

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

**Wednesday, August 11, 2010
11:00 a.m.**

**915 Capitol Mall, Room 587
Sacramento, California 95814**

**Alternate Location for Teleconference Participation
State Treasurer's Office – Los Angeles
304 S. Broadway, Suite 550
Los Angeles, CA 90013**

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 July 14, 2010 Authority meeting were adopted as submitted.

Executive Director's Report

Credit Enhancement Grant: Ms. Johantgen provided an update to the members of the status of the grant received from the U.S. Department of Education. Ms. Johantgen reported that next week she will begin working with the U.S. Department of Education to create regulations for the Credit Enhancement Grant and working through the performance agreement on the \$8.3 million grant on how those funds will be allocated and to which projects the funds may be allocated.

Charter School Facilities Program: Ms. Johantgen updated the members that until the California budget is passed, no funding may be released to recipients under CSFP. Hence, the State Allocation Board is making unfunded approvals rather than advance or final apportionments. Ms. Johantgen is currently working with the Office of Public School Construction (OPSC) on what message or instructions CSFA should provide to program recipients. In the interim, staff is continuing to work with program recipients to review

program agreements and conducting financial soundness updates for immediate approval once the budget is passed and funds may be released.

Working Capital Program: Ms. Johantgen stated that proposed regulations are being considered for the Working Capital Program for the purpose of defining examples of permissible expenses under the Working Capital definitions of the statute.

Legislative Updates: Ms. Johantgen updated the members on AB 2560, which allocates the 2010 Qualified School Construction Bonds (QSCBs) allocation to the Authority and the California Department of Education (CDE). AB 2560 is currently in suspension. Ms. Johantgen reported that Legislative staff has reported it will come out of suspension as of tomorrow. This will allocate \$68 million to CSFA on behalf of Charters for QSCBs.

Lastly, an update on AB 220, the Kindergarten-University Bond Act of 2010. The bill is expected to go on the November ballot. This is an allocation of \$6.1 billion and includes \$250 million designated for the CSFP Program.

Resolution 10-26 – Approving the allocation of additional Qualified School Construction Bond Borrowing Authority to Vaughn Next Century Learning (San Fernando, California) in an additional amount not to exceed \$5,000,000 under the Charter School QSCB Program Parameters and authorizing the taking of necessary actions in connection therewith.

Ms. Johantgen advised the members that at the October 22, 2009 meeting, the Authority members adopted Resolution 09-15, which allocated \$3.5 million in QSCB bonding authority to Vaughn Next Century Learning Center. Since the adoption of that resolution, further clarification of the proposed project to include new construction elements makes additional QSCB borrowing authority necessary. Vaughn subsequently submitted an application for an allocation of an additional \$5 million in borrowing authority.

Given the credit characteristics of the financing (AAA-rated) and the immediate use of bond proceeds to commence construction, Ms. Johantgen recommended that the Authority members adopt Resolution 10-26 to allow Vaughn Next Century Learning Center to receive an additional allocation in an amount not to exceed \$5 million in QSCB borrowing authority. This will bring Vaughn's total allocation of QSCB borrowing authority to \$8.5 million.

It was moved, seconded, and passed unanimously to adopt Resolution 10-26.

Resolution 10-27 – Approving the allocation of Qualified School Construction Bond Borrowing Authority to Granada Hills Charter High School (Granada Hills, California) in an amount not to exceed \$5,000,000 under the Charter School QSCB Program Parameters and authorizing the taking of necessary actions in connection therewith.

Ms. Johantgen advised that at the June 9, 2010 meeting, the Authority members adopted Resolution 10-16, which authorized the issuance of Qualified Zone Academy Bonds (QZABs) for Granada Hills Charter High School (GHCHS). Since the adoption of this resolution, the scope of the proposed project was expanded to include new construction and possible land acquisition, which are allowable under QSCBs but not under QZABs.

GHCHS then requested an allocation of QSCB borrowing authority. Given the credit characteristics of the financing (AAA-rated) and the immediate use of bond proceeds to commence construction, Ms. Johantgen recommended that GHCHS receive an allocation in an amount not to exceed \$5,000,000 in QSCB borrowing authority.

It was moved, seconded, and passed unanimously to adopt Resolution 10-27.

Resolution 10-28 was withdrawn from the agenda.

Resolution 10-29 – Approving the allocation of Qualified School Construction Bond Borrowing Authority to Livermore Valley Charter School and Livermore Valley Charter preparatory (Tri-Valley Learning Corporation) (Livermore, California) in an amount not to exceed \$7,000,000 under the Charter School QSCB Program Parameters and authorizing the taking of necessary actions in connection therewith.

Ms. Johantgen advised that Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley Learning Corporation) have applied for \$7 million in borrowing authority. Staff has been working with representatives from the schools and their financing team to develop a bond financing plan which will include a rating strategy and bond sale timing.

