

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, January 9, 2013
11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Patricia Wynne, serving as Chair, called the meeting to order.

Roll Call

Members Present: Patricia Wynne, designee for Bill Lockyer, State Treasurer
Jennifer Rockwell, designee for Ana J. Matosantos, Director of Finance
Kathleen Moore, 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 December 12, 2012 Authority board meeting were approved as submitted.

Executive Director's Report

Charter School Facilities Program (CSFP): Ms. Johantgen advised that all CSFP payments are being secured through the intercept mechanism to ensure payments are current by the end of the fiscal year.

Conduit Bond Program: Ms. Johantgen notified the members that Coastal Academy Charter School financings has achieved a BBB- rating, it will be ready for pricing next week and is expected to close at the end of January. Mr. Steven Theuring informed the members of the status of the program's funds.

State Charter School Facilities Incentive Grant: Ms. Johantgen provided an update for the rulemaking file. An exemption is being requested to OAL's quarterly approval schedule to allow the amended regulations to be approved prior to the start of the upcoming funding round (2013).

Resolution No. 13-01 – Approval of Amendments to the Regulations for the Credit Enhancement Grant Program (CFDA #84.354A) and Authorizing the Rulemaking Process

Ms. Johantgen proposed changes to the regulations that guide the Charter School Facilities Credit Enhancement Grant Program (Program). These changes are mostly for clarification purposes.

Ms. Johantgen informed the members that the most significant change is in Section 10194(c), the Applicant eligibility criteria. Authority is shifting the word “charter school” to “applicant” that would allow for an charter or educational management organization to apply to the Program on behalf of a charter school. Another significant change clarifies the leverage requirement of an 8 to 1 ratio calculator.

Ms. Johantgen provided clarification about potential scenarios proposed by charters under this program and how some schools have used land or property as equity when applying for a grant award. Certain financial institutions have approached the Authority about serving as conduit issuer for their loans to local charter schools and utilizing the intercept mechanism. Ms. Johantgen cited Stockton Collegiate as an example of a unique situation.

Ms. Wynne requested staff provide an update about the ongoing interest and efficacy in this new program in six months. Ms. Johantgen added that the Authority does not have emergency rulemaking authority and will take several months to complete the rulemaking process before the proposed changes would become effective.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-01, approving the proposed amendments and authorizing the rulemaking process for the Credit Enhancement Grant Program (CFDA #84.354A).

Resolution No. 13-02 – Approval of Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$500,000 to Stockton Collegiate International Secondary School, Located in San Joaquin County

Ms. Johantgen advised Stockton Collegiate International Schools has applied for an award under the Credit Enhancement Program and has met the Program’s parameters for an award of allocation.

However, given the Authority’s Program leverage requirement that awards meet an 8:1 loan-to-award ratio and based on the total loan amount of \$1,880,000, Stockton Collegiate International Schools qualifies for a maximum award of \$235,000, not the original amount of \$500,000 that the school was seeking. Ms. Johantgen noted that the school met evaluation criteria.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-02, approving an award under the Charter School Facilities Credit Enhancement Grant Program in an amount not to exceed \$235,000 to Stockton Collegiate International Secondary School.

Resolution No. 13-03 – Determination Regarding financial Soundness for the Charter School Facilities Program for Advance and/or Final Apportionment for CHIME Charter School Located in Los Angeles County.

Ms. Johantgen advised CHIME Charter School has requested conversion to final apportionment for new construction of a two-story facility on land owned by the Los Angeles Unified School District in Woodland Hills. The school has demonstrated that it has maintained its financial soundness.

CHIME has increased enrollment, growing from 79 students in 2001-02 to 653 students in 2012-13. Contingent upon CHIME continuing to receive revenues from its tenant through its lease agreement, CHIME is expected to achieve debt service coverage levels of 90.2%, 142.7%, and 196.6% for 2015-16 through 2017-18, respectively (the first three years of CSFP payments).

Ms. Johantgen recommended the members find CHIME financially sound for purposes of final apportionment. The finding of financial soundness would be in place for six months and is contingent upon there being no material legal, financial, or operational changes within this time period.

Mr. Erin Studer, Executive Director of Charter School Programs for CHIME Institute, spoke about the project and thanked staff for working on this transaction. Mr. Jim Bush, President, Charter Schools Solutions, spoke on behalf of CHIME regarding the contingencies set in place for this transaction.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-03 finding CHIME Charter School has maintained its financial soundness for purposes of final apportionment under the Charter School Facilities Program. This finding is in place for six months.

Resolution No. 13-04 – Determination Regarding Financial Soundness for the Charter School Facilities Program for Advance and/or Final Apportionment for Today's Fresh Start Charter School and Today's Fresh Start Charter School Inglewood, Both Located in Los Angeles County

Ms. Johantgen advised that Today's Fresh Start Charter School has requested conversion to final apportionment for renovation of its in Inglewood facility.

Ms. Johantgen introduced representatives of Today's Fresh Start Charter School, including Dr. Jeanette Parker, Dr. Clark Parker, Ms. Yvette Brown, and also Mr. Jim Bush, of Charter School Solutions.

Ms. Johantgen stated that Today's Fresh Start has demonstrated that it has maintained its financial soundness for purposes of the Program. Today's Fresh Start is fulfilling its local matching share obligation through a 30-year CSFP lease obligation.

Dr. Clark Parker spoke on behalf of the school and thanked Authority staff for their efforts over the years.

It was noted that the original request for \$12 million had increased to \$18 million. Mr. Bush explained that the estimate in the original application was based on 2004 enrollment and property values. Since 2004, the Office of Public School Construction approved increases due to urban security and the project changing to a two-story facility.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-03 finding Today's Fresh Start Charter School has maintained its financial soundness for purposes of final apportionment under the Charter School Facilities Program. This finding is in place for six months.

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

Respectfully submitted,

Katrina Johantgen
Executive Director