

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Monday, June 27, 2011  
11:30 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 Tom Torlakson,  
Superintendent of Public Instruction  
Pedro Reyes, 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 June 8, 2011 Authority meeting were adopted as submitted.

### Executive Director's Report

State Charter School Facilities Incentive Grants Program Ms. Johantgen informed the members that CSFA staff finalized all of the award letters and grant agreements to awardees under the federal grant program.

Administrative Update: CSFA is working on scanning all of CSFA documents. Ms. Johantgen mentioned that student assistant, Nicole Martin, has been assisting the past three weeks in organizing the scanning project in the Sacramento office. The Los Angeles office also is in the process of organizing its documents for the scanning project.

Statutory Changes: CSFA is working with the California Charter Schools Association on amendments to the CSFA Act. It is not known if the amendments will be part of an Association-sponsored bill or authored by a legislator. The one amendment that is likely to be considered in this legislative session is the addition of the term "refinance" to the CSFA Act. This addition will allow charter schools (and other borrowers) to refinance more expensive debt with a financing through the Authority.

Charter School Facilities Program: Ms. Johantgen stated that CSFA is on track to meet the July 6 deadline for CSFP schools to have all documentation to OPSC for advance fund releases. She informed the members that a couple of schools in the February lottery round failed to notify OPSC of their desire to hold title to their projects, and therefore these projects had to withdraw their application for an advance fund release.

One school in particular, Pacific Technology School – Santa Ana, discussed in agenda item 5, failed to notify OPSC of their intention to hold title to their CSFP facility. The school is working with the City of Santa Ana and their local school district regarding their intention to hold title. CSFA will be recommending that they be found financially sound not for this lottery round, but for a subsequent lottery in the event that happens within the next 6 months.

Additionally, CSFA is continuing to work with the Public Finance Division in the State Treasurer's Office to insure that all schools are aware of the tax compliance issues that relate to [tax-exempt] bond proceeds that are used to fund CSFP projects. Mr. Pedro Reyes, Board Member, thanked Katrina for holding an additional meeting this month.

Ms. Johantgen informed the members that the following agenda items pertain to apportionments through CSFP: Agenda item # 4 is for an Advance Apportionment. Item # 5 is for a Preliminary Apportionment and item # 6 is for a Final Apportionment. As of this meeting date, Westlake Charter has rescinded their application for an Advance Apportionment and Ánimo South Los Angeles Charter School has rescinded their application for a Preliminary Apportionment.

Additionally, staff is developing a formal policy memo that would compel all CSFP payments to be intercepted at the state level. This change will make it easier for charter schools to make payments to the State, and will provide the state greater security in the repayment of the CSFP loans.

Resolution No. 11-32 – Approving Financially Sound Determinations for the Charter School Facilities Program (CSFP) Applications Received for the February 2011 Lottery for Advanced (and/or Final) Apportionments as listed in Exhibit A

Steven Theuring, CSFA Analyst, discussed and highlighted two reports simultaneously, Pacific Technology School-Santa Ana (Resolution No. 11-32) and Magnolia Science Academy (Resolution No. 11-33) as these two schools are operated by the same organization -- Magnolia Educational and Research Foundation (MERF).

MERF requested Advance Apportionment funding on behalf of Pacific Technology School - Santa Ana (PTS-SA) and Preliminary and Advance Apportionment funding on behalf of Magnolia Science Academy – San Diego (MSA-SD).

PTS-SA is proposing new construction of a facility on the parcels of 1548 W First Street, 1434 W First Street and 1525 W Walnut Street, Santa Ana, involving construction of a brand new school structure. The new facility will consist of one building housing 29 classrooms, and is anticipated for completion for the 2012-13 school year, per the schedule of MERF. The school is anticipated to have capacity for 675-700 students in grades 6-12. MERF has already submitted the updated project overview to OPSC. PTS-SA was given a Preliminary Apportionment of \$17,413,956 for this project, of which they are currently requesting \$4,081,395 for site acquisition.

