

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, May 12, 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 April 22, 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. The application deadline was Tuesday, April 20, 2010, and CSFA received approximately 140 applications for the Round 6 funding round with approximately \$7 million available for funding. To date, CSFA received one application with a negative "Good Standing" response from its authorizer. The school was notified immediately of their status and a response from the school is due back this week. Consequently, CSFA will notify the board if an additional board meeting is required for schools who appeal their ineligibility and want to come before the board, this meeting would be held in late May or early June. Funds for Round 6 are to be awarded by the end of the fiscal year, June 30, 2010.

Ms. Tricia Wynne inquired about the dollar amount awarded to each school. Ms. Johantgen stated that the maximum annual award for annual rent, lease, and debt service cost is \$250,000, and many schools have reached this maximum award. Staff anticipates that up to 20-25 schools will receive funding during Round 6, unlike the SB 740 program, administered by the Department of Education, which prorates all recipients, CSFA will work down the list and fully fund the top ranking schools.

Quality School Construction Bonds (QSCBs): Ms. Johantgen informed the members that CSFA will be covering QSCBs at a later time in the meeting as it is contained in the packet as an action item.

Charter School Facilities Program: This topic also will be addressed in today's board authority meeting.

Other Administrative Business: Ms Johantgen reported to the members that CSFA has hired a retired annuitant for the Los Angeles office to assist with Federal grant applications for Round 6. She is planning to interview SSA applicants this month for the vacancy in the Sacramento office.

Resolution No. 10-13 – 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 thirteen 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; student performance; and any mitigating information regarding staff's recommendation. 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 recommended the members approve Resolution No. 10-13 finding twelve schools presented for determination to be found financially sound 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, Magnolia Science Academy – San Diego is to be found sound contingent upon verification of charter renewal not later than August 2010.

Applicant Charter School	Board Action
Birmingham Community Charter High School	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Da Vinci Charter School	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Granada Hills Charter High School	Financially Sound for Purposes of Preliminary and Advance Apportionment.
High Tech High Entrepreneur	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Magnolia Science Academy – San Diego	Contingently Financially Sound for Purposes of Preliminary and Advance Apportionment – contingent upon the charter renewal being in place prior to August

	2010.
Monsenor Oscar Romero Charter Middle School	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Ocean Charter School	Financially Sound for Purposes of Preliminary and Advance Apportionment, contingent upon the interception of state funding to pay off obligation, and a lump sum contribution of \$750,000.
Pacific Technology School – Santa Ana	Financially Sound for Purposes of Preliminary and Advance Apportionment.
Para Los Niños Charter	Contingently Financially Sound for Purposes of Preliminary and Advance Apportionment. The recommendation is contingent upon a \$4 million contribution prior to State funds being released.
Roseland Charter	Contingently Financially Sound for Purposes of Preliminary and Advance Apportionment contingent upon the school district serving as co-borrower for debt service related to the charter project.
Sebastopol Independent Charter School	Contingently Financially Sound for Purposes of Preliminary and Advance Apportionment. The recommendation is contingent upon a \$2.4 million dollar lump sum payment.
Voices College-Bound Language Academy	Financially Sound for Purposes of Preliminary and Advance Apportionment.

It was noted Monsenor Oscar Romero moved its facilities to a new location and as a result it has experienced a drop in student retention rates from 2008-09 to the 2009-10 school year. The school reports that it now has a 98% student commitment of returning students for the 2010-11 school year. Staff will continue to monitor this issue.

It was moved, seconded, and passed to adopt Resolution No. 10-13, approving the determinations of financial soundness as amended with contingencies to Magnolia Science Academy – San Diego, Ocean Charter School, Para Los Niños Charter, Roseland Charter, Sebastopol Independent Charter School, as amended 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. 10-11 – Approving the Financing of the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Operated by High Tech High.

