

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, January 14, 2015
11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Grant Boyken, serving as Chair, called the meeting to order.

Roll Call

Members Present: Grant Boyken, designee for John Chiang, State Treasurer
Eraina Ortega, designee for Michael Cohen, Director of Finance
Dr. William Ellerbee, designee for Tom Torlakson, Superintendent of
Public Instruction

Staff Present: Katrina Johantgen, Executive Director
Laura Martinez, Manager
Kristen Schunk, Program Analyst
Steven Theuring, Program Analyst
David Weinberg, Program Analyst (via phone line)
Anne Osborne, Program Analyst
Jodie Jones, Program Analyst
Nicolaus Seppi, Office Technician

The Chair declared a quorum present.

Approval of Minutes

The minutes from the December 11, 2014 Authority board meeting were presented to the board for approval. The minutes were approved unanimously by roll call.

Executive Director's Report

Charter School Facility Grant Program:

Ms. Johantgen informed the Board that the Authority has disbursed approximately \$125 million since the program was transferred from CDE to CSFA in July 2013. The Authority continues to work on the 2014-15 applications, with several being analyzed for related-party issues, pursuant to provisions added to the regulations that took effect for the 2014-15 funding round of the program.

Charter School Revolving Loan Fund Program:

Ms. Johantgen informed the Board that there are currently 248 active loans for 229 charter schools, with \$5.7 million currently available in the principal fund and \$4.4 million in the security fund. The Program is currently open for applications which are due in February 2015. Awards are expected to be made in June and July. The Authority has been making progress in collecting defaulted loans as demonstrated by our track record of collecting \$917,000 of approximately \$2.5 million in defaulted loans. This activity will be used to justify the transfer of program funds from the security fund to the loan fund, to be made available for loans made under the 2014-15 funding round.

Conduit Bond Program:

Ms. Johantgen reminded the Board that the Authority closed a financing deal in November 2014 for High Tech High Learning. There is one financing on the agenda for the current meeting, and another planned for February 2015. The Authority has closed 36 Bond and Note transactions totaling \$373 million since 2010.

The revised Conduit Fee schedule has been moved to the February meeting.

Charter School Facilities Program:

Ms. Johantgen reminded the Board that at its meeting in November 2014, four schools were found financially sound for purposes of preliminary apportionment. The Authority is working to finalize and execute program agreements so funds can get released to schools for their CSFP projects.

State Charter School Facilities Incentive Grants Program:

Ms. Johantgen reported that Round Ten schools are receiving disbursements after several months of delays with the G5 system – the federal system that allows the state to draw federal funds to disburse to schools. The new program regulations have been sent to the Office of Administrative Law for approval (OAL). They should be in effect by the end of February for Round Eleven. The Authority hopes to bring awards to the Board in June 2015.

The Authority has received a third Federal grant for \$50 million. For the eleventh round, the Authority will work with the charter community to assist schools in identifying which programs schools are eligible for, and which program they should apply to for funding (state or federal).

Charter School Facilities Credit Enhancement Grant Program:

The Board was informed that a final award of \$132,000 will be awarded to Rocketship Education.

Legislative and Administrative Updates:

The Authority has submitted two budget change proposals (BCP) to the Department of Finance – one for resources for the Revolving Loan Program, and one is legislative BCP pursuant to the passage of AB 948. Both BCP's were denied by Finance. In his January budget proposal, the Governor is looking to expand the Charter School Facility Grant Program with \$50 million in additional funds, and reducing the eligibility threshold to 55% FRPM, which is consistent with the Local Control Funding Formula (LCFF) threshold.

Item 4: Consideration of Appeal on Behalf of the Ballington Academy and REALM Charter School Related to Ineligibility under the Charter School Facility Grant Program

Two 2013-14 schools that appealed staff's true-up analysis at the Authority December meeting, and both were held over so that staff could gather additional information.

Ballington Academy appealed the \$126,000 reimbursement based on eligibility requirements.

1. Ballington Academy's attorney, Sarah Kollman, requested that the Board hold the appeal until the February meeting. She stated that she has had conversations with CDE regarding FRPM data that relates to Ballington's appeal. Ms. Kollman reiterated their case that CALPADS is not representative of their FRPM, and there are other sources of data which put them in compliance. They want to give Authority staff time to explore these options. The Board agreed to hold the appeal until February to look into the matter and speak to CDE. As the Treasurer's administration is new, they have not had time to look into the matter, but also are in favor of establishing a "bright line" as it relates to the FRPM data used to determine eligibility. The Chair asked about Ballington's FRPM, which was reported at 24% for the relevant year, but school representatives claim it will rise to 64% this year due to improved collection policies.
2. Ms Johantgen said REALM is working with CALPADS/CDE to look at 2013-14 data to demonstrate eligibility, and through Sarah Kollman, also requested to be held until February to have a conversation with relevant stakeholders.

Ms. Johantgen said the Authority will bring a regulation change to the Board in the future, but not in time to resolve these issues. The Authority will also work with CDE to ensure we can get the necessary information and remain within the scope of the law and regulations that govern the program and cover eligibility requirements.

Item 5: Consideration of Appeal on Behalf of California Military Institute Related to Ineligibility under the State Charter School Facilities Incentives Grant Program

California Military Institute has requested the Board reconsider staff's determination of ineligibility. At the time that the school was recommended for a preliminary award, it was not immediately clear that the school could demonstrate independence from its authorizer (school district). After careful analysis of the legal and financial relationship between CMI and its district, the Authority could not establish autonomy required under the program therefore staff stands by its recommendation that CMI is not eligible. The Board asked about the potential for new information being found if the school was held but Mark Paxson said it was unlikely, as every indicator shows the school is a part of the district. No action was taken by the Board, therefore staff's recommendation stands.

Item 6: Resolution 15-01 – Approving the Charter School Facilities Credit Enhancement Grant Program Awards in an Amount Not to Exceed \$135,000 to the Launchpad Development Company and Rocketship Redwood City and Rocketship Mateo Sheedy Schools Located in Alameda County, California

The Authority looked at Mateo Sheedy to test eligibility and make an award under the enhancement program, as the Redwood City school is a new school. Staff determination is to grant the remaining Credit Enhancement balance to the Rocketship Financing. The motion was made and seconded. The Chair called for public comment. Resolution 15-01 was subsequently approved unanimously by roll call.

Item 7: Resolution 15-02 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$29,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities

This project is not to exceed \$29 million, and is expected to close in March. The proceeds will fund finance and refinance of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities. This is a non-rated transaction and limited public offering. Representatives from the underwriting firm and bond counsel came before the Board to discuss the financing. The Chair called for public comment, and none was taken. Resolution 15-02 was subsequently approved unanimously by roll call.

Ms. Johantgen confirmed that Item 8 of the Agenda will be brought to the Board in February.

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

Respectfully submitted,

Katrina Johantgen
Executive Director