

## CALIFORNIA SCHOOL FINANCE AUTHORITY

**Meeting of the Board  
Wednesday, February 10, 2010  
11:00 a.m.  
915 Capitol Mall, Room 587  
Sacramento, California 95814**

Deputy State Treasurer Bettina Redway, serving as chair, called the meeting to order.

### **Roll Call**

**Members Present:** Bettina Redway, designated alternate for Bill Lockyer, State Treasurer  
Kathleen Moore, designated alternate for Jack O'Connell, Superintendent of Public Instruction  
Cynthia Bryant, designated alternate for Ana Matosantos, Director of Finance

**Staff Present:** Katrina Johantgen, Executive Director

With a quorum present, Ms. Redway, Chair, called the meeting to order.

### **Approval of Minutes**

The minutes of the December 7, 2009 Authority meeting were adopted as submitted.

### **Executive Director's Report**

**State Charter School Facilities Incentive Grants Program:** Ms Johantgen advised the members of the status of the rulemaking file for the new five-year grant received from the U.S. Department of Education under the State Charter School Facilities Incentive Grants Program. The recommended changes to the regulations discussed and approved at the December 2009 board meeting were distributed for a 45-day public comment period. Two public comments were received: The first relates to the requirement for good standing, and the second comment relates to education issues in general. The comments were included in the rulemaking file submitted to the Office of Administrative Law. Staff is on track to initiate the funding round in mid-March, with funds to be awarded by the end of the fiscal year, June 30, 2010.

**Quality School Construction Bonds (QSCBs):** Ms. Johantgen and Ms. Kristin Smith, STO Legal Counsel, provided an update regarding SB 205 (Hancock) that is needed to ratify the process and authority to allocate the QSCB allocation and bonding authority to charter schools.

**Other Administrative Business:** Ms. Johantgen gave an update on SB 592 (Romero) which allows government entities, including a charter school, to hold title to facilities financed through the State Charter School Facilities Program (Program). Ms. Johantgen further advised of two pre-implementation stakeholder meetings held by staff from both CSFA and

the Office of Public School Construction to discuss the changes to the Program. CSFA staff will be proposing changes to the Program Agreements prior to disbursing any additional funds for advance or final apportionments. Both OPSC and CSFA staff anticipate that changes to the Program regulations for the two agencies will be needed and will be presented to the respective boards for review and approval.

Additional Updates: Ms. Johantgen informed the members of a new CSFA employee in the Los Angeles office. Paul Gonzales will start on February 16, 2010, and will be primarily assigned to help with the Federal grant.

**Resolution No. 10-01 – Approving determination of Aspire Public Schools’ financial soundness for purposes of an advance for final apportionment under the Charter School Facilities Program.**

Aspire Public Schools (Aspire), on behalf of LA 6-12 Charter School operating as Aspire Centennial College Preparatory Academy (Centennial), has requested a Proposition 55 Advance Apportionment of \$10,526,800 for site acquisition.

Centennial had previously increased their projected construction costs to \$23,078,329, but has since decreased these estimates due to a reduction in site acquisition costs. Centennial received a Preliminary Apportionment of \$19,669,826, which should be sufficient to complete the Centennial project. If project costs are in excess of \$19,669,826, it may be possible to increase funding amounts depending on the availability of excess funds. The project has an anticipated occupancy date of August 2012.

Aspire has previously received Final Apportionment funding of \$9,517,000 under its Proposition 47 award for Rosa Parks Academy in Stockton in June 2007. Aspire is the obligor for the 50% local matching share of the project costs in Stockton and has executed the Program Agreements. The Funding Agreement has a 30-year term to January 2037 with annual payments of \$328,275 based on a final interest rate of 5.254%. Additionally, Aspire has received Preliminary Apportionments totaling \$52,269,004 under Proposition 1D to fund new construction for two schools: 1) Antonio Maria Lugo Academy and 2) Clarendon Elementary.

Staff’s financial analysis of Aspire Public Schools as an obligor for all CSFP-funded projects assumes that the organization’s 50% local matching share of the total combined funding for Rosa Parks (Prop 1D) Centennial (Prop 55) and the two Prop 1D projects of \$71,938,830 will be documented through a 30-year funding agreement with the State at an interest rate of 3.00%, resulting in total annual payments of \$2,163,408 commencing in 2013-14.

Staff recommended that the members find Aspire Public Schools is financially sound for purposes of the an Advance Apportionment for Aspire Centennial College Preparatory Academy, but not Final Apportionment under the Program. Staff reminded the members that this recommendation for Advance Apportionment would be in place for six months and would assume no financial, operational, or legal material findings within that time period.

Ms. Johantgen noted a program milestone; that being where Aspire is one of the first schools to make a repayment to the State under this program.

It was moved, seconded, and passed to adopt Resolution No. 10-01 to approve a finding that Aspire Public Schools is the obligor and is financially sound for purposes of an Advance Apportionment for LA 6-12 Charter School operating as Aspire Centennial College Preparatory Academy under the Charter School Facilities Program.

**Resolution No. 10-02 – Approving determination of KIPP Bay Area Schools’ financial soundness for purposes of an advance or final apportionment under the Charter School Facilities Program.**

This Agenda item was held over until a future Authority board meeting.

