

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, February 14, 2018
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
Jacqueline Wong-Hernandez, 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
Ryan Storey, Program Analyst
Anne Osborne, 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 January 17, 2018 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 has delivered initial apportionments for the 2017-18 funding round, is working on appeals for the 2016-17 year, and are working through application issues for 2017-18. The Authority is also working with Finance on understanding trailer bill language, as well as regulation changes to address oversubscription of the Program.

Charter School Revolving Loan Fund Program: The Authority opened the application period for the 2017-18 funding round, and so far, 15 applications have been completed through the online system. The Authority also hosted an informational webinar last month.

Conduit Bond Program: The Authority is presenting its 2017 Bond Report today and is in the process of finalizing its fiscal year 2016-17 audit.

Charter School Facilities Program (CSFP): The final soundness reviews of Proposition 51 applicants will be presented at today's meeting. The schools approved will be voted on at the State Allocation Board's (SAB) meeting at end of the month.

State Charter School Facilities Incentive Grants Program: The Authority will launch Funding Round 14 on March 19th and close it on April 20th. The Authority will also host an informational webinar at the end of March.

Charter School Facilities Credit Enhancement Grant Program: The Authority is working with their federal counterparts on a performance agreement for the PANACEA program.

Item 4: Presentation of the Annual Bond Report

Ms. Johantgen introduced the Bond Report to the Board, explaining that this year's report focused on California's qualitative data, such as bond pricing and buyer statistics. To date, the Authority has issued \$1.105 billion in bonds and notes. The Authority issued 13 transactions that closed in 2017 totaling \$283 million. In 2017, the Authority had 72% and 82% of market share based on number of deals issued, and par amount of debt issued, respectively.

Ms. Johantgen expects a lower number of issuances in 2018 due to tax reform changes. Additionally, she explained that one chart did not make it into report provided to the Board, but that it would be provided after the meeting and posted to the website.

Item 5: Resolution No. 18-02 – Approving Financially Sound Determinations for the Charter School Facilities Program (CSFP) Applications Received under the Proposition 51 Funding Round

Ms. Johantgen invited Ryan Storey to discuss the current set of Proposition 51 applicants. Mr. Storey explained the school applicants and project descriptions to the Board and updated them on some changes made to the staff summaries. All projects were originally found to be sound for preliminary and advance apportionments, but three schools were changed to be approved for preliminary apportionment only: Libertas, Luis Valdez, and St. HOPE. These three will return to the Board at a later date to receive approval for an advance apportionment. The Board confirmed there were concerns with some of the schools and encouraged staff to monitor them moving forward. Beyond the three schools specifically mentioned, staff recommended approval of the item as presented with a modification to the resolution for Libertas, Luis Valdez and St. Hope.

Mr. Schweizer made a motion to approve the list of schools as advised and Ms. Wong-Hernandez seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

Item 6: Public Comments

Ed Gutierrez, speaking on behalf of the United Teachers of Los Angeles (UTLA), supports policy changes recommended in the “Spending Blind” study from In the Public Interest (ITPI), and asked the Authority to adopt the recommendations from the study. Mr. Gutierrez had several questions for the Authority. And expressed his concern that many schools are using SB 740 funds to pay rent to themselves for facilities owned by related companies, at rates higher than similar properties. He addressed several concerns about charter operators.

Joshua Rutkoff, a parent of children at a public dual-language immersion school, voiced opposition to the granting of a charter to another dual-language immersion school in his neighborhood. He said that there are several charters and dual-language schools in the area, and that many still have openings. He said the State should invest in current schools, rather than new schools, within the same area.

Jenifer Crawford, parent and teacher, commented that charters should be more democratic and that the Authority should work towards that goal, making schools more effective and accountable through tighter control of SB740 funds.

Stacie Webster, teacher, discussed “fairness” as a principle in teaching. She said that public schools are being stripped of money and resources that are then redirected to charter schools who do not hire credentialed teachers. She expressed concerns over specific charter schools with the district, and provided additional anecdotes about her personal experiences in the field.

Gloria Martinez, Vice President of UTLA, also a former teacher, voiced support of the recommendations from ITPI, which she summarized. She believes that any facility built using public funds should remain in the public realm, and that charter management organizations should be more financially transparent and accountable. Additionally, she stated that the public should be protected from organizations creating additional charter schools where there is little need.

Lastly, Clare Crawford, policy advisor with ITPI, noted changes already made in regulations, and summarized the findings of the ITPI report for the Board.

The public commenters said the Authority had the ability to make the changes they wanted in regulations, but Chairperson Brown said that the Authority has previously attempted many of these changes statutorily without success, and encouraged speakers to address their representatives at the Capitol.

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

Respectfully submitted,

Katrina Johantgen