

# Texas Public Finance Authority

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

September 19, 2006

The Board of Directors (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 10:30 AM, Tuesday, September 19, 2006, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: Mr. Bob Schulman, President, Ms. Marina Walne, Vice President and Mr. Omar Garcia, Secretary. Representing TPFA's staff were: Ms. Kimberly Edwards, Executive Director, Ms. Judith Porras, General Counsel, and Paula Hatfield.

Present in their designated capacities were the following persons: Iris B. Burnham, Burnham Wood Charter School; Nancy Rocha, Wells Fargo Brokerage, LLC; and Paul Braden, Delgado, Acosta, Braden & Jones.

**Item 1. Call to order.**

Mr. Schulman called the meeting to order at 10:38 a.m.

**Item 2. Approval of minutes of the August 17, 2006 Board meeting.**

Mr. Schulman asked if there were any corrections or additions to the minutes of the Board meeting of August 17, 2006. Mr. Garcia moved to approve the minutes. Mr. Schulman seconded. The motion passed unanimously.

Mr. Schulman requested Item 4 to be discussed next.

**Item 4. Consideration, discussion, and possible action concerning the administration and governance of the corporation, including ethics issues, fee structure, and the composition of the board of directors.**

Ms. Edwards stated there are three components of this agenda item: (1) clarification of ethics standards; (2) composition of the Board of Directors; and (3) fee structure to charge borrowers. Under the Bylaws, the Board Members themselves can name additional people to the Board. Ms. Porras confirmed that this Board may increase or decrease the number of its members as long as it does not decrease below three and no maximum is specified.

Mr. Schulman asked for an explanation of why ethically it might be a good idea to increase the number of Board members. Ms. Porras stated that with a three member Board, if one or two members feel that they need to recuse themselves, the Board cannot function because a majority is needed to conduct business. Therefore, the work of the Board would cease unless the Board increased its membership.

Mr. Schulman suggested the Board be increased to seven members. He suggested that each Board member nominate a member and TEA provide a recommendation for the fourth member. Discussion ensued regarding procedures to submit and evaluate nominations pursuant to the Open Meetings Act.

Mr. Garcia asked about a standard way of placing nominations. Ms. Edwards stated that each nominee submit a resume to her and she would disseminate to the Board. The Board agreed to provide nominee information to Ms. Edwards.

Mr. Garcia suggested term limits be set for the current Board and for new members. Ms. Walne suggested staggered terms. Mr. Schulman asked if that was something that needs to be addressed in the Bylaws. Ms. Porras responded that it should be, and added that the current Bylaws provide that the current Board members were appointed for a two-year term, that will expire in December, 2006.

Mr. Schulman asked if any additional change in the Bylaws needed addressing and asked staff to review and make a recommendation. Ms. Porras stated the Board might consider appointing assistant officers, who would not have to be Board members, to help handle the corporation's work. Mr. Schulman asked if it was appropriate to rely on staff for that and to provide compensation for that.

Ms. Edwards said it was typical for conduit issuers to charge a fee to issuers. The two or three issues already done were charged a nominal fee to cover the expense of liability insurance. Ms. Edwards proposed that the Board consider a \$5,000 fee be charged for future bond issues. The fee would be used to cover administrative expenses of the Corporation. To date, that has been the liability insurance policy, but could be expanded if members request travel expenses or to reimburse TPFAs for staff time under the Memorandum of Understanding that exists between the Authority and the Corporation for staffing the Corporation.

Mr. Schulman asked for an example of estimated time and cost per issuance. Ms. Porras stated that the structure of how the bonds are issued is minimal or hard to measure, but the grant program has required an extensive amount of time.

Ms. Edwards stated that it was conceivable that once all the grants are awarded that a few schools may still request financing through the Corporation. Mr. Schulman stated that if the program worked, it would be self-perpetuating. Ms. Walne asked if there was logic for sliding scale. Discussion ensued. Ms. Edwards stated the workload was essentially the same.

Ms. Walne moved to accept the recommendation for a \$5,000 fee per financing. Mr. Garcia seconded. The motion passed unanimously.

Ms. Porras stated after review of certain facts pertaining to Mr. Schulman and others there is a fundamental question as to whether the Board members are considered solely to be members of a non-profit corporate board or whether they are state officers. There are a few older Attorney General's opinions that suggest the board members could be considered state officers. Discussion ensued. Ms. Porras suggested obtaining an updated Attorney General opinion. Mr. Schulman requested a memo or email on the issue, stating there may be far-reaching implications for charter schools.

Ms. Walne asked if there was any risk associated with requesting an AG opinion. Mr. Schulman stated the risk was that he may not have done the right thing during the last meeting, but it was done in good faith with current counsel. Ms. Porras stated that it may be necessary to ensure compliance with other ethics reporting.

Additionally, Ms. Porras reviewed a requirement, enacted in the last legislative session, for mandatory open meeting training, which sitting board members must complete by January. The AG provides a training module on DVD and that training module is available on the AG's website. Ms. Porras stated she would inquire if the AG's office would approve the training Mr. Schulman is already certified to give. Mr. Schulman requested Ms. Porras to contact the AG's office and determine if his current training or certificate could be accepted.