**Resolution No. 10-03 - Approving the Extension of the 2009 Qualified School Construction Bond Borrowing Authority.**

Ms. Johantgen provided background information related to pending legislation needed to ratify the QSCB charter school allocation of \$73 million to the California School Finance Authority. The time needed to secure this legislative authority is causing unanticipated delays to the 2009 funding round. When the Program Parameters were approved prior to the 2009 funding round, it was anticipated that QSCB issuance could be completed by March 31, 2010. As the legislation is still pending, the March 31, 2010 award expiration date will no longer allow sufficient time to complete the charter school QSCB issuance.

The members were advised of the status of the applications received in August 2009 and the status of the projects approved for the 2009 funding round. Two of the charter schools are securing letters of credit and one school has obtained a Federal home loan bank. Ms. Johantgen recommended the members adopt the resolution extending the award expiration date for the 2009 funding round for the 2009 Qualified School Construction Bond Borrowing Authority from March 31, 2010 to December 31, 2010.

It was moved, seconded, and passed to adopt Resolution No. 10-03, approving the extension of the 2009 Qualified School Construction Bond (QSCB) borrowing authority from March 31, 2010 to December 31, 2010.

**Resolution No. 10-04 - Approving 30-Day Time Frame to Complete the 2009 Qualified School Construction Bond Borrowing Authority and Approving the 2010 Qualified School Construction Bond Borrowing Authority Parameters and Application, if necessary.**

The members received an update of the status of the 28 eligible applications received for the 2009 funding round for QSCB Borrowing Authority. The six projects determined to be the most qualified were allocated bonding authority by the board in October 2009 while the remaining applicants were given the opportunity to adjust their projects or financial standing as needed to become qualified for bonding authority. To date, several applicants continue to work toward becoming qualified for a QSCB allocation.

During the legislative process to ratify the QSCB charter school allocation of \$73 million to the California School Finance Authority, the Legislature has identified amendments to the Parameters and Application related to the requirement that eligible applicants provide site-based instruction and that allocation authority be capped at \$25 million. The changes to the

Parameters as they relate to the site-based requirement and the project cap amount will apply to future funding rounds and will not apply to the current 2009 funding round.

Ms. Johantgen recommended that the suggested amendments be implemented and the 2010 Parameters and Application be amended. In addition, any pending applicants for the 2009 funding round will be given 30 days to complete the steps needed to become qualified. After that time, the 2010 funding round will be initiated and any pending applicants will be advised they may re-apply under the 2010 funding round.

In response to a board member's question, Ms. Johantgen advised the amendments to the Parameters will affect one applicant that is not site based. The applicant applied in the 2009 funding round but has not met the criteria necessary to become qualified for bonding authority.

After much discussion, it was moved, seconded and passed to adopt Resolution No. 10-04, approving a 30-day time frame to complete the 2009 Qualified School Construction Bond Borrowing Authority and approving the 2010 QSCB Borrowing Authority Parameters and Application. Ms. Bryant, as representative for Finance Director Ana Matosantos, abstained from voting on this item.

**Resolution No. 10-05 – Approving a Conduit Bond Financing Fee Schedule.**

Ms. Johantgen presented the members with proposed conduit bond financing fee schedules that that would apply to all participating parties for either stand-alone or pooled financings.

Section 171890(l) of the California School Financing Authority Act provides the Authority with the ability to charge and apportion costs and expenses presumably after a transaction. However, staff is recommending that the Authority adopt a formal fee schedule in advance of a transaction so borrowers can determine the costs ahead of time. In 2010, staff anticipates receiving applications for stand-alone and / or pooled conduit financings on behalf of charter schools and / or school or community college districts. To that end, staff is proposing that the board adopt one fee schedule for short-term financings such as a note or short-term cash flow financing, and a second fee schedule to apply to long-term debt financings.

The proposed fee schedules are competitive and will offset the cost of staff time necessary to review applications, prepare staff summaries and board meeting materials, conduct annual reviews of borrowers' financial information, and reimburse for other costs. The proposed fee schedules include the following fees:

<b>Note Financing</b>	
<b>Fee</b>	<b>Amount</b>
Application Fee	\$1,500
Issuance Fee (new and refunding debt)	0.075% of par amount
Annual Administration Fee	Not Applicable

<b>Bond Financing</b>	
<b>Fee</b>	<b>Amount</b>
Application Fee	\$1,500
Initial Fee (new and refunding debt)	0.15% of par amount
Annual Administration Fee	0.02%, minimum \$500

Application Fee: Payable upon the submission of an application for financing. The nonrefundable fee will offset the cost of staff time to review and prepare a recommendation for board approval.

Issuance Fee: Payable out of bond proceeds at closing; will be charged to a borrower based on the par amount of the debt issuance to offset staff time costs to execute the financing.

Annual Administration Fee: Payable annually, this administration fee will be charged to the borrower to offset staff time of monitoring the bond financing, including the filing of required disclosure documents.

Ms. Johantgen recommended the Board approve the conduit bond financing fee schedules as presented and adopt the resolution.

It was moved, seconded, and passed to adopt Resolution No. 10-05, approving the proposed Conduit Financing Fee Schedules.

### **Public Comment**

Dr. Jeanette Parker, Today's Fresh Start Charter School, spoke to the members regarding the eligibility requirement under the Federal grant that each applicant school be in good standing with their chartering authorizer and in compliance with the terms of their charter. Dr. Parker submitted a copy of correspondence requesting a specific definition of the term "good standing." Dr. Parker also requested that the board members adopt a specific process to be followed by chartering authorizers in the event an applicant school wishes to appeal a negative response from the chartering authorizer.

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

Respectfully submitted,

Katrina Johantgen  
Executive Director