

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, July 17, 2013
2:00 p.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Michael Paparian, serving as Chair, called the meeting to order.

Roll Call

Members Present: Michael Paparian, designee for Bill Lockyer, State Treasurer
Kathleen Moore, designee for Tom Torlakson, Superintendent of Public Instruction
Jennifer Rockwell, designee for Ana J. Matosantos, Director of Finance

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 June 26, 2013 Authority board meeting were approved as submitted.

Executive Director's Report

Charter School Facility Program (CSFP): Ms. Johantgen stated that staff had undertaken several financial soundness evaluations. She informed the members that three evaluations were being presented that day; two for Aspire and one for KIPP King Collegiate. Additional reviews are forthcoming and are scheduled to be presented at the August board meeting.

State Charter School Facilities Incentive Grant: Ms. Johantgen updated the members on the award recommendations for Round 9 of the State Charter School Facilities Incentive Grants Program that were made at the June board meeting. She informed the members that staff released the award letters and grant agreements, in accordance with the regulations. The new subgrantee charter schools must agree to the terms and conditions of the grant agreement prior to receiving any disbursements. The executed grant agreements are due back by August 22, 2013.

Lastly, beginning in August, staff will conduct the semi-annual evaluation to confirm on-going eligibility for all current subgrantees as required under the regulations for this program.

Charter School Facilities Credit Enhancement Grant Program: Ms. Johantgen stated that two requests for awards under this program will be presented in today's meeting

Administrative and Legislative Update: Ms. Johantgen updated the members on the two new programs being transferred from the California Department of Education (CDE). The adoption of regulations for the Charter School Facility Grant Program will be presented today. Documentation related to applications for funding in FY 2012-13 were received from CDE regarding both programs this morning. Proposed program regulations will be presented for the Charter School Revolving Loan Fund Program in either September or October.

Ms. Johantgen reported that a number of financings approved previously have yet to close. This is due to market conditions that have affected the ability to price municipal and charter debt, specifically. As a result, staff is working with financing teams and underwriters to forecast when these financings are likely to close.

Bond Report: Steven Theuring, Program Analyst, reported on the status of the Conduit Financing Program. He updated the members on the current fund balances, as recently updated on June 30, 2013. Staff is working with the auditing firm, Gilbert and Associates, on the 2013 audit. Additionally, it was reported that the Intercept Method for repayment of loans is effective and working well.

Resolution No. 13-26 - Adoption of the Emergency Regulations for the Charter School Facility Grant Program and Authorizing the Emergency Rulemaking Process

Ms. Johantgen presented the draft emergency regulations for consideration for the newly transferred State Charter School Facility Grant Program, which was transferred beginning with the 2013-14 fiscal year. This grant program assists with facilities rent and lease costs for pupils in eligible charter schools. Staff has worked with the Legislature and various charter school stakeholders to ensure the smooth transition of the grant program and to ensure that grant funds will be awarded by the first programmatic deadline of October 15, 2013.

Ms. Johantgen walked the members through various aspects of this program, including eligibility criteria, award analysis, program methodology, and application acceptance. There is approximately \$92 million available for award this fiscal year. The first application submission date is scheduled for September 3, 2013 with a 5:00 pm deadline for all applications. Applications may be hand delivered or mailed. The application announcement and form will be distributed to all charter schools using CDE's mailing list and will be available on our website.

Mr. Mark Paxson, General Counsel for the State Treasurer's Office, reported on some facets related to the program, including conflict of interest issues regarding related parties leasing to charter schools, staff's determination of eligibility and the school's appeal process. Additionally, he reported on providing flexibility and exceptions to applicants who previously would not be eligible to apply to this program, i.e., start-up or first time charter schools.

Staff recommended that the members adopt Resolution 13-26 approving the proposed regulations for the administration of the Charter School Facility Grant Program.

It was moved by Jennifer Rockwell, seconded by Kathleen Moore, and passed unanimously to adopt Resolution No. 13-26, approving the adoption of the proposed regulations for the Charter School Facility Grant Program and Authorizing the Emergency Rulemaking process.

Resolution No. 13-27 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Aspire Antonio Maria Lugo Located in Los Angeles County, California

(see below)

Resolution No. 13-28 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Aspire Clarendon Located in Los Angeles County, California

Ms. Johantgen presented the following two Aspire Project items (Resolution 13-27 and Resolution 13-28) simultaneously, both being LAUSD schools and part of the Aspire Public School's (Aspire's) organization. Both schools are seeking site and design acquisition funding.

Aspire, on behalf of Aspire Antonio Maria Lugo Academy (AMLA), is seeking a Proposition 1D Advance Apportionment of \$1,419,528 for design services and \$5,500,000 for site acquisition. Aspire, on behalf of Aspire Junior Collegiate Academy (JCA), is seeking a Proposition 1D Advance Apportionment of \$2,407,372 for design services and \$5,500,000 for site acquisition. Both schools meet eligibility requirements. Staff recommended approval of both resolutions as each of the schools met the requirements for being found financially sound for purposes of the Program.

With no public comment, Ms. Moore moved approval of Resolutions 13-27 and 13-28. It was seconded by Ms. Rockwell and passed unanimously to find each of the two schools, Aspire Antonio Maria Lugo Academy and Aspire Junior Collegiate Academy, to be financially sound for purposes of Advance Apportionments.

