

TEXAS PUBLIC FINANCE AUTHORITY

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MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION

October 24, 2016

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 a.m., Monday, October 24, 2016 at the Capitol Extension Hearing Room E2.028, 1400 N. Congress Ave. Present were: Mr. James C. Thompson, Vice-President; Mr. Paul Jack, Secretary/Treasurer; Dr. Nancy Grayson, Director; Mr. Adam Jones, Director; and David Miller, Director.

Also in attendance were the following TPFA staff: Lee Deviney, Executive Director; John Hernandez; Pamela Scivicque; Bon Wier; and Robert Jocius.

Item 1. Call to order.

Mr. Thompson confirmed the existence of a quorum and called the meeting to order at 10:45 a.m. Mr. Thompson confirmed that the meeting had been duly posted with the Secretary of State's Office.

Item 2. Approve the minutes of the May 20, 2015, Board meeting.

Mr. Thompson asked if there were any changes to the minutes as presented.

Action: Dr. Grayson moved to approve the minutes as presented. Second by Mr. Jones. The motion passed unanimously.

Item 3. Board vacancies and potential appointments.

Mr. Deviney advised the Board that Dr. Susan Barnes resigned from the Board of Directors of the Corporation. There are currently two vacancies on the board. Discussion ensued regarding procedures for future appointments to the Board and gubernatorial approval of such appointments.

[Mr. Paul Jack joined the meeting at 11:00 a.m.]

[The following agenda items were considered in the order indicated.]

Item 6. Staff update:

(e) Legislative update, Appropriations and related matters

Mr. Deviney presented information on board member travel reimbursements. Mr. Deviney reminded the board that at its last meeting he presented information on ways to generate revenue to help off-set the travel costs to the board members. Ms. Scivicque stated that the current expenditures of the board are approximately \$6,000 per year for the directors and officers liability insurance policy. Mr. Deviney stated the other potential expense could be for board member travel. During the next legislative session, funds are being requested to assist with the CSFC. There is the potential to set up a trust account to pay for the expenditures. Mr. Deviney stated the question of whether the agency could write a check to board members is if they are considered state employees. Ms. Scivicque stated the agency is looking at the current authority and would consider a rider provision, that would be acceptable to the Comptroller's office, to allow for reimbursement of Board member travel. Mr. Thompson stated he did not want to burden the issuers with the fee for paying for the travel.

(a) Permanent School Fund Charter School Bond Guaranty Program

Mr. Deviney reported that the legislature has allowed Permanent School Fund Guarantee for charter schools. The amount available fluctuates on a monthly basis, with about \$1 billion available to charter schools. Mr. Wier stated there is a report published that shows \$961 million already being used for charter school guarantees and the program is over subscribed. TEA may only be able to provide partial guarantees to some current charter school applicants.

(b) Review and Monitoring of TCEP by U.S. Department of Education

Mr. Deviney stated TPFA is providing the administrative work for the TCEP program. The U.S. Department of Education (DOE) has contracted with a third party, Westat, to conduct an audit of the TCEP program. Westat visited two charter schools in Austin and reviewed documents and spoke with TPFA staff.

(c) Charter Awards and Closures

Mr. Deviney presented a listing, prepared by the TEA, of recent charter school closures in Texas. One charter school that was a recipient of a \$750,000 TCEP grant is on the list. A question was asked regarding the repayment of a school on default. Mr. Deviney stated that the owner of the bonds could potentially call on the program for payment. Mr. Deviney indicated that the campus is in Schertz, Texas. The DOE is aware there could be a loss of the award; however, this has not occurred in Texas. A question was asked regarding a default; if the bank would draw on the collateral first and then the program. Mr. Deviney indicated that he will provide additional information to the Board at a subsequent meeting.

(d) Directors and Officers Liability Insurance

Mr. Deviney reported that the board is currently covered and a policy rate reduction was achieved. The policy coverage period is through April 2017.

Item 5. Consideration, discussion and possible action related to the Texas Credit Enhancement Program (“TCEP”) including an agreement with the U.S. Department of Education and the TCEP application form.

Mr. Deviney presented the proposed TCEP application form for Board review and approval. The current available balance is several million dollars, due to the refunding of bonds previously guaranteed through the TCEP program. TPFA proposed to the DOE that certain changes be made to the current performance agreement. DOE’s response was to propose a new performance agreement; however, DOE indicated that it would not hold up the distribution of the TCEP application. Currently, the maximum award per charter school is \$1 million and \$3 million per charter holder. The limits were established by the Board in the TCEP application and approved by the consortium. Mr. Deviney discussed the potential for changing the limits.

The Charter School Association will disseminate the information to its members. Board members provided comments to the proposed application form and requested certain non-substantive changes, including the timeline for the next round of applications. In the evaluation tool under Section C, “Local Characteristics,” the Board requested a broader look at who is serving on a charter school boards.

Mr. Miller requested an opportunity to revisit the funding cap at a later board meeting.

Mr. Thompson requested a discussion of the Corporation’s rules at a subsequent meeting.

Action: Motion by Mr. Miller to approve the Texas Credit Enhancement Program Application Instructions for Texas Open-Enrollment Charter Schools, as amended. Second by Mr. Jones. The motion passed unanimously.

Item 4. Appointment of Officers

Mr. Deviney advised the Board the office of President of the Board is currently vacant. Mr. Thompson indicated his willingness to serve as President.

Action: Motion by Dr. Grayson to nominate Mr. Thompson for President, second by Mr. Jones. Mr. Thompson was elected to the office of President by unanimous vote.

Mr. Jones offered to serve as Vice-President.

Action: Motion by Mr. Thompson to nominate Mr. Jones for Vice-President, second by Dr. Grayson. Mr. Jones was elected to the office of Vice-President by unanimous vote.

Mr. Jack offered to continue to serve as Secretary/Treasurer.

Action: Motion by Mr. Thompson to nominate Mr. Jack for Secretary/Treasurer, second by Mr. Miller. Mr. Jack was elected to the office of Secretary/Treasurer by unanimous vote.

Mr. Deviney introduced the TPFA staff to the Board members. Mr. Deviney also introduced Bobby Wilkinson, Budget Advisor, with the Office of the Governor.


Item 7. Discussion of possible future meeting dates.

February 24, 2017 was discussed as a possible date for the next meeting.

Item 8. Adjourn.

Mr. Thompson adjourned the meeting at 12:45 p.m.

The foregoing minutes were approved and adopted by the Board of Directors on February 24, 2017.



Paul Jack
Secretary, Board of Directors