

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Tuesday, April 16, 2013
3:30 p.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Katie Carroll, serving as Chair, called the meeting to order.

Roll Call

Members Present: Katie Carroll, designee for Bill Lockyer, State Treasurer
Tom Dyer, designee for Ana J. 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 March 20, 2013 CSFA board meeting were approved as submitted.

Executive Director's Report

Ms. Johantgen informed the members of a financing being presented today. She stated that most of the recent financings are also applying for the Credit Enhancement Grant Program as well.

Bond Report: Ms. Johantgen mentioned there are two remaining QSCB allocations that have yet to be issued. Additionally, a financing recently closed on April 5, 2013, for the RAN 2013 series issued for Aspire Public Schools. Lastly, Ms. Johantgen informed the members of a number of financings that are anticipated for the later spring and summer months.

Charter School Facilities Program (CSFP): Ms. Johantgen updated the members on the requests for funding apportionments received by the Office of Public School Construction prior to their January 1, 2013 deadline. Authority staff is currently evaluating each school's ongoing financial soundness for presentation to the members in May and June.

State Charter School Facilities Incentive Grant: Ms. Johantgen reported that 122 applications have been received for the Round 9 funding round. The application deadline

was April 10, 2013 at 5:00 p.m. All applications were required to be received by mail or hand-delivery at either of the Authority's offices. However, one was received electronically and several were received late, including some that were hand-delivered to the Los Angeles office after the deadline; all late applications and electronic applications were deemed ineligible. Funding recommendations will be presented to the members at the board meeting in June. Staff is currently working to notify the schools of their eligibility and of any deficiencies in their applications.

Credit Enhancement Program: Ms. Johantgen stated that several applications for awards under the Credit Enhancement Program have been received, requesting about \$4,000,000. The debt service reserve awards that are made at the board level are typically higher than the size of the actual award that will be finalized and the final debt service reserve amount is sized and set. Some additional capacity will become available as the financings close and the financings are sized.

Administration and Legislative Updates: Ms. Johantgen provided an update regarding the Governor's proposal to transfer the Charter School Revolving Loan Program and the Charter School Facility Grant Program from the California Department of Education (CDE) to the Authority. At the morning session of the Assembly Education Committee the same day, the committee members voted to approve the Governor's proposal to transfer the two programs. At this process proceeds, staff is actively reviewing the programs in anticipation of the transfer.

Resolution No. 13-07 – Authorizing the Issuance From Time To Time of Notes in an Aggregate Amount Not to Exceed \$4,092,000 to Finance Working Capital Loans to Certain Charter Schools in Maximum Loan Amounts Indicated below, and 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 introduced Ms. Amy Laughlin, Associate Director, Low Income Investment Fund (LIIF), and Mr. Richard McNeel Jr., Controller, Education for Change. Ms. Johantgen noted that this is the fifth series of notes that Citibank has brought to the Board for purposes of providing working capital to charter schools. Aside from the addition of LIIF to the financing team, there are essentially no other changes.

Ms. Laughlin gave a brief introduction about LIIF as a nonprofit lender across the country and appreciated being part of the financing team. She commented that this will enable LIIF to offer more financing choices to more charter schools. Mr. Laughlin pointed out that the costs have come down a bit since the previous financings. Mr. McNeel discussed briefly Education for Change and what they have accomplished as an organization and with their charter schools.

In response to a board member's questions, Ms. Johantgen explained to the members that this bond issuance is a conduit transaction; it is against the school's debt, not against the State. It is not an obligation of the Authority or the State. Mr. McNeel added that they looked at other financing options, but they did not meet their needs for cash flow purposes. Ms. Laughlin provided additional comparisons between the various financing products available.

Ms. Johantgen recommended the members adopt the resolution authorizing the issuance of notes for the charter schools listed.

School	CDS Code	City	Non-Profit Corporation	Not to Exceed Loan Amount
Cox Academy	01-10017-6001788	Oakland	Education for Change	\$1,460,000
World Academy	01-61259-0109983	Oakland	Education for Change	1,126,000
ASCEND	01-61259-6118608	Oakland	Education for Change	1,132,000
ASA Charter	36-67876-0107730	San Bernardino	ASA Charter School, Inc.	374,000
TOTAL				\$4,092,000

It was moved, seconded, and passed with a vote of 2 to 0 (Dyer and Carroll) to adopt Resolution No. 13-07, authorizing the issuance from time to time of notes in an aggregate amount not to exceed \$4,092,000 to finance working capital loans to the listed charter schools. Ms. Oropeza abstained from voting.

Resolution No. 13-08 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$660,000 to Alliance College Ready Public Schools on Behalf of Alliance College-Ready Academy High No. 18 Located in Los Angeles County, California (Action Item).

This item was held over until a future meeting.

Resolution No. 13-09 – Approving the Allocation of Qualified School Construction Bonds (QSCBs) in an Amount Not to Exceed \$10,750,000 to Alliance College Ready Public Schools Under the Charter School QSCB Program and Authorizing the Taking of Necessary Actions in Connection Therewith (Action Item)

Ms. Johantgen advised that this item will reauthorize an allocation of Qualified School Construction Bonds (QSCBs) previously granted to Alliance College Ready Public Schools, and to increase the allocation by another \$250,000. Another charter school had rescinded their QSCB allocation of \$250,000 and no other current application was pending for a potential QSCB allocation. Therefore, Alliance College Ready Public Schools had requested the additional capacity.

Staff recommended the members approve the reauthorization and the increased allocation of QSCBs to Alliance College Ready Public Schools.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-09, approving the allocation of Qualified School Construction Bonds (QSCBs) in an amount not to exceed \$10,750,000 to Alliance College Ready Public Schools under the Charter School QSCB Program.

Resolution No. 13-10 – Authorizing the Issuance of Qualified School Construction Bonds (QSCBs) in an Amount Not to Exceed \$10,750,000* to Finance the Acquisition, Construction, Improvement, and Equipping of Educational Facilities Located in Los Angeles, California (Action Item)

This item was held over until a future meeting.

Resolution No. 13-11 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$15,000,000 to Finance the Acquisition and Renovation of Educational Facilities Located in Los Angeles, California (Action Item).

Ms. Johantgen advised that the bond documents have been amended since this financing was previously approved by the members and it was found necessary to re-present the entire transaction to the members for approval. Ms. Johantgen further explained that the inducement agreement is no longer part of the bond documents.

Ms. Johantgen introduced members of the financing team: Mr. Marc Bauer, Orrick, Herrington & Sutcliffe, LLP; and Ms. Megan Wienand, RBC Capital Markets, LLC. Mr. Mark Bauer explained that the last step before proceeding is determining the purchase price of the building; which is expected this month. Mr. Stepan Haytayan, Deputy Attorney General, California Department of Justice, (via telephone) provided a summary of the purpose of the inducement agreement and explained the substitution allows for a direct contract with a special purpose entity other than the charter school.

Ms. Johantgen advised this was not the first financing with a special purpose entity. Ms. Johantgen added that this special purpose entity holds title to the facility so the charter school can access certain funding opportunities.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-11, approving the issuance of bonds in an amount not to exceed \$15,000,000 to VSF School Facilities #1, LLC, for the benefit of Central City Value School and Downtown Value School.

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

Respectfully submitted,

Katrina Johantgen
Executive Director