

# Texas Public Finance Authority

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

January 5, 2009

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 2:00 p.m., Monday, January 5, 2009, William P. Clements Room 103, Austin, Texas. Present were: Ms. Marina Walne, President, Mr. Omar Garcia, Vice President; Ms. Kirstin Moody, Secretary; and Mr. Tom Canby, Member. Representing TPFA's staff was: Ms. Judith Porras, General Counsel, and Paula Hatfield.

Present in their designated capacities were the following persons: Mary Perry, Texas Education Agency and Katie Howell, Resource Center for Charter Schools.

### Item 1. Call to order.

Ms. Walne called the meeting to order at 2:10 p.m.

### Item 2. Approval of minutes of the January 4, 2008 Board meeting.

Ms. Walne asked if there are any changes to the minutes. Mr. Garcia moved to approve the minutes. Mr. Canby seconded. Ms. Moody abstained. The motion passed with one abstention.

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

Ms. Porras directed the Board's attention to the summary information of the grant program to-date located behind the scoring sheet. This record is maintained by John Hernandez in the TPFA offices and this information is provided to the federal government. As of now, the fund still has a little over \$2.5 million not yet allocated.

A third of round of grant applications was solicited in September. Two applications were received from KIPP and Shekinah schools. KIPP intends to issue a 2009 series of bonds for approximately \$48 million and they are eligible for \$1 million allocation. These funds are to be used

to acquire land, build new school facilities and spend \$20 million on renovating existing schools. KIPP did not use its award for 2008, but instead set up its own commercial paper program to issue short-term variable rate debt. The program is solid and staff recommends that KIPP be funded.

The second application was from Shekinah. Shekinah scores lower than KIPP, but scores consistently. Its proposed bond issue is for approximately \$9.6 million to pay off the loan used to acquire land and to build a new school in Schertz, Texas. Its financials are unremarkable and the estimated debt service is a maximum of \$750,000 which happens to be the size of the grant. The amount is based upon a reasonable estimated growth in its schools. The debt service is about 1% and its revenue provides at least two times coverage.

Mr. Garcia asked how long the school has existed. According to Ms. Porras its application indicates its charter was obtained in 1998. Ms. Walne asked about the location of its campuses. Ms. Perry indicated Radiance was approved in 1998 along with three other campuses concentrated around the San Antonio area. Ms. Porras stated the total capacity for all its schools is 3,800 students and that the current enrollment is 1,744 students.

The bond money is going to be used for a school in Schertz that is brand new. The capacity for that school is planned to be 1,000 students. The estimated first year enrollment for that one school is about 750 students and the application represents that there is a sufficient market for that size specialty focused on the arts in the Schertz area and from its other campuses. Mr. Garcia asked what grades would be included in the new campus. Ms. Perry stated the Shekinah is approved to serve Pre-K to 12 and GED.

Mr. Garcia asked about its performance on other San Antonio campuses. Ms. Perry stated its maximum enrollment figures are not broken down by campus. Ms. Porras stated the application included a wait list per campus for all of its schools. The amounts vary, but the total wait list is 484 students.

Mr. Garcia asked if the Board could approve this application knowing that its projected enrollment would push them beyond its limit. Ms. Porras answered that it might be a policy question for the board, but that there was no reason why the application cannot be approved.

Mr. Garcia asked Ms. Perry about the process for approving a school request to amend its enrollment. Ms. Perry answered that the approval was not automatic; the determination is based on accountability ratings, financial condition, a screening or check with other divisions in the agency, check with the child nutrition codes, performance based monitoring, a look at audits for other things. TEA looks across the agency for anything that would be cause for alarm. Some times approval is not granted until a report is submitted.

Ms. Walne asked for additional questions. Ms. Moody asked about the scoring of Questions 4 and 16 in section E of the scoring sheet. She asked about the lowest scored areas. Ms. Walne asked about the \$500,000 decline in net assets under FY06. Ms. Porras stated this was noted and it was in Shekinah's financials, but it was just a one year experience and it was reasonable to conclude from the financials and from the information that Shekinah had a capital outlay for that year; no other

deficiencies or apparent problems reveal themselves in the financials for the most recent year. Question 16 says the budgeting procedure shows that the charter holder has a reasonable policy for establishing and funding maintenance reserves or renewal or replacement fund. Shekinah has maintenance reserves established.

Ms. Moody also asked about Question 3 because the scores from TEA and Ms. Porras worried her. Ms. Porras stated she believed the issues raised could be remedied. The full points are awarded if all the listed policies are adopted. If one or more are missing, the applicant does not get any credit. Ms. Moody concurs that is how the scoring is currently done. Ms. Porras gave Shekinah a zero, but noted the scores given by TEA and by Ms. Edwards. Ms. Edwards gave credit for having adopted some of the policies. However, the policies that Shekinah has not adopted are fairly critical policies related to investment and the acquisition of goods and services is in compliance with state law. Accordingly, Shekinah lost points on it. Nonetheless, Shekinah has been able to satisfy TEA on other scores that is has good solid schools without those policies. The board could ask that Shekinah adopt the missing policies Ms. Walne offered that the board could require the adoption as a condition of bond approval, without which no funds would be provided.

