

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, June 9, 2010

2:30 p.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 May 12, 2010 Authority meeting were adopted as submitted.

Executive Director's Report

Quality School Construction Bonds (QSCBs): Ms. Johantgen informed the members that she has been participating in stakeholder meetings along with representatives from the STO legal and legislative units, and the California Department of Education (CDE) to retain approximately \$68 million in 2010 State QSCB allocation through AB 2560.

Other Administrative Business: Ms. Johantgen introduced Steven Theuring, a new analyst in CSFA's Sacramento office. Mr. Theuring will begin working with CSFA on July 1, 2010. In addition, Ms. Johantgen also reported that she hired a student intern for the summer to work in the Los Angeles office. Mr. Paul Gonzalez, an analyst in the Los Angeles office, was also present and introduced to the members.

Resolution No. 10-14 – Approving Awards and Authorizing the Disbursement of Funds Under the Sixth Funding Round of the State Charter School Facilities Incentive Grants Program.

Ms. Johantgen provided a summary of the sixth funding round of the State Charter School Facilities Incentive Grants Program. In all, 143 applications were received for Round 6 with approximately \$7.5 million available for funding. A small group of applications were deemed ineligible and each applicant has been advised of its status, which was for any of several reasons such as: the application being received late or missing a submittal deadline, being

submitted by a current recipient under a previous round, the school having less than one full year of instructional operations, noncompliance issues, or not being in good standing with its charter authorizer.

In this funding round, there was an increase in the preference point category to include a first-time competitive priority and a new school choice criterion in response to the school choice competitive priority in the 2009 federal grant application and award. The methodology used in evaluating and processing applications for this funding round included the same high level of due diligence as used previously. Staff evaluated basic eligibility criteria including: number of years in operation, any civil or criminal matters facing the school or its management, charter compliance and its standing with the chartering entity. Once program eligibility was established, preference points were assigned and all eligible applicants were advised of the preference points assigned. Regarding the over-crowding category, Ms Johantgen stated that the over-crowding relief grant program list provided by CDE was extremely beneficial in evaluating each applicant's eligibility for overcrowding points at the school level.

A funding list was provided to the members that listed all eligible applicants in rank order with those applicants with the highest number of points being listed first. Ms. Johantgen recommended the 22 top ranked charter schools receive grant awards toward facility costs for purchase and renovation, or rent, lease or debt service costs. Approval of this recommendation also includes approval of funding for alternate applicants listed in order in the event that grant funds become available prior to the start of the next funding round.

It was moved, seconded, and passed unanimously to adopt Resolution No. 10-14, approving the award of grant funds as recommended and authorizing the disbursement of funds under the sixth funding round of the State Charter School Facilities Incentive Grants Program.

Resolution No. 10-15 – Authorizing the Issuance of Revenue Bonds as Qualified Zone Academy Bonds and Qualified School Construction Bonds for Vaughn Next Century Learning Center in an Amount Not to Exceed \$9,000,000.

Ms. Johantgen introduced Mr. Stephan Haytayan, Deputy Attorney General, Department of Justice, who is serving as issuer's counsel on all three of the transactions being presented today. Mr. William Wildman, Managing Director, RBC Capitol Markets serving as the underwriter for all three projects, and Mr. Eugene Clark-Herrera, Attorney, Orrick, Herrington & Sutcliffe, LLP, serving as Bond and Disclosure Counsel, also for all three projects being presented.

Mr. Hayatan spoke regarding QZAB (Qualified Zone Academy Bond) statutes and financial liabilities to the State under these transactions. Mr. Wildman spoke to the members regarding QSCBs investor transactions. Mr. Clark-Herrera stated that Orrick, Herrington & Sutcliffe, LLP, is serving in a disclosure and bond role and provided a description of some disclosure liabilities in response to a board member's question. Discussion included an explanation of the ineligibility of an added component for the proposed use of bond funds for educational training and materials for educators/teachers.

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

Ms. Johantgen stated Vaughn Next Century Learning Center was requesting \$5,000,000 in Qualified Zone Academy Bonds (QZABs) and \$3,500,000 Qualified School Construction Bonds (QSCBs) for the expansion of a high school facility to serve approximately 189 additional students in grades 9 through 12 and the construction of a new elementary school to serve approximately 480 students in Kindergarten through grade 5. A portion of the Bond proceeds may also be used to finance working capital needs.

Staff recommended the Authority approve Resolution No. 10-15 for the issuance of revenue bonds for Vaughn Next Century Learning Center in an amount not to exceed \$9,000,000.

It was moved, seconded, and passed unanimously to adopt Resolution No. 10-15, approving that the Authority serve as conduit issuer for Vaughn Next Century Learning Center for Qualified Zone Academy Bonds and Qualified School Construction Bonds in an amount not to exceed \$9,000,000, pending approval of the bond documents.

Resolution No. 10-16 – Authorizing the Issuance of Revenue Bonds as Qualified Zone Academy Bonds for Granada Hills Charter High School in an Amount Not to Exceed \$4,000,000.

Ms. Johantgen stated Granada Hills Charter High School requested up to \$4,000,000 in Qualified Zone Academy Bonds (QZABS) for the acquisition, construction, improvement, and equipping of a new school, New Media Academy.

Staff recommended the Authority approve Resolution No. 10-16 for the issuance of revenue bonds for Granada Hills Charter High School in an amount not to exceed \$4,000,000.

It was moved, seconded, and passed unanimously to adopt Resolution No. 10-16, approving that the Authority serve as conduit issuer for Granada Hills Charter High School for Qualified Zone Academy Bonds in an amount not to exceed \$4,000,000, pending approval of the final financing terms.

Resolution No. 10-17 – Authorizing the Issuance of Revenue Bonds as Qualified Zone Academy Bonds for Santa Monica Boulevard Community Charter School in an Amount Not to Exceed \$3,000,000.

Ms. Johantgen stated Santa Monica Boulevard Community Charter School requested up to \$3,000,000 in Qualified Zone Academy Bonds (QZABS) to provide for the upgrade and expansion of the school's technology infrastructure and furnishings; facility maintenance, repair, and upgrades; staff development in technology integration and network administration; field trips in connection with the newly established Infrastructure Academy; establish a new student information system; and for professional development in ELA, math, science, and social studies, which includes text books and conference attendance. A portion of the bond proceeds may also be used to finance working capital needs.

Staff recommended the Authority approve Resolution No. 10-17 for the issuance of revenue bonds for Santa Monica Boulevard Community Charter School in an amount not to exceed \$3,000,000. It was noted that proceeds will *not* be used to finance field trips or instructional materials as written in the project description.

It was moved, seconded, and passed unanimously to adopt Resolution No. 10-17, as amended, approving that the Authority serve as conduit issuer for Santa Monica Boulevard Community Charter School for Qualified Zone Academy Bonds in an amount not to exceed \$3,000,000, pending approval of the final financing terms.

Public Comment

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

Respectfully submitted,

Katrina Johantgen
Executive Director