MSA-SD is requesting \$3,036,123, and is proposing to expand the current campus by building a permanent structure on the adjacent district property located at 6365 Lake Atlin

Avenue, San Diego. This property is currently leased out to MSA-SD by the San Diego Unified School District. The scope of the project consists of building a 20,000 gross square foot school complex, which will consist of twelve state-of-the-art classrooms, two computer labs, two science labs, a multi-purpose auditorium, and faculty and administrative offices when completed. The school will be serving approximately 350-400 students, enrolled in grades 6 through 8. The project for MSA-SD has been significantly reduced, compared to their original request, due to the availability of funding that OPSC currently has due to rescissions of other schools in the Program.

Staff recommended that the Board determine that Magnolia Educational and Research Foundation (MERF) applying on behalf of Pacific Technology School – Santa Ana (PTS-SA) is financially sound for purposes of the Charter School Facilities Program Advance Apportionment, but not for purposes of Final Apportionment. This determination of financial soundness is contingent upon MERF's execution of an Implementation Agreement with CSFA, the State Controller's Office and CDE, at the appropriate time, whereby CSFA will intercept MERF's state-aid portion of the respective General Purpose Block Grants at regular intervals to satisfy the payment requirements of its CSFP obligations.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-32, finding Magnolia Educational and Research Foundation (MERF) and Pacific Technology School - Santa Ana (PTS-SA) Charter School financially sound for purposes of an Advance Apportionment contingent upon execution of an Intercept Agreement as noted above.

Resolution No. 11-33 – Approving Financially Sound Determinations for the Charter School Facilities Program Applications for Preliminary and/or Advance Apportionments for Charter Schools Listed in Exhibit B.

Steven Theuring previously reported on Magnolia Science Academy-San Diego (see above item).

Staff recommended that the California School Finance Authority (CSFA) Board determine that Magnolia Educational and Research Foundation (MERF) and Magnolia Science Academy – San Diego (MSA-SD) are financially sound for purposes of the CSFP Preliminary and Advance Apportionments, but not for purposes of Final Apportionment. This determination of financial soundness is contingent upon MERF's execution of an Implementation Agreement to intercept the school's state-aid portion of its General Purpose Block Grant at regular intervals to satisfy the payment requirements of its CSFP obligations.

Ms. Johantgen highlighted and discussed the report on Roseland Charter School – Sonoma County. The CSFP-funded project for Roseland Charter School involves construction of a 32,000 sq. ft. multi-story building on a small 1.896 acre site. The new facility for the high school will serve approximately 400 students in 20 classrooms, including specialty classrooms for media, nutrition and health, and performing arts. Athletic fields and the gymnasium will be shared with the adjacent public school, Sheppard Elementary, and a sister charter school, Roseland Accelerated Middle School Program. Project completion and occupancy is anticipated in 2013-14.

Staff recommended that members find Roseland Charter School financially sound for purposes of Preliminary and Advance Apportionments, but not for purposes of Final

Apportionment. This determination of financial soundness is contingent upon Roseland's execution of an Implementation Agreement to intercept the school's payment obligations under CSFP from its General Purpose Block Grant and also upon Roseland providing documented evidence of having established designated funds in the amount of \$450,000 for purposes of making a lump sum payment toward the CSFP loan amount.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-33, finding:

- 1) Magnolia Educational and Research Foundation (MERF) and Pacific Technology School - Santa Ana (PTS-SA) Charter School financially sound for purposes of Preliminary and Advance Apportionments contingent upon execution of an Intercept Agreement as noted above; and
- 2) Roseland Charter School financially sound for purposes of Preliminary and Advance Apportionments contingent upon execution of an Intercept Agreement and documentation of the lump sum payment as described above.

Resolution No. 11-34 – Approving Financially Sound Determinations for the Charter School Facilities Program Applications for Final Apportionment for KIPP King Collegiate located in Alameda County, California.

