

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, October 9, 2013

11:00 a.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  
Jeannie Oropeza, designee for Tom Torlakson, Superintendent of Public Instruction  
Eraina Ortega, designee for Michael Cohen, Director of Finance

Staff Present: Katrina Johantgen, Executive Director  
Terri Kizer, Program Analyst  
Kristen Schunk, Program Analyst

The Chair declared a quorum present.

### Approval of Minutes

The minutes for the August 14, 2013 Authority board meeting were approved as submitted.

### Executive Director's Report

Charter School Facility Grant: Ms. Johantgen provided the status of the 2013-14 funding round. A total of 322 applications were received by the deadline and staff is on target to process the first estimated apportionments on October 15. Ms. Johantgen advised that the emergency regulations will be converted to permanent regulations this Spring.

Final processing of the 2012-13 true-ups for the applications transferred from the California Department of Education will be completed soon. New legislation authorizing the Authority to disburse funds initially allocated in the 2012-13 State budget has been signed by Governor Brown and the appropriate accounts have been created by the State Controller and our accounting office.

Charter School Revolving Loan Fund: Ms. Johantgen informed the members that draft emergency regulations are being developed and will likely be presented to the members for review and approval in November. The application period is being planned for early 2014. Statute provides a maximum loan amount of \$250,000 per school which is to be re-paid within five years. Ms. Johantgen stated that the terms related to underwriting and eligibility are being evaluated and will be included in the emergency regulations.

Financings: Ms. Johantgen informed the members of two bond sale deals that were placed earlier in the day, one having a non-investment grade rating, the other an investment grade.

Charter School Facilities Program (CSFP): Ms. Johantgen informed the members that three financial soundness evaluations will be presented today. Additionally, she stated that the State Allocation Board is considering another funding round with about \$90-\$100 million in funding that could potentially be available next year.

State Charter School Facilities Incentive Grants Program: Ms. Johantgen informed the members that the Federal government shutdown is causing a delay in processing monthly disbursements as funds cannot be drawn down from the Federal account.

Charter School Facilities Credit Enhancement Program: Ms. Johantgen stated that given the number of applications received and the awards that have been made, the program is over-subscribed for the \$8.3 million in available funding. The U.S. Department of Education is considering another funding round in 2014, which staff is planning to prepare an application. Typically this type funding is tied-up for 30 years. With the ongoing repayments and the earned interest, sufficient funds will eventually allow for another award, however, it will take a while before another award may be granted.

Administrative and Legislative Update: Ms. Johantgen introduced two new employees; Teresa Garcia is a new analyst in the Los Angeles office and Kristin Schunk is a new analyst in the Sacramento office. Additionally, Eric Lawyer, an analyst with the State Treasurer's Office, is assisting with the evaluation of applications for the Charter School Facility Grant.

#### Consideration of an Appeal by the Inyo County Superintendent of Schools Regarding the Charter School Facility Grant

Ms. Johantgen advised that an email notice was distributed to all California charter schools on August 19, 2013 of the application requirements and the deadline for the 2013-14 funding round under the Charter School Facility Grant. Nine applications were received after the September 9, 2013 application deadline. These applicants were advised the deadline had passed and the late applications would not be accepted.

Two of the late applications, received on Friday, September 13, 2013, were submitted by the Inyo County Superintendent of Schools on behalf of YouthBuild Charter School of California and YouthBuild Charter School of California Central, including a formal appeal letter on behalf of the schools.

On behalf of the YouthBuild Charter Schools, Dr. Terence K. McAteer, Inyo County Superintendent of Schools, requested the late applications be accepted and presented an explanation regarding the late submissions, noting that the rejection of the applications would cause a catastrophic financial impact on the charter schools totaling an annual deficit of \$880,000. He informed the members of the YouthBuild charter program, a drop-out recovery program serving over 2,000 at risk youth in the Los Angeles area by providing a high school education and vocational job skills, also noting that the program has a 97% free and/or reduced price meal percentage. In all, this charter school program addresses many needs for their students.

Ms. Michelle Lowe, representing the California Charter Schools Association also spoke. Ms. Lowe spoke to the members on behalf of all nine of the schools with late application submissions. She appealed for a one time consideration for acceptance of the late applications, explaining how the program's transfer from CDE's rolling application process to CSFA's regulatory hard deadline resulted in late submissions.

Staff is recommended the board deny the appeal by the Inyo County Superintendent of Schools as the Program regulations clearly state the submission deadline.

After much discussion and consideration of the program's transition between the two agencies, the members explained that that this one time only consideration would apply to all late application submissions which will be evaluated and reviewed for eligibility without penalty to the schools.

It was moved, seconded, and passed unanimously to accept the late application submissions received to date for this funding round only.

