$1 million either all to one school or split the funds, and to be prepared to offer selection guidance at the next meeting.

The meeting adjourned at 10:48 a.m.

The foregoing minutes were approved and passed by the Board of Directors on January 5, 2009.

  
Kirsten Moody  
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



## Open Meeting Submission

*Success!*  
Row inserted

**TRD:** 2007010404  
**Date Posted:** 12/19/2007  
**Status:** Accepted  
**Agency Id:** 0113  
**Date of Submission:** 12/19/2007  
**Agency Name:** Texas Public Finance Authority  
**Board:** Texas Public Finance Authority Charter School Finance Corporation  
**Liaison Id:** 3  
**Date of Meeting:** 01/04/2008  
**Time of Meeting:** 10:00 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, JANUARY 4, 2008 10:00 P.M.  
 CAPITOL HEARING EXTENSION, ROOM E2.028  
 AUSTIN, TEXAS 78701

**Agenda:**

1. Call to order.
2. Approval of minutes of the July 25, 2007 Board meeting.
3. Consider TCEP applications and award grants.
4. Other Business.
5. Adjourn.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Paula Hatfield or Donna Richardson 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. Kimberly K. Edwards, Executive Director, Certifying Official; Paula Hatfield, Agency Liaison.

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