

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, August 14, 2013  
11:00 a.m.

915 Capitol Mall, Room 587  
Sacramento, California 95814

Deputy State Treasurer Michael Paparian, serving as Chair, called the meeting to order.

### Roll Call

Members Present: Michael Paparian, designee for Bill Lockyer, State Treasurer  
Kathleen Moore, designee for Tom Torlakson, Superintendent of Public Instruction  
Jennifer Rockwell, designee for Ana J. Matosantos, Director of Finance

Staff Present: Katrina Johantgen, Executive Director  
Steven Theuring, Program Analyst  
David Weinberg, Program Analyst

The Chair declared a quorum present.

### Approval of Minutes

The minutes for the July 17, 2013 Authority board meeting were approved as submitted.

### Executive Director's Report

Charter School Facility Grant Program: Ms. Johantgen stated that staff has been preparing for the upcoming funding round of the Charter School Facility Grant Program. The emergency regulations that will govern the 2013- 2014 funding of this program are expected to be approved by the Office of Administrative Law by August 21, 2013. Applicants have a deadline of 5:00 p.m. on September 9, 2013 to file their applications for the 2013-2014 funding round of this grant program. The first disbursements are scheduled to be processed by October 15, 2013.

Staff also is in the process of reviewing the applications forwarded by the California Department of Education (CDE) in order to finalize the final disbursements for 2012-2013. Staff also has been working with the charter schools directly to verify facility costs and to correct deficiencies in some of the applications.

Charter School Revolving Loan Fund Program: Ms. Johantgen informed the members that staff is working on the Revolving Loan program. There are currently 249 outstanding loans for active schools. Staff is working with CDE and looking into verifying information regarding the off-set amounts. The verified loan and payment amounts will then be sent to the State Controller's office for the payments to be intercepted.

Conduit Bond Program: Ms. Johantgen updated the members on a number of bond financings that are in the final closing process, adding that the Values transaction closed on Thursday the August 8th. There still remain a few bond financings that are scheduled to close in August and September.

Charter School Facilities Program (CSFP): Ms. Johantgen informed the members that one financial soundness evaluation will be presented today. She stated that a number of schools have an August 20, 2013 deadline to file their Form 50-05 with the Office of Public School Construction (OPSC). Ms. Johantgen added that OPSC is looking into adding program capacity and the State Allocation Board is considering the possibility of another CSFP funding round. Lastly, staff is working on additional financial soundness reviews that will be coming before the board later this summer.

State Charter School Facilities Incentive Grant: Ms. Johantgen informed the members that the Round 9 subgrantees have an August 22, 2013 deadline to submit all certifications and the grant agreements adopted by their perspective boards. Monthly disbursements for these new subgrantees are scheduled to begin in September 2013.

Charter School Facilities Credit Enhancement Grant Program: Ms. Johantgen stated that most of the \$8.3 million in grant funding has been exhausted. Residual capacity may become available if current subgrantees do not utilize their entire awards.

Amendment to Resolution No. 13-24 – Approving a Revised Form of Bond Purchase Agreement under Resolution No. 13-24, Authorizing the Issuance of Bonds in an Amount Not to Exceed \$37,000,000 to Finance the Acquisition, Construction, Expansion, Rehabilitation, Renovation, Furnishing, and Equipping of Educational Facilities Located in San Diego County, California

Ms. Johantgen introduced the financing team for the Classical Academy, Inc., and Classical Academy High School. Kerrigan Bennett, Stradling Yocca Carlson & Rauth; John Snyder, RBC Capital Markets; and Steve Nelson, Associate Director of Classical Academy; spoke regarding the various aspects of this previously approved resolution which is coming back for approval of an amendment that will allow flexibility in selling a portion of the bonds.

The various participants described the bond sale, its structure and redemption issues, the challenges and limitations encountered in marketing the options presented in the sale of this bond. They plan to continue marketing these bonds in an effort to sell all \$37 million to investors despite having certain limitations on portions of the project that are critical to the school that needs completion in the next few weeks. The elementary school portion is not critical, due to the owner continuing the lease through 2026, which would allow the school to operate in its current capacity. This would serve as one fall back option, with no impact the student population.

It was moved, seconded and passed unanimously to adopt the Amendment to Resolution No. 13-24 – Approving a Revised Form of Bond Purchase Agreement under Resolution No. 13-24, Authorizing the Issuance of Bonds in an Amount Not to Exceed \$37,000,000 to Finance the Acquisition, Construction, Expansion, Rehabilitation, Renovation, Furnishing, and Equipping of Educational Facilities Located in San Diego County.

