

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, October 12, 2011
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, designee alternate for Bill Lockyer, State Treasurer
Nick Schweizer, designee alternate for Ana Matosantos, Director of
Finance

Members Absent: Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director
Terri Kizer, Program Analyst
Steven Theuring, Program Analyst

The Chair declared a quorum present.

Approval of Minutes

The minutes for the September 22, 2011 Authority Board meeting were approved as submitted.

Executive Director's Report

Katrina Johantgen informed the Board members that Authority staff is working on the two annual reports for the State Charter School Facilities Incentive Grant due to be submitted to the U.S. Department of Education by October 30, 2011. Additionally, she notified the Board members that staff has been working on the Credit Enhancement Grant Program regulations that will be presented to the Board in November 2011.

Resolution No. 11-40 – Approving Amendments to the Regulations for the Charter School Facilities Program and Authorizing the Rulemaking Process

Ms. Johantgen presented proposed changes to the regulations for the Charter School Facilities Program (Program). Ms. Johantgen highlighted the more substantive items for the Board's review. She explained that the changes to the Program regulations consist of a full reorganization of the regulations, which were last amended in 2009.

The proposed changes to the regulations include a provision for the intercept mechanism as a condition of financial soundness. Ms. Johantgen noted that the terms "Intercept" and "Program Agreements" have been added to the definitions in order to address their reference in the regulations. She added that applicants, per section 10152 of the proposed regulations, will be allowed flexibility to use restricted funds to meet debt service coverage requirements and clarified that the Authority may require an applicant to agree to specific contingencies in order to be determined to be financially sound, such as to set aside a reserve fund for the CSFP

payment. Additionally, the proposed amendments include the requirement for applicants to establish a separate and distinct account for deposits of all Program loan proceeds. Ms. Johantgen noted that the requirement to conduct site visits to schools located outside the boundaries of their chartering authorizer is no longer applicable due to changes to the Education code related to charter schools being located in the same jurisdiction of their chartering authorizer.

At the request of the Board members, Ms. Johantgen and Ms. Kizer further explained that the Emergency Rulemaking process allows time for public comment and will the amended regulations to be implemented within a few weeks. They also noted that legal counsel will be reviewing any comments received during the rulemaking process. It was highlighted that other than the intercept mechanism provision, most of the proposed regulation changes are intended to simplify and clarify the regulations.

It was moved, seconded, and passed unanimously to adopt resolution 11-40, approving the proposed amendments to the regulations for the Charter Schools Facilities Program and authorizing the Executive Director to conduct both the emergency rulemaking process and then the regular Rulemaking Process.

Resolution No. 11-41– Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings

Ms. Johantgen explained that this delegation resolution will authorize certain actions or decisions regarding bond financing and amendments to bond documents that normally require consent of the Authority members to be delegated to the Executive Director. This resolution will replace the previous delegation authority that was approved by the Board on April 22, 2010 via Resolution No. 10-10 and expired on January 31, 2011. She noted that this resolution is consistent with delegation resolutions approved by the other finance authorities chaired by the Treasurer.

Ms. Wynne requested clarification relative to preserving the Authority's security interest. Mr. Mark Paxson, Legal Counsel for the State Treasurer and the Authority explained to the Board that this authorization can only be done consistent with the bond documents and whatever protections identified to bond holders and other stake holders.

Mr. Schweizer inquired if there are any significant deviations from the previous delegation or the delegations authorized for other executive directors. Mr. Paxson explained that the language in this delegation of powers resolution is almost identical to that of resolutions authorized by other authorities with the exception of one or two changes unique to the California School Finance Authority such as not having a deputy director while the other authorities do, however, substantively it is the same.

Ms. Johantgen added that if anyone comes forward with any amendments to the bond documents, she seeks the advice of legal counsel of both the State Treasurer's Office and the Attorney General's office; no decisions will be made without the consent of the legal counsel or issuer's counsel.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-41, delegating certain powers and authorizing certain actions related to bond financings to the Executive Director.

Resolution No. 11-42 – Approving Financially Sound Determination for the Charter School Facilities Program Application for Final Apportionment for Oakland Military Institute located in Alameda County, California

Ms. Johantgen advised the members that Oakland Military Institute (OMI) has requested conversion to final apportionment and the release of \$3,403,814 under the Charter School Facilities Program.

Mr. Theuring highlighted the changes from the previous financial soundness review earlier this year; the projected debt service coverage for 2012-13 and 2013-14 will be 307.4% and 312.8%, respectively. He added that the school's projected private contribution was less than \$1 million but the school was able raise almost \$2 million. He noted that this recommendation is contingent upon OMI electing to have its CSFP payments intercepted at the state level via the intercept mechanism.

Ms. Johantgen highlighted that even though the school failed to meet AYP for the last four years, the retention rate has increased from 81% to 88%.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-42, finding Oakland Military Institute financially sound for purposes of converting to Final Apportionment contingent upon execution of an Intercept Agreement.

Other Information

Ms. Johantgen updated the Board members on the available balance of about \$10 million for QSCB allocation. She explained this is due to the transaction with Tri-Valley Learning Corporation. The school was able to present a letter of intent from an investor before the September 30, 2011 deadline and will have until December 30, 2011 to bring the bond documents to the Authority for approval. She also mentioned that the school is requesting an increase on the issuance amount from \$13 million to \$20 million.

Ms. Johantgen noted that the next CSFA board meeting is scheduled for November 9, 2011.

Public Comment

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

Respectfully submitted,

Katrina Johantgen
Executive Director