Ms. Johantgen introduced Mr. Stephan Haytayan, Deputy Attorney General, DOJ, who is serving as Issuer’s counsel on this transaction. Mr. William Wildman, Managing Director, RBC Capitol Markets serving as the underwriter for this project and Mr. Eugene Clark-Herrera, Attorney, Orrick, Herrington & Sutcliffe, LLP, serving as Bond Counsel.

Ms. Johantgen provided a description of the structure, security and source payment, and other information for the financing pending approval of the bond documents for bond issuance of Qualified School Construction Bonds in an amount not to exceed \$12,250,000. In summary, Ms. Johantgen confirmed CSFA will be a conduit issuer of the Bonds, the proceeds of which will be loaned to the Borrower pursuant to a Loan Agreement by and between CSFA and the Borrower, through a negotiated, public offering. The Bonds will be sold as taxable obligations with a single maturity in 2020. CSFA, acting at the request of the Borrower, will elect for the Federal Department of the Treasury to transfer to the trustee on a periodic basis a federal subsidy payment equal to the lesser of either 100% of the interest payable on the Bonds, or the interest that would have been payable on the Bonds if it were computed based on the rate applicable for qualified tax credit bonds in effect at the time of sale.

Bond proceeds will finance a two-story structure providing approximately 65,000 square-feet of classroom and support spaces in an environmentally focused school building that will be fully integrated, physically and programmatically, with the instructional programs of the tenant schools. The project will accommodate 396 students in the elementary school (grades K-5) and 312 students in the middle school (grades 6-8). The project is capable of serving more students without expansion or modification and this flexibility is a significant asset as it permits the Borrower to increase future revenues by increasing enrollment should funding rates fall.

Mr. Stephan Hayatan spoke regarding financial liabilities to the State under these transactions. Mr. William Wildman spoke to the members regarding QSCB investor transactions. Mr. Eugene Clark-Herrera stated that Orrick, Herrington & Sutcliffe, LLP is serving as a disclosure and bond role and answered a board member's question regarding disclosure liabilities. Mr. Herrera also noted that resolution No. 10-11 be clarified to read: not to exceed \$12,250,000.

Ms. Johantgen advised that the intercept mechanism will be implemented pursuant to an implementation agreement between the borrower and the State, including the Authority, the Department of Education, and the Controller's Office.

Mr. Clark-Herrera addressed questions by the Authority members and confirmed that as a conduit issuer, the State will not be responsible for the factual information about High Tech High. The borrower, High Tech High, will be responsible for the factual information provided to investors.

Ms. Johantgen recommended the resolution be adopted, at which time the underwriter will submit the necessary documentation to a rating agency for purposes of securing a rating. A closing is targeted for July 2010.

It was moved, seconded, and passed to adopt Resolution No. 10-11, to authorize the issuance of bonds up to \$12,250,000 at any time within six months of this date.

Resolution No. 10-12 – Approving an Amendment to the Conduit Bond Financing Fee Schedule.

Ms. Johantgen provided a summary of the Conduit Bond Financing Fee Schedule approved by the members at its February 10, 2010 meeting. Ms. Johantgen proposed the schedule be amended to ensure that advisory, consulting, legal, and other fees related to financing transactions will be reimbursed. The fees are not being amended or increased, however, the definition is being expanded to include the statement: The applicant also shall reimburse the Authority for all reasonable and necessary out of pocket expenses which the Authority may incur at the applicant's request and all other expenses direct or indirect, properly allocable to the proposed financing. Unless paid out of the proceeds of the bonds issued, all fees for a particular proposed financing shall be paid by the applicant and deposited in the Authority Fund.

Ms. Johantgen recommended the board members adopt Resolution No. 10-12 approving the referenced amendment to the conduit bond financing fee schedule.

It was moved, seconded, and passed to adopt Resolution No. 10-12, approving the amendment to the Conduit Bond Financing Fee Schedule.

Public Comment

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

Respectfully submitted,

Katrina Johantgen
Executive Director