

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS:

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Ruth C. Schiermeyer, Vice Chair
Gerald B. Alley, Secretary
Ramon Manning
Walker N. Moody
Rodney K. Moore
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EXECUTIVE DIRECTOR

Lee Deviney

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

November 3, 2017

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 with the Office of the Secretary of State, (a copy of which notice is attached hereto as Exhibit "A") at 10:30 a.m. on Friday, November 3, 2017 at the Capitol Extension Hearing Room E2.028, 1400 N. Congress Avenue, Austin, Texas. Present were: Mr. James C. Thompson, President; Mr. Adam Jones, Vice President; Mr. Paul Jack, Secretary/Treasurer; Dr. Nancy Grayson, Director; and Mr. Monty Humble, Director.

In attendance were the following TPFA staff: Lee Deviney, Executive Director; John Hernandez, Deputy Director, Kevin Van Oort, General Counsel; John Barton, Senior Financial Analyst; and Matthew Berry, Financial Analyst.

Item 1. Call to order.

Mr. Thompson called the meeting to order at 10:34 a.m. and noted the existence of a quorum. Mr. Thompson confirmed that the meeting had been duly posted with the Office of the Secretary of State.

Item 2. Approve the minutes of the February 24, 2017, Board meeting.

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

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

Item 3. Status report on impact of Hurricane Harvey on Texas public and charter schools.

Mr. Deviney presented information on Hurricane Harvey's impact on public and charter schools. Staff will contact the Texas Education Agency (TEA) and the Charter School Association to discuss the financial needs for schools affected by Hurricane Harvey. The U.S. Department of Education (DOE) indicated it was expecting to receive a request from TEA for funding for hurricane impacted charter schools. TPFA staff is collecting additional information on schools impacted by Hurricane Harvey.

Mr. Deviney referenced the recent application period for the Texas Credit Enhancement Program (TCEP) and advised the Board that various charter schools had inquired about a subsequent application round.

Mr. Deviney discussed the idea of providing a loan loss reserve fund for charter school loans. Mr. Deviney recommended that at a future meeting the Board might consider an appropriate amount to reserve for a potential loan loss guarantee.

No action was taken on this item.

Item 4. Consideration, discussion and possible action to authorize the use of Texas Credit Enhancement Program (TCEP) fund balances to provide credit support for Texas charter schools impacted by Hurricane Harvey.

Mr. Deviney explained that the TCEP program is currently used to provide reserve funds for various charter school revenue bond issuances. The reserve funds remain in the State Treasury unless there is a financial default on the part of the charter school and the CSFC is required to release funds allocated for credit enhancement in order to pay debt service on the charter school's bonds.

Mr. Deviney shared information regarding the potential of expanding the uses of the TCEP fund. Mr. Deviney explained that the funds could be used as a loan guarantee and the borrower could receive a lower interest rate, if the DOE would agree to amend the performance agreement. The Board members suggested that staff seek out banks and non-profit lenders that would be able to partner and provide a prearranged product to provide lower costs to charter school who receive a TCEP award.

The Board discussed the possibility of seeking input from banks regarding the provision of financial assistance to charter schools beyond the current program parameters. Mr. Deviney stated that staff will seek out financing alternatives from various financial institutions.

The Board discussed and expressed concerns regarding the use of the TCEP program to make direct loans to charter schools.

Discussion ensued regarding whether to make this type of program eligible to just Hurricane Harvey impacted charter schools or opening such a program to any charter school.

Action: Mr. Humble moved that:

1. the Board authorize the use of the TCEP Grant to provide credit support to Texas charter schools, including those impacted by the recent Hurricane Harvey, to the full extent authorized by Section 53.351(e) of the Texas Government Code; and
2. that the Board authorize a separate solicitation of applications for TCEP credit enhancements, including those charter school facilities located in a county identified in Governor Abbott's disaster proclamation dated October 20, 2017; and
3. that such application period be conducted as soon as practicable; and
4. that the initial application period for such credit enhancement shall expire no later than December 31, 2018; and
5. that any awards granted under this authorization would be subject to review and final approval by the Board of the Charter School Finance Corporation.

Further, Mr. Humble moved that this authorization be made contingent upon approval by the U.S. Department of Education.

Second by Dr. Grayson. The motion passed unanimously.

Item 5. Status Report on TCEP participants.

Mr. Hernandez presented information regarding the current balances in the TCEP program and advised the Board that \$5.49 million of the original grant remains available. Mr. Hernandez stated that two schools were recently awarded bond guarantees and that an additional school recently executed a refunding which released additional funds to the program.

Mr. Deviney stated that a TCEP guarantee award does not follow with a refunding; however, a charter school can request a new TCEP guarantee for the refunding bonds.

Mr. Barton indicated that the Heritage Academy Charter School had assumed Shekinah Radiance Academy's debt and the debt is reflected in the Heritage Charter School's 2016 annual financial report.

Mr. Van Oort stated that per the TCEP bond guarantee documents, when a charter school assumes the guaranteed debt of another charter school, the obligations under a TCEP bond guarantee transfers to the successor in interest.