Resolution No. 13-40 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,500,000 to Partnerships to Uplift Communities for the Benefit of Partnerships to Uplift Communities Valley on behalf of Lakeview Charter High School, Nueva Esperanza Charter Academy, Triumph Charter Academy, Triumph Charter High School Located in Los Angeles County, California

Ms. Johantgen advised that Partnerships to Uplift Communities Valley LLC (PUC) for the benefit of Lakeview Charter High School, Triumph Charter Academy, Nueva Esperanza Charter Academy, and Triumph Charter High School, is requesting a Credit Enhancement grant in the amount of \$1,500,000 to fund a debt service reserve fund. Staff has evaluated the application and has determined that all program eligibility and evaluation criteria have been met.

Ms. Johantgen summarized evaluation as outlined in the Enhancement Program checklist and reported on this item in combination with the associated financing listed in the following item, Resolution No. 13-41. Resolution No. 13-41 will authorize the issuance of school facility revenue bonds of \$30,000,000 to finance the acquisition of real property, and the construction, remodeling, demolition, renovation, improvement, furnishing and equipping of educational facilities for the benefit of Triumph Charter Academy, Triumph Charter High School and Lakeview Charter High School operated by PUC Valley, and pay certain costs of issuance of the Bonds.

Board Member Michael Paparian noted that this is the first resolution with limited delegation of CSFA identified in the resolution.

Mr. Brian Colon, with Robert W. Baird & Co., addressed questions from Board Member Jeannie Oropeza, regarding the Education Protection Account growth, adjustments to the LCFF changes and restrictions, Federal reimbursements, food revenues, programmatic expenses and PUC's subordination of their management fees.

Staff recommended the Board members adopt Resolution No. 13-40 approving a Credit Enhancement grant of \$1,500,000 to PUC for the benefit of the four PUC schools listed above and to direct staff to continue working with the applicant and their financing team to finalize the structure of the transaction for issuance.

Staff recommended the members adopt Resolution No. 13-41 in an amount not to exceed \$30,000,000 for Tri-Lake Charter School Properties, LLC.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-40 and to also adopt Resolution No. 13-41.

Resolution No. 13-40 was adopted approving the Charter School Facilities Credit Enhancement Grant Program award of \$1,500,000 to Partnerships to Uplift Communities for the benefit of Partnerships to Uplift Communities Valley on behalf of Lakeview Charter High School, Nueva Esperanza Charter Academy, Triumph Charter Academy, and Triumph Charter High School.

Resolution No. 13-41 was adopted authorizing the issuance of bonds in an amount of \$30,000,000 to finance the acquisition, construction, and renovation of certain educational facilities.

Resolution No. 13-41 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$30,000,000 to Finance the Acquisition, Construction, and Renovation of Certain Educational Facilities Located in Los Angeles County, California

This item was adopted simultaneously with the above item.

Resolution No. 13-42 – Approving a Financially Sound Determination for the Charter School Facilities Program (CSFP) for Advance/Final Apportionment for Language Academy of Sacramento located in Sacramento, California

Ms. Johantgen provided a summary of the status of the following three items for three awardees seeking financial soundness determinations as required under the Charter School Facility Program.

Language Academy of Sacramento requested approval for final apportionment for \$11,533,000 based on final project costs generated by the Office of Public School Construction (OPSC) for new construction and rehabilitation of an existing district facility. The new construction and rehabilitation projects will be located at 2850 49<sup>th</sup> Street in Sacramento.

Staff recommended the members find Language Academy of Sacramento financially sound for purposes of this program.

The board members deferred voting on this item until after the final item was presented.

Resolution No. 13-43 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Ánimo Pat Brown Charter High School Located in Los Angeles, California

Ánimo Pat Brown Charter High School (formerly known as Ánimo Downtown Charter High School) requested approval of its conversion to final apportionment of its preliminary apportionments under both Propositions 55 and 1D. The new construction of a modular two-story facility is located at 8145 and 8205 Beach Street in Los Angeles.

Staff recommended the members find the awardee has maintained financial soundness for purposes of final apportionment.

The board members deferred voting on this item until after the final item was presented.

Resolution No. 13-44 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Leadership High School located in San Francisco, California

Leadership High School requested approval for an advance apportionment for rehabilitation of an existing district facility, located at 300 Seneca Avenue in San Francisco. The San Francisco Unified School District has committed to provide a lump-sum payment toward the entire local matching share of \$9,117,533 through proceeds derived from the District's issuance of General Obligation Bonds in 2006. Members of the Leadership High School team were present to address questions.

Lastly, Board Member Jeannie Oropeza noted that API (Academic Performance Index) scores will not be available criteria for the next two years due to revisions to the State's examination requirements and that other test scores ought to be used for proxy.

Staff recommended the members find San Francisco Unified School District and Leadership High School financially sound for advance and/or final apportionment.

It was moved, seconded, and passed unanimously to adopt Resolution Nos. 13-42, 13-43 and 13-44 approving that each of the specified awardees have maintained financial soundness for purposes of advance and/or final apportionment for the Charter School Facility Program. Resolution Nos. 13-42 13-43 are contingent upon each awardees election to have the CSFP payments intercepted at the state level pursuant to Sections 17199.4 and 17078.57 (a)(1)(A) of the Education Code.

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

Respectfully submitted,

Katrina Johantgen  
Executive Director