

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, September 13, 2017  
11:00 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  
Todd Jerue, designee for Michael Cohen, Director of Finance  
Nick Schweizer, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director  
Dana Brazelton, Manager  
Laura Martinez, Manager  
Ian Davis, Program Analyst  
Jodie Jones, Program Analyst  
Alexandra Tkacheff, Program Analyst  
Anne Osborne, Program Analyst  
Ryan Storey, Program Analyst  
Nicolaus Seppi, Office Technician

Katrina Johantgen welcomed those on the phone line to the Board meeting, after which Chairperson Brown declared a quorum present after roll call.

Item 2: Approval of Minutes: The minutes from the August 3, 2017 Authority Board meeting were presented to the Board and approved unanimously by roll call.

### Item 3: Executive Director's Report

Charter School Facility Grant Program (SB740): The Authority is trueing-up 2016-17 awards, totaling \$98 million of the \$112 million appropriated. Staff is also reviewing 430 2017-18 applications. The 2017-18 funding round is anticipated to be therefore the Authority will bring regulation changes next month to address the issue of pro-ration of funds.

Charter School Revolving Loan Fund Program: The Authority is reviewing the loans approved by the Board; 24 schools have signed loan agreements and have been sent disbursements. Staff is also preparing an analysis to examine the causes of loan defaults under the Authority's administration of the program.

Conduit Bond Program: The Authority has issued 64 financings totaling over \$1 billion, with \$982 million still outstanding.

*Charter School Facilities Program:* Ms. Johantgen reminded the Board that voters approved \$500 million for the program in the last election. Staff is reviewing the financial soundness of 55 applications. The Authority will bring the Board district-dependent charters for a vote in October, independent charters in November, and Charter Management Organization (CMO) charters in December. The State Allocation Board will vote to approve these reviewed awards in January.

*State Charter School Facilities Incentive Grants Program:* The US Department of Education visited with representatives of the Authority last week to conduct a compliance meeting and site visits of grant awardees. They will provide a report detailing their findings within a month. 8 Round 13 grant agreements have returned to the Authority; awardees have until the end of September to return the signed documents.

*Charter School Facilities Credit Enhancement Grant Program:* The Authority continues to monitor compliance and tracks interest checks from trustees. The Authority also expects an answer within a few weeks on the Federal credit enhancement grant application submitted in May.

*Qualified Public Educational Facility Bond Program (QPEFB):* Ms. Johantgen explained this program would enable for-profit developers to issue tax-exempt bonds for educational facilities. Regulations were approved by the California Debt Limit Allocation Committee (CDLAC). The CDLAC Board will vet conflict of interest provisions at their September 20<sup>th</sup> meeting.

*Administrative and Legislative Update:* The Authority is working on a legislative amendment for the SB740 program, related to oversubscription.

*Item 4: Resolution No. 17-24 – Resolution Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$17,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Los Angeles county for use by Alta Public Schools*

Ms. Johantgen introduced the item to the Board, explaining it is a revision to a resolution previously approved in April to address revisions to the project, including an increased Bond par amount. Ms. Johantgen then introduced the financing team: Ervin Reed, Director of Finance, Alta Public Schools; Guillermo Garcia, Director at Stifel, Nicolaus & Company, Incorporated, and; Eugene Clark-Herrera, Partner at Orrick, Herrington & Sutcliffe LLP.

Mr. Reed discussed the history of the school and its accolades, and education levels, explaining enrollment is up from previous years and class sizes have increased as well. They will also be adding a 10<sup>th</sup> grade next year and will open a second elementary school.

Mr. Garcia discussed the details of the bond, explaining the par amount is increasing from \$13 million to \$17 million. He listed four items causing the increase:

1. A new project was added to increase temporary available space at the high school.
2. Project scope was changed to add an outdoor play space and mezzanine.
3. County-required improvements, such as safety and accessibility improvements were also added to the project.
4. Construction costs in general have increased, e.g., building materials and labor.

After some additional discussion regarding the Bond and the school's financing, Mr. Jerue made a motion to approve and Mr. Schweizer seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

*Item 5: Consideration of Appeal on Behalf of Lake County Charter School located in Lake County Related to Ineligibility for the Charter School Facility Grant Program*

Ms. Johantgen introduced Gwendolyn Maupin-Ahern, Director of Lake County International Charter School. Ms. Johantgen explained the school had been a regular applicant to the Program since 2013-14, and this is their first late application. She finished by discussing the previous procedures for late applications, and the current issue of oversubscription.

Ms. Maupin-Ahern introduced herself and gave the Board a history of her school, the size of the student body, and how the grant has helped them over the years. She explained that she had applied previously, but had to leave, before the application due date, because of a family emergency. She gave the task to her business officer, who reportedly mistook the online application for the Incentives Program application, for which the school is ineligible. Ms. Maupin-Ahern went through a prepared presentation, detailing the school mission and curriculum, the status of their buildings, staffing, and upgrades that are needed this year.

Ms. Johantgen explained that, since the school does not use the Program for lease costs, the exact amount needed is unknown; the maximum allowed under ADA would be \$72,000, so awarding Lake County Charter School is estimated to have a .05% to .06% impact on other school awards.

The Board discussed the situation at length and expressed concern that additional approvals of late applications would further impact oversubscription. Ms. Johantgen suggested a deadline for appeals to resolve the issue in the future. She and Ian Davis of the Authority later explained how the Authority reached out to schools that did not submit applications, but who had in the past, to confirm if they intended to apply. Many schools had lost eligibility and were applying for other programs. Mr. Davis cautioned that the deadline for new schools would be in October, so additional late applications were possible. The new schools were included in oversubscription projections.

Eric Premack of the Charter School Development Center spoke on behalf of the school, explaining they are one of the smallest in the State, and expressed his appreciation of the staffs work.

After additional discussion of the item, Mr. Brown made a motion to approve and Mr. Schweizer seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

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

Respectfully submitted,

Katrina Johantgen