Steven Theuring, analyst discussed and highlighted a report on KIPP Bay Area Schools and KIPP King Collegiate. The school is requesting new construction and rehabilitation funding for a facility addition. The project is expected to include 15 new classrooms and related core area including a gymnasium, dining hall, administration and music/theater facilities, as funding allows. The classrooms will be constructed as standard 9-12 grade classrooms. The school anticipates providing capacity up to 480 students at any one time. The school site will be shared with KIPP Summit Academy, currently housing 328 students in grades 5 through 8. The project is expected to cost \$8.28 million for the new construction portion and \$3.61 million for the rehabilitation. The rehabilitation is of four existing classrooms and related core area totaling 4,310 square feet.

KIPP anticipates funding its 50% local matching share of the OPSC calculated project costs of \$11,890,786 (both new construction and rehabilitation) through a 30-year agreement with the State. CFSP payments are assumed to commence in 2013-14. KIPP Bay Area Schools will make the payments on behalf of the school.

Staff recommended that the Board determine that KIPP Bay Area Schools and KIPP King Collegiate be found financially sound for purposes of converting to Final Apportionment for its New Construction apportionment only. This determination of financial soundness is contingent upon KIPP's execution of an agreement to intercept the school's state-aid portion of its General Purpose Block Grant at regular intervals to satisfy the payment requirements of its CSFP obligations.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-34, finding KIPP Bay Area Schools and KIPP King Collegiate financially sound for purposes of converting to Final Apportionment contingent upon execution of an Intercept Agreement.

Approval of Amendment to Resolution No. 11-26 – Modifying Condition Placed on the Allocation of Qualified School Construction Borrowing Authority to the Perris Union High

School District on Behalf of the California Military Institute to Allow the Private Purchaser to Sell the Bonds to Sophisticated Investors

Ms. Johantgen highlighted and discussed the proposed amendment to Resolution 11-26. At its May 11, 2011 Board meeting, the California School Finance Authority approved Resolution No. 11-26 Authorizing the Allocation of Qualified School Construction Bond Borrowing Authority to Perris Union High School District on behalf of the California Military Institute, in an amount not to exceed \$2,100,000 Under the Charter School QSCB Program Parameters.

Based on certain potential liabilities facing the district, the board's approval of the allocation was conditioned upon the QSCB bond financing sale's methodology meeting the following: 1) if offered in a public offering and the financing achieves an investment grade rating from a national credit rating agency; or 2) if the QSCB's are privately placed, that the bonds be purchased by a single financial institution that intends to hold all the QSCB's until maturity. If the bonds are privately placed, Perris Union High School District will be required to submit a letter from the purchaser of its intent to hold the bonds at the time of closing. In addition, Perris Union High School District shall submit to the Authority evidence that demonstrates that the purchaser has agreed to such a condition in the bond purchase documents.

The financing team requested that the Authority allow a transfer in investors, which deviates from the approval granted at the Authority's May 11, 2011 board meeting. The district requested the QSCB's be privately placed with the initial investor executing a sophisticated investor letter in a form acceptable to the Issuer's bond counsel. The financing team also requested the securities be assigned with transfer in whole only upon execution of a sophisticated investor letter in a form acceptable to the Issuer's bond counsel. If the securities are privately placed, Perris Union High School District will be required to submit a copy of the closing documents to the Authority within 30 days of closing the transaction. The district also requested a one-month extension of the QSCB allocation to September 30, 2011. In addition, the district shall submit to the Authority evidence that demonstrates that the initial purchaser has agreed to the foregoing conditions in the securities purchase documents.

It was moved, seconded, and passed unanimously to adopt the amendments to Resolution No. 11-26, authorizing the new requirements placed on the transfer of the bonds as described.

**Public Comment**

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

Respectfully submitted,

Katrina Johantgen  
Executive Director