Amendment to Resolution No. 13-35 – Which originally authorized the Issuance of Bonds in an Amount Not to Exceed \$25,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California

Ms. Johantgen advised that this Amendment is to include Alliance College-Ready Middle Academy #12 as one of the beneficiaries of bond proceeds for the financing approved at the July 17, 2013 Authority board meeting. There are no other substantive or structural changes. Staff recommended the Board members adopt the Amendment to Resolution No. 13-35 approving the inclusion of Alliance College-Ready Middle Academy #12.

Mr. Bill Wildman, RBC Capital Markets, LLC, spoke regarding the marketing of this bond. He explained the unique circumstances that are market driven and the challenges charter schools are experiencing with borrowing money.

It was moved, seconded, and passed unanimously to adopt the Amendment to Resolution No. 13-35 to include Alliance College-Ready Middle Academy #12 as an additional beneficiary of bond proceeds as originally authorized in an amount not to exceed \$25,000,000 to finance and refinance the acquisition, construction, expansion, remodeling, renovation improvement, furnishing, and equipping of educational facilities located in Los Angeles County.

Resolution No. 13-37 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Magnolia Science Academy – San Diego Located in San Diego County, California

Ms. Johantgen advised that Magnolia Educational and Research Foundation (MERF) is requesting an Advance Apportionment on behalf of Magnolia Science Academy – San Diego (MSA-SD), for design costs in the amount of \$303,612. On July 12, 2012, the State Allocation Board approved a Preliminary Apportionment in the amount of \$3,036,123. On March 14, 2012, MERF, on behalf of MSA-SD was found financially sound for an Advance Apportionment for design costs in the amount of \$303,612. However, due to MSA-SD's need to establish itself on a district site for purposes of the new construction, MSA-SD did not receive its advance release of funds at that time.

David Weinberg reported on the school's financial soundness, academic performance, student enrollment, and growth. Ms. Johantgen highlighted the school's favorable outcomes regarding enrollment projections and stress tests. Lastly, Mr. Mekan Muhammedov, Chief Financial Officer, Magnolia Public Schools, spoke regarding growth projections as it pertains to student enrollment, creation of waiting lists, and design projects.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-37, approving a financially sound determination for the Charter School Facilities Program for an Advance Apportionment on behalf of Magnolia Science Academy – San Diego, located in San Diego County.

Resolution No. 13-38 – Authorizing the Issuance of Qualified School Construction Bonds (QSCB) in an Amount Not to Exceed \$10,750,000 to Finance the Acquisition of Educational Facilities Located in Los Angeles County, California

Ms. Johantgen advised that at its May 22, 2013 Board meeting, the members adopted Resolution No. 13-23, which authorized the issuance of revenue bonds as Qualified School Construction Bonds (QSCBs). Recently there has occurred a change in investors, resulting in this item returning to the Authority for approval of the changed financing.

Three CDFI's (Community Development Financial Institutions) are purchasing the QSCB's allocated to Alliance for College-Ready Public Schools (Alliance). Since the initial approval, Genesis LA Economic Growth Corporation is replacing the Low Income Investment Fund as one of the investors. There are no other substantive or structural changes to this financing.

Neal Mallard, Legal Counsel for Alliance, spoke to the members explaining the procedural and policy changes related to the change in investors. Staff recommended that the members adopt Resolution No. 13-38 approving the issuance of revenue bonds as Qualified School Construction Bonds.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-38, authorizing the issuance of Qualified School Construction Bonds (QSCB) in an amount not to exceed \$10,750,000 to finance the acquisition of educational facilities located in Los Angeles County.

Resolution No. 13-39 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$600,000 to Magnolia Educational and Research Foundation for the Benefit of Magnolia Science Academy Located in Los Angeles County, California

Ms. Johantgen advised that Magnolia Educational and Research Foundation is requesting a Credit Enhancement grant in the amount of \$600,000, for the benefit of Magnolia Science Academy. Staff has evaluated the application and has determined that all program eligibility and evaluation criteria have been met. Staff recommended that the members adopt Resolution No. 13-39 approving a Credit Enhancement award of \$600,000 designated for the benefit of Magnolia Science Academy located in Los Angeles.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-39, approving the Charter School Facilities Credit Enhancement award in an amount not to exceed \$600,000 for the benefit of Magnolia Science Academy Located in Los Angeles County.

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen  
Executive Director