Resolution No. 13-29 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for KIPP King Collegiate (Rehabilitation) Located in Alameda County, California

Ms. Johantgen explained that during the Preliminary Apportionment determination for KIPP King Collegiate, it was for a standalone legal and financial entity. After nine months, they co-mingled with six other KIPP Bay Area Schools. Ms. Johantgen discussed the only issue for KIPP Bay Area Schools is their heavy reliance on contributions.

It was moved, seconded and passed unanimously to adopt Resolution No. 13-29, finding KIPP King Collegiate (Rehabilitation) to be financially sound for purposes of the Charter School Facilities Program for Advance/Final Apportionment.

Resolution No. 13-30 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Magnolia Science Academy – San Diego Located in San Diego County, California

This item was held over for a subsequent meeting.

Resolution No. 13-31 - Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,430,000 to 52nd & Crenshaw LLC for the benefit of Inner City Education Foundation doing business as View Park Preparatory Accelerated Charter Elementary School and View Park Preparatory Accelerated Charter Middle School both Located in Los Angeles County, California

Ms. Johantgen informed the members that Inner City Education Foundation (ICEF) had not yet closed on the bond transaction that was approved at the May board meeting.

Mr. Parker Hudnut, speaking on behalf of the school, explained to the members how critical the credit enhancement program is for the organization; this will allow a lowering of the costs of the bond. Mr. Hudnut further explained that the savings will enable the organization to direct more funds toward classroom use.

It was moved, seconded and passed unanimously to adopt Resolution No. 13-31, approving the award under the Charter School Facilities Credit Enhancement Grant Program, in an amount not to exceed \$1,430,000 to 52nd & Crenshaw LLC for the benefit of Inner City Education Foundation doing business as View Park Preparatory Accelerated Charter Elementary School and View Park Preparatory Accelerated Charter Middle School both located in Los Angeles County.

Resolution No. 13-32 - Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,500,000 to 2023 Union LLC for the benefit of the designated parties located in Los Angeles County, California.

Ms. Johantgen explained to the members that this Credit Enhancement award is for a number of Alliance Schools, and that the Alliance has met all eligibility and evaluation criteria for the Program. This is the second Credit Enhancement grant to the Alliance Schools.

Mr. Jose Franco, Program Analyst, notified the members that the Authority has received verification of good standing and charter compliance from the chartering authorizer for all applicable Alliance schools.

It was moved, seconded and passed unanimously to adopt Resolution No. 13-32, approving the Charter School Facilities Credit Enhancement Grant Program Award in an amount not to exceed \$1,500,000 for the benefit of the parties listed in the resolution and located in Los Angeles County, California.

Resolution No. 13-33 - Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$600,000 to Magnolia Education and Research Foundation for the benefit of Magnolia Science Academy Located in Los Angeles County, California.

This item was held over until a subsequent meeting.

Resolution No. 13-34 - Authorizing the Issuance of Bonds in an Amount Not to Exceed \$22,000,000 to Finance the Acquisition, Construction, Expansion, Remodeling, Renovation Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California

Ms. Johantgen advised that this transaction for an ICEF project received a BB- rating. A TEFRA hearing was held earlier today, and there were no public comments.

It was moved, seconded and passed unanimously to adopt Resolution No. 13-34, approving the Authorization of the Issuance of Bonds in an Amount Not to Exceed \$22,000,000 to Finance the Acquisition, Construction, Expansion, Remodeling, Renovation Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California.

Resolution No. 13-35 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$25,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California

Ms. Johantgen advised that this transaction for several Alliance schools received a BBB-rating. She also noted that this has been a complicated transaction given that there is a reimbursement component, and that Authority staff has worked closely with the Attorney General's Office and bond counsel, as well as other staff within the Treasurer's Office to ensure that this deal could be brought to the board in a timely manner. Mr. Stepan Haytayan, Deputy Attorney General, spoke about the due diligence being done on this transaction.

Mr. Bill Wildman, RBC Capital Markets, LLC, explained the breakdown of the projects. The project started out as refinancing for improvements for Alliance Gertz-Ressler and received a BBB- rating. Since there was excess bonding capacity, Alliance decided to take advantage of this opportunity to raise additional capital to be secured through this transaction. This allowed Alliance to implement some of the projects that they have been trying to raise money for, thus showing 17 Alliance schools on the project list, and using a portion of the funds to acquire sites for additional schools.

It was moved, seconded and passed unanimously to adopt Resolution No. 13-35 approving the Authorization of the Issuance of bonds in an amount not to exceed \$25,000,000 to finance and refinance the acquisition, construction, expansion, remodeling, renovation Improvement, furnishing, and equipping of educational facilities located in Los Angeles County.

Resolution No. 13-36 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$11,753,325 to Finance the Acquisition, Construction, Improvement and Equipping of Educational Facilities located in San Marcos, California.

Ms. Johantgen informed the members that this will be the final QSCB transaction to be authorized through the Authority. Ms. Johantgen explained that High Tech High (HTH) has decided to privately place their QSCB debt rather than sell it publicly in the capital markets. Mr. Clark-Herrera, Bond Counsel, provided a brief explanation of the new structure, and described how Citi National Bank, the purchaser of the bonds, will provide credit enhancement to the bond and what benefit the school will gain with the structure; the greatest benefit being much lower interest costs. Ms. Johantgen mentioned that HTH will still retain the credit enhancement grant with the Authority.

It was moved, seconded and passed unanimously to adopt Resolution No. 13-36 approving the authorization of the issuance of Qualified School Construction Bonds in an amount not to exceed \$11,753,325 to finance the acquisition, construction, improvement and equipping of educational facilities located in San Marcos, California.

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

Respectfully submitted,

Katrina Johantgen
Executive Director