Mr. Garcia moved to authorize Ms. Porras to request an Attorney General opinion. Ms. Walne seconded. The motion passed unanimously.

Mr. Schulman recused himself from further discussion prior to consideration of the third agenda item and left the meeting.

**Item 3. Consideration, discussion, and possible action on a Request for Financing from the Burnham Wood Charter School, El Paso, including adopting a resolution authorizing the Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (Burnham Wood Charter School Project), Series 2006 A and Taxable Series 2006B, a Trust Indenture, Loan Agreement, Public Hearing, and other related matters.**

Mr. Schulman recused himself due to a conflict and left the meeting. Ms. Walne chaired the meeting. Ms. Edwards noted the Board had been provided a presentation on the school that was prepared for potential investors, the Resolution, Preliminary Official Statement, Loan Agreement and the Master Indenture. She explained that the procedure was slightly different for this financing because, in order to accommodate the school's financing schedule and the availability of the Board, the bonds would be priced after the Board meeting. Therefore, the Resolution specifies maximum parameters regarding principal amount, interest rate, ratings and maturity dates and delegates authority to determine the final terms and conditions of the bond issue to Authorized Representatives. This delegation expires on October 20. Pricing is expected later this week. After the bonds are priced, bond counsel will incorporate the specific terms into the loan agreement and trust indenture.

Ms. Edwards introduced Paul Braden, from Delgado, Acosta & Braden, bond counsel; Nancy Rocha, Wells Fargo Brokerage, underwriter; and Iris Burnham from the school.

Mr. Braden explained the parameter sale information and delegation of authority in the Resolution. Section 6 specifies the parameters; the par amount cannot exceed \$9 million; the true interest costs is limited to 7.75% for the tax-exempt portion and 9.75% for the taxable portion. The underwriter determined it was most cost effective to sell the bonds as non-rated and without bond insurance.

Ms. Edwards explained that you pay for the rating and you also pay an upfront premium on the bond insurance. The insurance analysis compares the cost of the upfront premium to the debt service saved by the bond insurance. The cost of the premium is determined by the school's credit quality and can be significant if the school does not have an investment grade rating. It is quite possible that the cost of the insurance would not be off-set by the lower debt service. The underwriter makes a decision whether they want to sell the bonds as non-rated or rated, depending on what type of investor they plan to sell the bonds to. If they plan to sell to sophisticated investors such as a mutual fund, they may determine that they do not need the rating because that investor can perform its own due diligence and on-going surveillance more cost effectively than through a rating agency. Also, investors seek to diversify their portfolio and sometimes have a specific demand for non-rated bonds.

Nancy Rocha from Wells Fargo explained that they had arranged site visits for potential investors and conducted conference calls with investors to review the school's credit. She said they planned to price the bonds at 9 am tomorrow morning.

Ms. Walne asked what facility was being purchased and what provisions had been made for any environmental issues. Ms. Burnham stated a church called the Harvest Christian Center was being purchased and an environmental study was being provided to the school's attorney.

Mr. Garcia moved to approve the certificate of resolution. Ms. Walne seconded. The motion passed unanimously. Ms. Walne moved to designate Ms. Edwards, Mr. Garcia or herself as the Authority Representative authorized to determine the final conditions of the pricing. Mr. Garcia seconded. The motion passed unanimously.

**Item 5. Adjourn.**

The meeting adjourned at 11:34 a.m.

The foregoing minutes were approved and passed by the Board of Directors on March 2, 2007.



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Omar Garcia  
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



## Open Meeting Submission

*Success!*  
Row inserted

**TRD:** 2006008105  
**Date Posted:** 09/11/2006  
**Status:** Accepted  
**Agency Id:** 0113  
**Date of Submission:** 09/11/2006  
**Agency Name:** Texas Public Finance Authority  
**Board:** Texas Public Finance Authority Charter School Finance Corporation  
**Liaison Id:** 3  
**Date of Meeting:** 09/19/2006  
**Time of Meeting:** 10:30 AM (###:## AM Local Time)  
**Street Location:** Capitol Extension Hearing Room E2.014  
**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  
 THURSDAY, SEPTEMBER 19, 2006 10:30 A.M.  
 CAPITOL EXTENSION HEARING ROOM E2.014  
 AUSTIN, TEXAS 78701

1. Call to order.

**Agenda:** 2. Approval of minutes of the August 17, 2006 Board meeting.  
 3. Consideration, discussion, and possible action on a Request for Financing from the Burnham Wood Charter School, El Paso, including adopting a resolution authorizing the Texas Public Finance Authority Charter School Finance Corporation Education Revenue Bonds (Burnham Wood Charter School Project), Series 2006 A and Taxable Series 2006B, a Trust Indenture, Loan Agreement, Public Hearing, and other related matters.

4. Consideration, discussion, and possible action concerning the administration and governance of the corporation, including ethics issues, fee structure, and the composition of the board of directors.

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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