

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, August 12, 2015
11:15 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Vincent P. Brown, serving as Chair, called the meeting to order.

Roll Call

Members Present: Vincent P. Brown, designee for John Chiang, State Treasurer
Eraina Ortega, designee for Michael Cohen, Director of Finance
Lupita Alcala, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director
Laura Martinez, Manager
Steve Theuring, Program Analyst
Ian Davis, Program Analyst
Anne Osborne, Program Analyst
Kristen Schunk, Program Analyst
David Weinberg, Program Analyst
Robert Biegler, Program Analyst
Jose Franco, Program Analyst
Nicolaus Seppi, Office Technician

The Chair declared a quorum present. The Executive Director greeted those on the phone lines to the Board meeting.

Approval of Minutes: The minutes from the August 6, 2015 Authority Board meeting were presented to the Board and approved unanimously by roll call.

Executive Director's Report

Charter School Facility Grant Program:

Ms. Johantgen told the Board that the Authority is working through the 2014-15 disbursements. Out of 346 applications, 304 received first and second disbursements totaling \$30.6 million and \$15.2 million respectively. For the 2015-16 funding round, 374 applications were received and 366 are eligible at the 55% Free and Reduced Price Meals (FRPM) eligibility threshold.

Staff anticipates bringing emergency regulations to the board in September to reflect changes in the 2015-16 budget, and address issues between SB 740 and the Inventive Grants.

Charter School Revolving Loan Fund Program:

Ms. Johantgen told the Board that four loans have been brought for approval today. Of the thirty-five approved at the June 25th meeting, twenty-seven have been disbursed, five are pending until loan agreements have been received, and three are pending until the schools obtain CDS and Charter numbers from the California Department of Education.

Conduit Bond Program:

Ms. Johantgen told the Board that one financing is coming before the Board today. The River Springs and KIPP financings will be pricing in the next few weeks. The KIPP financing got a BBB- investment grade rating.

Charter School Facilities Program:

Ms. Johantgen informed the Board that the Authority will present a financial soundness determination for Helix. She also anticipates five to six reviews will come to the Board this fall.

State Charter School Facilities Incentive Grants Program:

Ms. Johantgen told the Board that the Authority is bringing back additional Round Eleven awards at today's meeting.

Charter School Facilities Credit Enhancement Grant Program:

Ms. Johantgen told the Board that the Authority is bringing a small Rocketship award today for board consideration to close out the grant. After this award exhausts all funds in this program, interest on debt reserve funds will accumulate.

Administrative and Legislative Update:

Ms. Johantgen told the Board that the Authority is tracking three bills. AB 709 is a conflict of interest bill with a hearing on August 17th. AB 1198 would establish and fund a State level credit enhancement grant program. AB 1195 would bring additional public benefit volume cap authority into California through CDLAC for qualified education facility bonds.

The Authority will submit a BCP for additional resources to help administer SB 740 due to the passage of AB 93.

Item 4: Resolution No. 15-21 – Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$35,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California

The Authority intends to authorize an issuance of tax exempt and taxable bonds for Green Dot charters. John Buck, Sabrina Ayala, Eugene Clark-Herrera came before the Board to discuss Green Dot and their schools.

The financing team discussed Green Dot's goals and current standing as a charter organization with the Board. The schools being financed are some of the oldest facilities and the additional \$4.5 million is sought to modernize a building that burned down. They anticipate a rating by the 24th, the POS analysis by the 26th, and being priced on September 9th.

The Board asked about new market tax credit financings, which the financing team spent some time discussing. They also discussed the amount of financing being issued as tax-exempt bonds as well as the legal structure of the financing. Ms. Johantgen added that many of the Authority's financings include the taking out of new market tax credit loans, and that the relationship between Green Dot and Delta Properties is an obligated group structure.

The Board asked additional questions about new market tax credits, specifically if the Authority had made similar financings previously, and how many were expected in the future. Ms. Johantgen and Mr. Clark-Hererra said that there would be some in the next few years as current NMTC financings expire. The Board then requested that an agenda item at the October meeting be dedicated to explaining these types of financing structures.

The Board asked how all the members of the financing are related to each other. Mr. Clark-Hererra explained that Green Dot is a charter organization with a Board of Directors that also operates a separate company, Delta Properties, who is the landlord to their charter schools. Delta Properties is the main borrower of the financing and creates separate Limited Liability Companies (LLC's) for each parcel it owns, treating them as subsidiaries. Delta leases each site to Green Dot through the LLC's, which is actually subleasing from a private fee holder. Each lease shows Green Dot as the tenant. Green Dot still owns the structures, through Delta Property. This is structured to get access to SB 740 and segregates debt and liability away from the individual schools.

The Board clarified that in previous meetings these types of financings have proved to be controversial.

After additional commentary, the Chairman asked for public comment. Ms. Ortega motioned and Ms. Alcalá seconded. The motion passed unanimously by rollcall.

Item 5: Resolution No. 15-22 - Approval of the Revolving Loan Fund Program Recommendations and Amounts for Encore High School, Francophone Charter School of Oakland, Manzanita Montessori Charter School, and Rocketship Redwood City 1

The Authority presented the Board with the last four Priority One schools for the Revolving Loan program. Staff recommends adopting the resolution.

The Chairman asked for public comment. Ms. Ortega motioned and Ms. Alcalá seconded. The motion passed unanimously by rollcall.

Item 6: Resolution 15-23 – Approval of Financial Soundness Determination for the Charter School Facilities Program for Final Apportionment in the amount of \$61,668,640 for Rehabilitation for Helix Charter High School located in San Diego County

Ms. Johantgen told the Board that Helix Charter was selected in the 2010 lottery round, and found financially sound at the time. The Authority has done its due diligence and has reviewed Helix to ensure its financial viability. Authority staff recommends finding Helix Charter financially sound.

The Chairman asked for public comment. Ms. Ortega motioned and Ms. Alcalá seconded. The motion passed unanimously by rollcall.

Item 7: Resolution 15-24 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) 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 Santa Clara County, California

The Authority intends to award the remaining (not-to-exceed) amount of \$135,000 to the Rocketship financing that closed last week. This is a partial award of debt service originally approved in January, but expired after six months, so Rocketship reapplied. Authority staff recommends approval.

The Chairman asked for public comment. Ms. Ortega motioned and Ms. Alcalá seconded. The motion passed unanimously by rollcall.

Item 8: Resolution 15-25 – Determination of Awards and Authorizing the Disbursement of Funds and a list of Alternates under the Eleventh Funding Round of the State Charter School Facilities Incentive Grants Program based on a Final Determination of Rankings based on Program requirements

The Authority seeks approval of the final awards for the third federal award grant. When the Authority inherited SB 740, it began auditing schools eligible for both programs to sure Federal funds only supplemented, not supplanted, state funding. The Authority originally brought this item to the board in June, but had to complete reconciliation of fund in the federal (G5) account where it discovered a larger amount available to make awards. Due to this, the Authority tried to maximize awards available to schools in both programs while remaining under the 75% limit of the State Budget Act.

The schools presented today will be the awardees for September 2015 through August 2017. There are a number of additional requirements schools must fulfill after notification, which if they do not accept or satisfy, will allow the listed alternate schools to be accepted.

The Authority has found it challenging to run both programs given the timing and eligibility overlap of the two programs, and will work on regulation changes to make the Authority and our schools' work more efficient.

The Chairman asked for public comment. Ms. Ortega motioned and Ms. Alcalá seconded. The motion passed unanimously by rollcall.

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

Respectfully submitted,

Katrina Johantgen
Executive Director