

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Thursday, June 26, 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
Eraina Ortega, designee for Michael Cohen, Director of Finance

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

The Chair declared a quorum present.

Approval of Minutes

The minutes for the June 11, 2014 Authority board meeting were approved as presented.

Executive Director's Report

Charter School Facility Grant Program: Ms. Johantgen informed the board that staff is currently processing the 2014-15 funding round grant applications. CSFA received 311 applications for the \$92 million of available funding. Staff has emailed notifications to each of the applicants acknowledging receipt of their applications. First apportionments are scheduled to go out by August 31, 2014.

Ms. Johantgen noted that, subsequent to the June 11, 2014 authority action to allow all late applications to be deemed eligible for review, the eight late applicants were notified that their applications will be reviewed for funding consideration. Additionally, staff continues to work on any pending schools that have not received their final disbursements for 2012-13 and 2013-14.

Charter School Revolving Loan Fund Program: Ms. Johantgen informed the board that staff is bringing forth six loan recommendations to the board at today's meeting. Staff hopes to present the balance of the loan reviews at the July board meeting. To accommodate finalizing the remaining funding reviews, the July board meeting will be rescheduled for the third week in July.

Conduit Bond Program: Ms. Johantgen informed the board that staff just closed two financings this week for Magnolia Sciecne Academy and KIPP L.A. Ms. Johantgen reported that both transactions utilized the Credit Enhancement Grant and both pricings went very well.

Charter School Facilities Program: Ms. Johantgen reported that all applications had been received from OPSC; staff will coordinate with the OPSC staff to begin the Fall review for the \$90,000,000 of available funding under CSFP.

State Charter School Facilities Incentive Grants Program: Ms. Johantgen informed the board that Staff will present all awardees and alternates under the 10th Funding Round of the Incentive Grant Program at today's meeting.

In addition, CSFA staff will be submitting another Incentive Grants Program application on Monday to the U.S. Department of Education for a third funding round. Ms. Johantgen noted that, unlike the prior two applications submitted by CSFA, the third solitication has a new criteria. First time applicants will receive an additional 20 preference points out of a total of 140 points. Ms. Johantgen stated that California will not be getting the 20 points, since it has received to Program awards from the U.S. Department of Education. At this time it is unknown how important these 20 points are to the end result of this competitive application round. However, staff will keep the board informed of the progress on the application.

Charter School Facilities Credit Enhancement Grant Program: Ms. Johantgen informed the members that it appears that CSFA will have additional funds when KIPP LA and ICEF close. Ms. Johantgen noted to the board that CSFA had submitted a Credit Enhancement application to the U.S. Dept. of Education in March 2014.

Administrative and Legislative Update: Ms. Johantgen updated the members of Nazarian's Bill AB 1979, which allows CSFA to define the project as "finance, refinance and reimbursement" for bonds related expenses. The bill would allow reimbursement of existing debt to be financed by CSFA. In addition, this bill would allow the Attorney General's office to step back in and serve as issuer's counsel.

Ms. Johantgen informed the members that amendments to the CSFA Act had made it through the Government Finance Committee yesterday, and is heading to the Senate Appropriations Committee. It appears that AB1979 is on consent status with no opposition, and the technical changes to the CSFA Act will be in place as the bill continues to move forward.

Lastly, Ms. Johantgen reported that CSFA's Budget Change Proposal (BCP) for two additional positions under the Charter School Facility Grant Program were approved at last week's budget meeting. CSFA will now work with STO Administration to fill those positions.

Resolution No. 14-16 – 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 County, California.

Ms. Johantgen introduced Mr. Jim Blandford, a member of the financing team, who was present to answer questions. Mr. Blandford, Underwriter for Robert W. Baird & Co., Inc. spoke regarding the bond rating.