Ms. Porras asked Ms. Perry if she believed it reasonable. Ms. Perry, Ms. Walne, and Mr. Garcia asked if any reason was offered for not having adopted the policies to date. Ms. Porras did not inquire of the applicant. Ms. Walne then noted that the fund raising level for Shekinah is pretty low and ask staff whether that was a concern.

Ms. Howell stated her belief that KIPP has a tremendous corporate sponsorship, because they serve a different population than Shekinah. Upon questioning by Ms. Walne whether anyone had visited any of these schools, Ms. Howell indicated she had visited one school. Further Ms. Howell offered that she is currently worked with Dr. Washington, the superintendent of Shekinah Learning Institute, and she is very impressed with her. Ms. Walne noted that there was no a representative present from either charter school.

Mr. Canby noted there was no credit rating for Shekinah. Ms. Porras stated that it is likely because Shekinah had never gone to market or needed a credit rating. Ms. Porras further noted that it is Shekinah's intention to sell these bonds through a private placement offering where no rating is required. Additionally, Shekinah's financial advisor is very sophisticated in working with charter schools and public financing.

Mr. Garcia asked if the amount of the loan was known to be refinanced. Ms. Porras stated it was about \$800,000. Shekinah does have a sheet on its attachments of sources and uses, so the total bond issue is about \$9.6 million, including the 750,000 grant from this program. Shekinah is making a \$50,000 cash contribution of its own which is significant for that entity. Its numbers show a refinancing \$985,000. Its estimate for construction of a new facility would be \$8 million and the rest of the bonds would be cost of issuance and consulting fees. Its consulting fees are higher than what the State pays on an issue, but that is understandable for the amount of work required.

Ms. Walne asked about the estimates for its ADA renovations. Mr. Garcia stated that Schertz, the site of the new school, is between New Braunfels and San Antonio. Ms. Howell added that the area

is in north San Antonio and reaches out to some of the military bases. Ms. Porras stated the estimate of 1000 students in that area seemed reasonable. TEA says Shekinah has reached all the benchmarks. Ms. Walne asked Ms. Perry if the school had met all its financial audit requirements. Ms. Perry confirmed that it had done so.

Mr. Canby asked whether Shekinah is likely to draw students from the Judson ISD or Schertz-Cibilo ISD. Ms. Perry responded that the Shekinah charter defines its geographic area as serving more than one school district.

Ms. Walne asked the board if it had other questions or concerns but none were presented. Ms. Moody moved to approve the KIPP application in the amount requested. Mr. Garcia seconded. The motion passed unanimously.

Mr. Garcia moved to approve the application from Shekinah contingent upon its Board adopting policies that address matters discussed regarding investments and contracting. These matters will be reviewed by TPFA staff and TEA staff. Mr. Canby seconded. The motion passed unanimously.

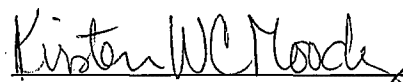
**Item 4. Other Business.**

Ms. Katie Howell, Resource Center for Charter Schools, informed the Board that the Texas Association for Charter Schools moved into its new offices last week and that the Resource Center is transferring its programs to the Association. Ms. Howell indicated she had spoken with Teresa Elliott and Ms. Elliott would be handling the transfer of records. Ms. Porras stated it would be necessary to inform the U.S. Department of Education that the Texas Association for Charter Schools is replacing the Resource Center as a member of the consortium.

**Item 5. Adjourn.**

The meeting adjourned at 3:15 p.m.

The foregoing minutes were approved and passed by the Board of Directors on December 14, 2009.

  
Kirsten Moody  
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



## Open Meeting Archive

**Agency Name:** Texas Public Finance Authority  
**Date of Meeting:** 01/05/2009  
**Time of Meeting:** 02:00 PM  
**Board:** Texas Public Finance Authority Charter School Finance Corporation  
**Street Location:** 300 West 15th Street, Room 103  
**City Location:** Austin  
**State Location:** TX  
**Status:** Active  
**Date of Submission:** 12/19/2008  
**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.  
**Emergency Mtg:** N  
**Agenda:** TEXAS PUBLIC FINANCE AUTHORITY  
CHARTER SCHOOL FINANCE CORPORATION  
MONDAY, JANUARY 5, 2009 2:00 P.M.  
WILLIAM P. CLEMENTS BUILDING, ROOM 103  
AUSTIN, TEXAS 78701

1. Call to order.
2. Approval of minutes of the January 4, 2008 Board meeting.
3. Consider TCEP applications and award grants.
4. Other Business.
5. Adjourn.

Certification: I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements. Judith M. Porras, Interim Executive Director and General Counsel, Certifying Official; Paula Hatfield, Agency Liaison.

**TRD ID:** 2008010102  
**Datestamp:** 12/19/2008 10:21 AM  
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