

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, April 9, 2014
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
Eraina Ortega, designee for Michael Cohen, Director of Finance

Staff Present: Katrina Johantgen, Executive Director
Kristen Schunk, Program Analyst
Steven Theuring, Program Analyst

The Chair declared a quorum present.

Approval of Minutes

The minutes for the February 12, 2014 and March 12, 2014 Authority board meetings were approved.

Executive Director's Report

Charter School Facility Grant Program: Ms. Johantgen provided the members with a recap of the SB740 Program (Charter School Facility Grant Program). As of the October 5th deadline, 301 schools received funds under the first apportionment totaling \$ 28,908.692. Under the 2nd disbursement (March 1st), 294 schools received apportionments with grant totals of \$14,593,537, and 6 schools are still pending their 2nd disbursement. Ms. Johantgen updated the members that, as of today, CSFA has not received any cost reports for the schools that are seeking funding under the program's additional cost category (May 1st deadline). Ms. Johantgen informed the members that CSFA will post the 2014-15 announcement and application on the CSFA website tomorrow, April 10th. The application deadline is May 12, 2014 at 5:00 PM. CSFA will make the initial disbursements by October 15, 2014.

Ms. Johantgen reported that there is a significant balance in the fund, a carry-over from previous years. CSFA is working with their accounting division and charter stakeholders to determine what to do with the balance.

Charter School Revolving Loan Fund Program: Ms. Johantgen informed the members that there are 208 schools with outstanding active loans. Currently, there are 189 schools with Active Loans. There are a total of 18 defaulted loans, and of those, 7 were invoiced by CDE and 11 were invoiced by CSFA.

Ms. Johantgen reported that the balance in the Loan Fund is \$9,972,407, and the balance in the Security Fund is \$4,389,303. Currently there are 50 eligible applications that are under review for the current 2013-14 funding round. The total requested loan amount is \$12,247,000.

CSFA's next step is to evaluate the applications. CSFA will bring the list of eligible applicants to the May board meeting for approval. At this point the loan agreements are sent to the approved schools. Once the loan agreements are received, the next step is to disburse the loan funds before the end of the fiscal year.

Conduit Bond Program: Ms. Johantgen informed the members that, to date, CSFA has closed 27 deals. Additionally, CSFA has closed 8 deals in the last 12 months. Listed below are the pending deals that have been approved and are closing.

1. Alliance QZAB, preliminary amount is \$9,000,000, with an anticipated closing, week of May 5th
2. ICEF View ParkES/MS, preliminary amount is \$19,120,000, with an anticipated closing is April 30th
3. KIPP LA, preliminary amount is \$30,000,000, anticipated closing is June 11th
4. Magnolia Science, preliminary amount is \$6,060,000, anticipated closing is May 28th
5. Academia Moderna, preliminary amount is \$6,560,000, anticipated closing is April 24th or May 1st
6. New Designs, preliminary amount is \$7,500,000, anticipate closing is mid-June.

The one financing being presented today is a Revenue Anticipation Notes (RAN) Issuance for Rocketship Education. The preliminary amount is \$4,575,000, and anticipated closing is April 11th.

State Charter School Facilities Incentive Grants Program: Ms. Johantgen updated the members that CSFA received 74 applications for Funding Round 10 of the Program, its final funding round. Of these, 5 applications were deemed ineligible. The average monthly award amount is \$11,428. The total award amounts to date are \$48,789,649 under Grant I and \$35,341,336 under Grant II.

Charter School Facilities Credit Enhancement Grant Program: Ms. Johantgen informed the members that all Credit Enhancement Grant Program funds have been exhausted with the deals that CSFA is looking to close. The last deal to close utilizing those funds is the KIPP LA financing.

Ms. Johantgen asked the members if they would like to receive updates regarding this program in their package. It was agreed by the members that an email update would be sufficient.

Administrative and Legislative Update: Ms. Johantgen mentioned that CSFA has inquired with the California Charter School Association regarding their stance with 948. This is in relation to expanding the grant program and would allow the schools that are below the 70% target of Free and Reduced criteria to receive funding at the 50% level.

Lastly, Ms. Johantgen stated that CSFA is tracking legislation that changes the Intercept Language to the CSFA Act, section 17199.4, as it relates to State revenues that can be intercepted pursuant to the local control funding formula.

Item #4: Appeal on Behalf of Academy of Arts and Science relating to late applicatinos for the Charter School Revolving Loan Fund Program.

The item relates to an appeal on behalf of the Academy of Arts and Science (AAS) relating to the submission of ten late applications for the Charter School Revolving Loan Program. The program application deadline was February 24, 2014 at 5:00 PM.

AAS provided information that showed that their application package was sent on Friday 21, 2014 at 7:05 P.M. as FedEx Ground. According to tracking information, the package was received by the FedEx store after the final FedEx location pickup had occurred and therefore was scheduled to be picked up the following day. AAS has contacted the Authority staff requesting that we accept their late applications for loans totaling \$2.5 million. Representatives from AAS, Sean McManus, CEO and Julie Troletti, Director of Finance, presented their appeal to the board.

Staff is recommended that the board deny the appeal by the AAS. Program regulations clearly state the submission deadline, and AAS was unable to show suitable proof that FedEx was at fault for the late applications. CSFA and staff counsel are empathetic to the financial ramifications this denial may have on the schools. However, CSFA cannot violate Program regulations or make exemptions, the rebuttal being that, if AAS is allowed to compete in this funding round, other charter schools that submitted their applications on time may be deprived of funding.

Members directed staff to review AAS' applications only in the event that there is program capacity to make loan determinations once the 50 eligible applications are reviewed.

Resolution No. 14-04 – Authorizing the Issuance of Notes to Finance Working Capital in an Aggregate Amount Not To Exceed \$4,605,000* Outstanding at Any One Time for the Schools Listed in Exhibit A Hereto, Approving Forms of the Note Purchase Agreement, Loan Agreement, Loan Agreements and an Indenture Thereof, and Authorizing Certain Other Actions in Connection Therewith.

Ms. Johantgen reported on the background, purpose and structure of the financing. The purpose of the financing is to provide the charter schools listed on Exhibit A, and operated as Rocketship Education, working capital to relieve cash flow deficits resulting from deferrals in advance of the receipt of certain state funding for FY 2013-14. This is a non-rated

transaction that will be privately placed to LIIF and Capital Impact Partners. The notes will mature on October 31, 2014 with a termination of the draw period of June 30, 2014.

Ms. Johantgen reported that the board had previously approved a similar financing for Rocketship in 2012. Rocketship is coming back for approval of this Working Capital financing not to exceed \$4.6 million. The structure has not changed, the interest rate is the same, 4.5% plus 1-month LIBOR rate. Ms. Johantgen introduced Ms. Amy Laughlin of NCB Capital, purchaser of the note and Mr. Stern from Rocketship Education. Staff recommended the Authority approve Resolution Number 14-04 in an amount not to exceed \$4,605,000 outstanding from time to time for Rocketship.

It was moved, seconded, and passed unanimously to adopt Resolution No. 14-04, Authorizing the Issuance of Notes to Finance Working Capital in an Aggregate Amount Not To Exceed \$4,605,000* Outstanding at Any One Time for the Schools Listed in Exhibit A Hereto, Approving Forms of the Note Purchase Agreement, Loan Agreement, Loan Agreements and an Indenture Thereof, and Authorizing Certain Other Actions in Connection Therewith.

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

Respectfully submitted,

Katrina Johantgen
Executive Director