Item 6. Consideration, discussion and possible action related to the TCEP and the TCEP grant application form.

Mr. Deviney proposed two application periods for the next round, considering one to be an early action application deadline, and setting future Board meetings to correspond to these dates.

Board members discussed having at least three regularly scheduled meetings a year, with applicants submitting applications at least 8 weeks prior to a Board meeting. The Board also proposed amending the TCEP application by including language stating that “the Board may consider the application at the next meeting”, thus giving staff ample time to review an application and providing the Board time to make decisions.

Mr. Deviney recommended putting the amount of funding availability in the cover of the application.

Action: Mr. Jones moved to authorize the reissuance of the TCEP Application Instructions with an open application period and to strike the application deadlines contained in the application form as presented.

Second by Dr. Grayson. The motion passed unanimously.

Item 7. Presentation on charter school evaluation tools.

Mr. Berry described the updated evaluation tool which will be used for future TCEP applications. Discussion ensued.

The Board proposed placing a header on the Credit Worthiness document to read “Summary of TPFAs Proprietary Ratings” and further to change the letter based categories to numerical categories.

Board members indicated their general approval of the updated evaluation tool. Mr. Deviney stated that subsequent TCEP application will be evaluated using the updated scoring mechanism.

Item 8. Requests for CSFC bond issuance.

Mr. Deviney stated that at the current time there are no requests for financing.

Item 9. Reimbursement of Board member travel expenses.

Mr. Deviney advised the Board that funding is available for reimbursing board member travel to board meetings. Mr. Deviney reported that the TPFAs Board approved an annual travel expense budget not to exceed \$2,500.

Item 10. Staff update:

a. Board vacancies

Mr. Deviney invited the Board members to provide recommendations for potential future board appointments. Mr. Deviney also indicated that he had requested recommendations from the Governor's staff.

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

Mr. Deviney reported that TPFAs staff has been in contact with the DOE relating to the quarterly monitoring report and potential amendments to the performance agreement.

c. Charter Awards, Closures and related matters

Mr. Deviney stated that the information presented in the board book was prepared by the Texas Education Agency. There were no questions or comments.

d. Legislative update, Appropriations and related matters

Mr. Deviney reported that the Legislature enacted House Bill 21, which included \$60 million annually for charter school funding beginning in fiscal year 2018.

Mr. Deviney stated that interim charges have been posted by both the Lieutenant Governor and the Speaker. Mr. Deviney presented background information on the three charges related to charter schools.

Item 11. Discussion of possible future meeting dates.

Meeting dates for March, July and October 2018 were discussed, as was the option of calling additional meetings as required.

Item 12. Adjourn

Mr. Thompson adjourned the meeting at 12:38 p.m.

The foregoing minutes were approved and adopted by the Board of Directors on this 1st day of June 2018.



Steve West
Secretary, Board of Directors

ATTACHMENT: Exhibit A – Posting Notice



Donna Weinberger-Rourke

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Open Meeting Submission

TRD: 2017012390
Date Posted: 10/26/2017
Status: Accepted
Agency Id: 0113
Date of Submission: 10/26/2017
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority Charter School Finance Corporation
Date of Meeting: 11/03/2017
Time of Meeting: 10:30 AM (###:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.028 State Capitol 1400 N. Congress Avenue
City: Austin
State: TX
Liaison Name: Donna Weinberger-Rourke
Liaison Id: 8
Additional Information Obtained From: Donna Weinberger at 512-463-5544
Texas Public Finance Authority
Charter School Finance Corporation
Board Meeting
Friday, November 3, 2017 - 10:30 A.M.
Capitol Extension Hearing Room E2.028
State Capitol
1400 N. Congress Avenue
Austin, Texas

AGENDA

The Board may discuss and take action regarding any of the following matters:

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Review and approval of the minutes of the February 24, 2017 Board meeting.
3. Status report on impact of Hurricane Harvey on Texas public and charter schools.
4. Consideration, discussion and possible action to authorize the use of Texas Credit Enhancement Program (TCEP) fund balances to provide credit support for Texas charter schools impacted by Hurricane Harvey.
5. Status Report on TCEP participants.
6. Consideration, discussion and possible action related to the TCEP and the TCEP grant application form.
- Agenda:** 7. Presentation on charter school evaluation tools.
8. Requests for CSFC bond issuance.
9. Reimbursement of Board member travel expenses.

10. Staff update:

- (a) Board vacancies
- (b) Review and Monitoring of TCEP by U.S. Department of Education
- (c) Charter Awards, Closures and related matters
- (d) Legislative update, Appropriations and related matters

11. Discussion of possible future meeting dates.

12. Adjourn

THE BOARD MAY GO INTO CLOSED SESSION REGARDING ANY ITEM ON THE AGENDA IF PERMITTED UNDER THE OPEN MEETINGS ACT, GOVERNMENT CODE CHAPTER 551.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Donna Weinberger at 512/463-5544. Requests should be made as far in advance as possible. Contact Donna Weinberger if you need any additional information, Texas Public Finance Authority, 300 W. 15th Street, Suite 411, Austin, TX 78701.

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