

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, March 12, 2014  
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  
Jennifer Rockwell, designee for Michael Cohen, Director of Finance

Staff Present: Katrina Johantgen, Executive Director  
Kristen Schunk, Program Analyst  
Steven Theuring, Program Analyst

The Chair declared a quorum present.

### Approval of Minutes

The minutes for the February 12, 2014 Authority board meeting were not approved, they will be re-submitted for approval at the April 9, 2014 meeting.

### Executive Director's Report

*Charter School Facility Grant Program:* Ms. Johantgen updated the members that CSFA's next milestone under the Charter School Facility Grant Program is to receive, by May 1, 2014, the documentation for the other costs category of the program. At that time staff will be reviewing, analyzing and sending out disbursements to charter schools under the Program. Ms. Johantgen informed the members that CSFA met both the October 15, 2013 and March 1, 2014 apportionment disbursement deadlines for the current funding cycle. Some schools did not receive the advance apportionments by the March 1<sup>st</sup> deadline due to additional information needed from the schools.

To date, CSFA has made 221 disbursements totaling \$31 million. There are 35 disbursements pending, which is due in large part because the respective schools received both an Incentive Grants Award and a State SB 740 award; staff is evaluating these disbursements in light of the supplement / supplant issue. Ms. Johantgen added that under the 2011-2012 funding round, 34 schools were sent disbursements totaling over \$4 million.

*Charter School Revolving Loan Fund Program:* Ms. Johantgen informed the members that 49 applications were received in a timely manner while 11 applications were received late. The deadline was Feb. 24<sup>th</sup> at 5:00 PM. CSFA is working with STO counsel to determine whether the late applications can be accepted. Currently, there is approximately \$9 million in the Revolving Loan Fund Account and \$4 million in the Security Fund Account. The law

allows for monies to be transferred from the Security Fund Account to the Loan Fund Account to make additional loans. Principal paid on outstanding loans goes into the Revolving Loan Account, and interest paid goes into the Security fund Account.

Conduit Bond Program: Ms. Johantgen informed the members that CSFA closed a \$26 million financing for Partnerships to Uplift Communities (PUC) the morning of the meeting. To date, this brings the total amount of bonds issued through CSFA to \$280 million. Ms. Johantgen added that one financing will be presented at today's meeting and at least one additional financing will be brought before the Board in month of April. The financing will be a Revenue Anticipation Notes (RAN) Issuance for the Rocketship Education.

State Charter School Facilities Incentive Grants Program: Ms. Johantgen informed the members that CSFA received 76 applications for Funding Round 10 of the Program – its final funding round. Ms. Johantgen added that CSFA is waiting for notification from the U.S. Department of Education about an application for a new federal funding round for the Incentive Grants Program.

Charter School Facilities Credit Enhancement Grant Program: Ms. Johantgen informed the members that on Monday, March 1<sup>st</sup> CSFA submitted an application to the U.S. Dept. of Education for an additional \$8 million grant for the Program. At this time, Ms. Johantgen believes that there is no competition for this grant in California. Ms. Johantgen noted that in the application, CSFA stated that regulations will be modified as required by the program. If awarded the grant, CSFA will need to expedite the rulemaking process in order to make the necessary changes. Results regarding award decisions will not be known at the end of April 2014.

Administrative and Legislative Update: Ms. Johantgen advised the members that CSFA has an author (Assemblymember Nazarian) for the CSFA Act changes that it is seeking related to reimbursement of bond-related expenditures and expanding the Act to allow for other financing vehicles. CSFA will be providing regular updates on its legislative efforts.

Lastly, the programmatic changes under SB 740 are being handled and spearheaded by the California Charter Schools Association. The bill would expand eligibility under SB 740. CSFA will be providing updates about this as well.

Resolution No. 14-03 – Resolution Authorizing the Issuance of Revenue Bonds in an Amount not to exceed \$10,000,000 (Action Item)

Ms. Johantgen noted that this is the first Qualified Zone Academy Bonds (QZAB) issued by the Authority. Ms. Johantgen explained that QZABs are harder to issue, due to certain criteria that needs to be met, such as the location of the school, and the equity requirement into the project. She noted that, given the complexity of the structure, there are a lot of financing team participants, and as this is a privately-placed financing, the lenders also were identified for board members consideration.

Ms. Johantgen stated that this is a \$10 million bond issuance on behalf of Alliance College-Ready High School #20 project. A handout was provided to the members with detailed information about the flow of funds for this transaction. The issuance amount is not to exceed \$10,000,000 (\$5 million in tax-exempt bonds and \$5 million in taxable bonds). The expected issuance is March 24, 2014 and is a non-rated bond. The sale method is a private placement, and the term bonds are expected to have a final maturity of 2039. Ms. Johantgen explained to the members that bond proceeds will fund a brand new school for Alliance. She gave a brief explanation regarding the detailed handout, stating that this is a complex financial structure where many financing participants are involved in this transaction.

Eugene Clark-Herrera, Bond Counsel, Orrick, Herrington and Sutcliffe LLP, spoke regarding the structure and flow of funds, the senior and subordinate debt structure and cost of issuance involved. Mr. John Buck, Financial Advisor, explained the different types of tax advantage bonds utilized for this transaction. Ms. Shannon Farrell-Hart, CDE, was present at this board meeting as she is charged with QZAB allocations at CDE.

There was much discussion regarding the application of the two different types of tax-exempt and tax advantage bonds, how the proceeds are used and how the allocations are applied to the costs of issuance for this unique and complex, non-traditional financial transaction. There also was a lengthy discussion on the complexities of trying to compare similar transaction and the cost of issuing the bonds, as well as the long-term cost of borrowing on these types of transaction.

Ms. Johantgen, at Mr. Papanian's suggestion, agreed to come back and report on the cost of issuance analysis in a few months.

Staff recommended that the CSFA Board approve Resolution Number 14-03 in an amount not to exceed \$10,000,000 for 461 W. 9th Street Charter Facilities LLC. It was moved, seconded, and passed unanimously to adopt Resolution No. 14-03, authorizing the issuance of bonds in an amount not to exceed \$10,000,000 to finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in Los Angeles.

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

Respectfully submitted,

Katrina Johantgen  
Executive Director