Mr. Eugene Clark-Herrera, Orrick, Herrington & Sutcliffe, LLP, described the Livermore transaction. He stated that Livermore Valley has complete site control of the construction project. They are on schedule to conduct a “kick-off” meeting tomorrow, Aug. 12, 2010 which will reveal additional information as to how the project will be defined. Mr. Clark-Herrera will recommend that Livermore apply the QSCB proceeds to the portion of the project that most squarely fits within the QSCB rules and which will apply to the acquisition of the land. He expects this will be completed by late November 2010.

Ms. Johantgen recommended that the members adopt Resolution 10-29 approving the allocation of \$7 million of the 2009 QSCB borrowing authority to Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley Learning Corporation).

It was moved, seconded, and passed unanimously to adopt Resolution 10-29.

Resolution 10-30 – Approving the rescission of Resolution 10-16, for the issuance of revenue bonds as Qualified Zone Academy Bonds for Granada Hills Charter High School (Granada Hills, California) in an amount not to exceed \$4,000,000

Ms. Johantgen advised that at the June 9, 2010 meeting, the Authority members adopted Resolution 10-16 approving the issuance of Qualified Zone Academy Bonds for Granada Hills Charter School in amount not to exceed \$4,000,000. Since the adoption of this resolution, the scope of the proposed project was expanded to include new construction and possible land acquisition, which are allowable under QSCB but not under QZABs. The school has submitted an application for bonding authority under QSCBs, which will be presented for action later in this meeting.

Ms. Johantgen recommended the Board members adopt Resolution 10-30 approving the rescission of Resolution 10-16.

It was moved, seconded, and passed unanimously to adopt Resolution 10-30.

Resolution 10-31 was withdrawn from the agenda.

Resolution 10-32 –Authorizing the issuance of not to exceed \$5,500,000 of the Authority's revenue bonds under the Charter School QSCB Program or otherwise and loan of proceeds to Granada Hills Charter High School (Granada Hills, California)

Ms. Johantgen advised that Granada Hills Charter High School (GHCHS) submitted an application for an allocation of QSCBs borrowing authority, in an amount not to exceed \$5.5 million.

Based on the adoption of Resolution 10-30, previously in this meeting, approving the rescission of previous bonding authority allocated to GHCHS under QZABs, the school is now requesting bonding authority under QSCBs Program. This new application is for bonding authority for revenue bonds in an amount not to exceed \$5.5 million and to loan the proceeds to GHCHS for purposes of 1) constructing a new media academy and 2) acquiring land and rehabilitating a new facility to alleviate overcrowding and facilitate expansion.

Ms. Johantgen recommended adoption of Resolution 10-32 authorizing the issuance of revenue bonds and the loan of the proceeds to Granada Hills Charter High School.

Mr. Eugene Clark-Herrera spoke in support of the school and stated this transaction is expected to be a QSCBs "only" issue.

It was moved, seconded, and passed unanimously to adopt Resolution 10-32.

Resolution 10-33 was withdrawn from the agenda.

Resolution 10-34 - Approving the issuance of revenue anticipation notes to finance working capital in an amount not to exceed \$8,000,000 for Aspire Public Schools, including the following schools under one or more Aspire Public Schools charters: 1) Monarch Academy, Oakland, California; 2) Millsmont Academy, Oakland, California; 3) Berkley Maynard Academy, Oakland, California; 4) California College Preparatory Academy, Oakland, California; 5) ERES Academy, Oakland, California; 6) East Palo Alto Charter School, East Palo Alto, California; 7) Rosa Parks Academy, Stockton, California; 8) University Charter School, Modesto, California; 9) Summit Charter Academy, Modesto, California; 10) Vanguard College Preparatory Academy, Empire, California; 11) Capitol Heights Academy, Sacramento, California; 12) Antonio Maria Lugo Academy, Huntington Park, California; 13) Huntington Park Charter School, Huntington Park, California; 14) Centennial College Preparatory Academy, Huntington Park, California; 15) Firestone Academy, South Gate, California; and 16) Gateway Academy, South Gate, California.

Ms. Johantgen advised that Aspire Public Schools submitted an application for revenue anticipation notes in an amount not to exceed \$8 million. The purpose of the financing is to provide 16 Aspire schools with access to financing to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of certain state and local funding for FY 2010-11.

Mr. Mike Barr, Aspire Charter Schools, Mr. Mike Kremer, First Southwest Company, and Mr. Clark-Herrera spoke on behalf of the Aspire Charter organization and provided a description of the structure of the financing.

Ms. Johantgen recommended the Authority members adopt Resolution 10-34 in an amount not to exceed \$8 million for Aspire Public Schools subject to final financing terms acceptable to Authority.

It was moved, seconded, and passed unanimously to adopt Resolution 10-34.

Public Comment

Mr. Eugene Clark-Herrera congratulated the members on the closing of the High Tech High transaction which just closed this morning. He added that immediately upon closing, the HTH administrator called the contractor to begin the construction grading of the project.

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

Respectfully submitted,

Katrina Johantgen
Executive Director