

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, February 8, 2012  
11:00 A.M.

915 Capitol Mall, Room 587  
Sacramento, California 95814

Deputy State Treasurer Bettina Redway, serving as Chair, called the meeting to order.

### Roll Call

Members Present: Bettina Redway, designee for Bill Lockyer, State Treasurer  
Pedro Reyes, designee for Ana Matosantos, Director of Finance  
Jeannie Oropeza, designee for 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 January 11, 2012 Authority Board meeting were approved as submitted.

### Executive Director's Report

Ms. Johantgen, Executive Director, advised of the status of the three rulemaking files that are in process. She informed the Board members the State Charter School Facilities Incentive Grant Program regulations will be in place before the new funding round begins this month. To date, one public comment has been received for the Charter School Facilities Program (CSFP) regulations. Ms. Johantgen informed the Board members that the Credit Enhancement Grant Program regulations should be approved/in effect by the end of April 2012, in time to launch the program.

Ms. Johantgen informed the Board that there is approximately \$15 million remaining for the QSCB allocation, and inquiries have been received from schools, bankers, and lawyers, who are interested in taking up the available balance. The \$15 million balance assumes that the Livermore Tri-Valley allocation is approved today. Ms. Johantgen also notified board members that staff is conducting an audit of the amount of QSCB allocations, the amount of QSCB's issued, and the amounts reported to the board to determine if the balance of QSCB is accurate.

Resolution No. 12-03 – Approving Financially Sound Determinations for the Charter School Facilities Program Application for Final Apportionment for Aspire Centennial College Preparatory Academy, Located in Los Angeles County, California

Ms. Johantgen advised that Aspire Public Schools (Aspire), on behalf of Aspire Centennial College Preparatory Academy (Centennial), is seeking a Proposition 55 Final Apportionment of \$9.8 million. The funds will be repaid over a 30 year period.

To address the concern Ms. Oropeza raised regarding the increase in grades served with a planned decrease in overall student enrollment, Mr. Wayne Hilty, Chief Operating Officer and Chief Financial Officer of Aspire Public Schools, was invited to address the issue. Mr. Hilty explained that Aspire is adding another charter school in the area and plans to spread the students between the two schools.

Ms. Johantgen described the student performance data and informed the members that Aspire is reviewed as one entity and the student performance data for all Aspire schools is evaluated, as is financial and other data.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-03, finding Aspire Public Schools and Aspire Centennial College Preparatory Academy financially sound for purposes of its Final Apportionment. This determination is contingent upon Aspire and Centennial electing to have its CSFP payments intercepted at the State level pursuant to Education Code Sections 17199.4 and 17078.57.

Resolution No. 12-04 – Approving the allocation of Qualified School Construction Bond (QSCB) Borrowing Authority to Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley Learning Corporation), located in Livermore, California, in an Amount Not to Exceed \$15,000,000 under the Charter School QSCB Program and Authorizing the Taking of Necessary Actions in Connection Therewith

Ms. Johantgen described the request by Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley) for two series of bonds. The allocation approved previously has expired and Tri-Valley is currently requesting an extension and an increase in allocation from the previous allocation adopted on August 11, 2010. The QSCB allocation was extended and has since expired on December 31, 2011 due to issues related to the negotiations for the purchase of land and buildings.

Ms. Johantgen introduced the financing team for the Tri-Valley bond transaction: Bill Bachelor, representing the school, Mark Holmstedt, underwriter with Westhoff, Cone & Holmstedt, and Eugene Clark-Herrera, bond counsel with Orrick, Herrington and Sutcliff.

A discussion ensued regarding the increase in the amount of QSCB allocation being requested and the overall scope of the project.

Ms. Johantgen recommended the board members approve the allocation contingent upon staff receiving verification from the chartering authority the school continues to be in good standing and in compliance with the terms of the charter. A public comment provided by email prior to the meeting was read to the members.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-04, Approving the Allocation of Qualified School Construction Bond (QSCB) Borrowing Authority to Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley Learning Corporation) in an amount not to exceed \$15,000,000.

Resolution No. 12-05 – Authorizing the Issuance from Time To Time in an Aggregate Amount Not To Exceed \$20,331,000 to Finance Working Capital Loans to Certain Charter Schools in Maximum Loan Amounts, Approving the Form of a Note Purchase Agreement, Loan Agreements and an Indenture Therefor, and Authorizing Certain Other Actions in Connection Therewith (Action Item)

Ms. Johantgen provided an update of the Charter School Working Capital financing. The financing is to provide the participating schools with access to working capital, including relieving anticipated temporary monthly cash flow deficits. To address the concerns of Mr. Reyes and Ms. Oropeza, Ms. Johantgen assured the Board that this is not a CSFA endorsed program but that CSFA would be acting as conduit debt issuer.

After discussion by the Board members relating to the structure of the financing and the interest rate, Ms. Oropeza suggested promoting other programs to give charter schools more options. Ms. Moira Topp from the California Charter School Association (CCSA) acknowledged that CCSA understands that this is just another option for charter schools and it is not a mandate to participate in the financing. She stated that charters are aware that other private sector options exist, and she thinks this is a good alternative for charter schools and will continue to work with the Authority on future deals.

Mr. Mike Barr, on behalf of St. HOPE Public Schools, commented that as much as they would like to see a more even playing field, at the moment there are not many options for charter schools in the State of California.

Ms. Oropeza asked Authority staff and Citibank to provide feedback toward the end of the year to show how many schools participated and what happened to their overall budget after payments.

It was moved, seconded, and passed with a vote of 2 – 1 (Oropeza Nay) to adopt Resolution No. 12-05, authorizing the issuance of Notes from time-to-time in an aggregate amount not to exceed \$20,331,000 to finance working capital loans to certain designated charter schools in maximum loan amounts, approving the form of a note purchase agreement, loan agreements and an indenture therefor, and authorizing certain other actions in connection therewith.

### **Public Comment**

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

Respectfully submitted,

Katrina Johantgen  
Executive Director