

CALIFORNIA SCHOOL FINANCE AUTHORITY

**Meeting of the Board
Thursday, April 22, 2010
11:00 a.m.
915 Capitol Mall, Room 587
Sacramento, California 95814**

Deputy State Treasurer Tricia Wynne, serving as chair, called the meeting to order.

Roll Call

Members Present: Tricia Wynne, 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

The Chair declared a quorum present.

Approval of Minutes

The minutes of the March 23, 2010 Authority meeting were adopted as submitted.

Executive Director's Report

State Charter School Facilities Incentive Grants Program: Ms Johantgen provided an update to the members of the status of the new five-year grant received from the U.S. Department of Education under the State Charter School Facilities Incentive Grants Program. Applications were due on Tuesday, April 20, 2010, and CSFA received a record 140 applications for the Round 6 funding round with approximately \$7 million available for funding. One application was received late, and appears to be attributed to an overnight service mailing issue. A few applications were received that are ineligible due to those schools being current recipients under Rounds 4 or 5. Applicants that have good standing or charter compliance issues will be given an opportunity to resolve the issues. Funds for Round 6 are to be awarded by the end of the fiscal year, June 30, 2010.

Quality School Construction Bonds (QSCBs): Ms. Johantgen provided an update on QSCBs; she informed the members that the High Tech High transaction is planned to be presented at the next meeting. The transaction has a AAA rating by virtue of being secured with a letter of credit with a federal home loan bank wrap.

The Vaughn transaction combining QSCBs and QZABs (Qualified Zone Academy Bonds) is planned to be presented to the board members in June. They are working with a provider to finalize a letter of credit.

CSFA staff is continuing to work on these transactions with the underwriters and the Attorney General's office to finalize the bond documents, as well as with the other schools that received allocations of bonding authority at the October 2009 Board meeting.

Charter School Facilities Program: Several schools with preliminary apportionments have requested determinations that they have maintained financial soundness for advance or final apportionments; however, the schools are being notified that there is a 6-8 week review time period due to the current CSFP funding round. Consequently, throughout the summer months, staff will be bringing a fair number of these financial soundness reviews before the members at future board meetings.

Other Administrative Business: Ms Johantgen reported to the members that CSFA is subject to annual audits; just as all other Boards/Commissions/Authorities in the Treasurer's Office are subject to annual audits.

Ms. Johantgen informed the board members that CSFA is in the process of hiring an additional retired annuitant for the Los Angeles office to assist with Federal grant applications for Round 6.

Working Capital Program: Lastly, Ms. Johantgen described a Revenue Deferral Program and the impact of revenue deferral on charter schools. CSFA has fees in place and is looking at a debt issuance policy and how it relates to short term notes, non-rated and BBB rated notes.

Resolution No. 10-09 – Approving Financially Sound Determinations for the Charter School Facilities Program (CSFP) Applications Received under the Proposition 1D Funding Round as listed in Exhibit A

Ms. Johantgen provided an update on the status of the current funding round and presented reports to the members for action related to seven applicant charter schools. A brief summary of each applicant school was provided including eligibility criteria; demographic information; projected debt service coverage and other financial factors; and student performance. Recommendations for financial soundness are generally for purposes of preliminary and advance apportionment and not for final apportionment. Recommendations for advance apportionments would be in place for six months and assumes no financial, operational, or legal material findings within the six month period.

Ms. Johantgen noted Language Academy of Sacramento's (LAS) projected debt service coverage ratio is 95.7% during 2012-13 the first year after project occupancy, and then 139.9% and 150.8% during 2013-14 and 2014-15, respectively. LAS was recommended to be found sound on the condition that LAS set aside \$10,000 to meet debt service coverage in the first year of debt service coverage. In response to Ms. Moore's question regarding projected debt service coverage ratios, Ms. Johantgen provided a summary of past actions related to schools and organizations using structuring mechanisms to meet debt service coverage.

The recommendation for financial soundness for Oakland Military Institute was provided contingently due to the school's high reliance on contributions. Ms. Johantgen recommended the members approve the finding of financial soundness upon the school setting aside funds to meet a reserve requirement equal to one annual CSFP payment of

\$80,764. These reserves would be available to be drawn upon in order to meet any shortfall that may occur, particularly in the event projected contributions do not materialize.

Ms. Johantgen recommended the members approve Resolution No. 10-09 finding six of the seven schools presented for determination to be found financially sound for purposes of preliminary and advance apportionment, with the advance apportionment to be in place for six months and assuming no material findings during the six months. Additionally, LAS and Oakland Military Institute is to be found sound contingent upon the set aside of funds and the creation of a reserve account, respectively (see details below).

Applicant Charter School	Board Action
California Military Institute	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Language Academy of Sacramento	Financially Sound for Purposes of Preliminary and Advance Apportionment on the condition that LAS set aside \$10,000 to meet the first year's debt service coverage.
Mark West	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Newcastle Charter School	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Oakland Military Institute	Contingently Financially Sound for Purposes of Preliminary and Advance Apportionment. The recommendation is contingent upon setting aside funds to meet a reserve requirement equal to one annual CSFP payment of \$80,764.
Our Community School	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Western Sierra Collegiate	Financially Sound for Purposes of Preliminary and Advance Apportionment.

It was moved, seconded, and passed to adopt Resolution No. 10-09, approving the noted determinations of financial soundness as amended with a reserve fund and cash set-aside for one applicant for purposes of preliminary and advance apportionment, but not for final apportionment. The approval of determinations for purposes of financial soundness for advance apportionment are in place for six months and assumes no financial, operational, or legal material findings within this time period.

Resolution No. 10-10 – Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings

Ms. Kristin Smith presented a recommendation that the members authorize and delegate to the Executive Director the power to act on, or make decisions regarding, amendments to bond documents when consent or approval by the Authority is required, including:

- 1) Sign and certify resolutions adopted by the Board;
- 2) Execute and deliver all Bond Documents previously or hereafter approved by the Board;
- 3) Execute, amend and deliver certain Bond Documents;
- 4) Appoint, consent to, or approval of (or removal of the same) defined parties;
- 5) Approve or consent to the delivery of any substitute, alternate or replacement credit enhancement or liquidity facility for bonds of the Authority (or termination of the same);
- 6) Approve or consent to the sale, encumbrance or other transfer of all or a portion of a project financed with bonds of the Authority;
- 7) Approve or consent to a merger, dissolution, or the sale of substantially all assets by a participating party, the sale of substantially all of the assets of a participating party;
- 8) Carry out any ministerial actions contemplated by any Bond Documents;
- 9) Waive, on behalf of the Authority, any provision of any Bond Document that is expressly for the benefit of the Authority and has not been assigned by the Authority, including, but not limited to, deadlines for delivery of notices, certificates, reports and other items to the Authority; and
- 10) Respond to any litigation or claim made against the Authority in connection with any bond issue, or any investigation of any bonds by any state or federal regulatory or law enforcement authorities when such response is required by law and is necessary to protect the interests of the Authority, the bondholders, or to effectuate the terms of the applicable resolution adopted by the Board.

In response to Ms. Moore's question, Ms. Smith confirmed these amendments are no different administratively to those authorized by other Authorities within the Treasurer's Office.

It was moved, seconded, and passed to adopt Resolution No. 10-10, as amended, approving the delegation of certain powers to the Executive Director and authorizing certain actions related to bond financings, with the change in date in Section 16 of the Resolution to December 31, 2011.

Resolution No. 10-11 – Approving the Financing of the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Operated by High Tech High

This item was held over until a future board meeting.

Public Comment

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

Respectfully submitted,

Katrina Johantgen

Executive Director