He reported that University Park and Watts, LLC is the borrower and owner of the facilities, and the user of the project will be New Designs Charter School-Watts. Ms. Johantgen noted that this is a second phase of the finance plan since the Applicant first issued \$19,865,000 in Educational Facilities Revenue Bonds, Series 2012A, 2012B and 2012C through the Authority in October of 2012.

Given the expected rating in the BB-category, the financing will be sold on a limited public offering. Ms. Johantgen stated that approval of this resolution is contingent upon a successful TEFRA hearing, with no substantive comments. The TEFRA hearing is scheduled to be held during the second week in July.

The Project includes: 1) acquiring the Watts Facilities located at 12714 South Avalon Boulevard in Los Angeles, California (the "Watts Facilities"), 2) reimbursing New Designs for improvements made to the Watts Facilities and 3) potentially funding improvements at University Park Facilities located at 2303-2321 South Figueroa Way in Los Angeles, California (the "University Park Facilities").

Staff recommends CSFA approve Resolution Number 14-16 in an amount not to exceed \$10,000,000.

It was moved, seconded, and passed unanimously to adopt Resolution No. 14-16– 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 County, California. This is contingent upon a successful TEFRA Hearing with no Substantive Comments.

Resolution 14-17 – Determination of Awards and Authorizing the Disbursement of Funds under the Tenth Funding Round of the State Charter School Facilities Incentive Grants Program for the Schools listed in Attachment A.

Ms. Johantgen reported to the board that this agenda item is to request the approval of the award of grant funds to the top ranking applications in line for a grant award as shown in attachment under Exhibit A. Approval of this resolution allows the Executive Director to execute the grant agreements and disburse the grant funds; and make awards to alternate applications as applicable, in the event Grant Program funds become available.

The Authority received approximately \$10 million in Federal Program funds annually from the U.S. Department of Education. Of the 74 applications that were received, only 35 applications are deemed eligible for the Tenth Funding Round of the State Charter School Facilities Incentive Grants Program.

Ms. Johantgen presented the board with a list of the applicants for the tenth funding round of the State Charter School Facilities Incentive Grants Program. Ms. Johantgen explained the process and criteria for reviewing each application, noting the deadlines that were in place and the time frame to cure any deficiencies. Once the eligibility process had been confirmed, staff began the process to assign preference points. The preference points are determined by the following factors which are used to process Federal Program applications:

Staff recommends members of the California School Finance Authority board adopt Resolution 14-17 approving staff's funding recommendations contained in Exhibit A of Resolution 14-17. Approval of Resolution 14-17 also authorizes the Executive Director to execute the grant agreements on behalf of the Authority.

Ms. Moira Topp of the California Charter School Association (CCSA) expressed her gratitude, and thanked CSFA staff for administering the State Charter School Facilities Incentive Grants Program.

It was moved, seconded, and passed unanimously to approve the Determination of Awards, Authorizing the Disbursement of Funds under the Tenth Funding Round of the State Charter School Facilities Incentive Grants Program for the Schools listed in Attachment A, and authorizing the Executive Director to execute the grant agreements on behalf of the Authority.

Resolution 14-18 – Approval of the Revolving Loan Fund Program Recommendations and Amounts for the Schools listed in Attachment B.

Ms. Johantgen stated that Resolution 14-18 is for the approval of the Revolving Loan Fund Program recommendations and amounts. Staff has brought forth six loan recommendations for approval at today's meeting.

Ms. Johantgen reminded the members that at the June 11th board meeting, staff had presented an extensive overview of the operational and financial reviews of the Revolving Loan Fund Program. In lieu of this, Ms. Johantgen requested that, if there were no additional questions regarding the program, it should be moved for a vote and approved.

Ms. Johantgen stated that of the 19 loan recommendations that were submitted at the June 11, 2014 board meeting, all 19 have their loan agreements and board resolutions in place. These recommendations were submitted to the State Controller's Office on June 18th prior to the June 30th deadline. Ms. Johantgen added that CSFA met its goal to have these recommendations funded by FY 2013-14.

Staff recommends that the Board adopt Resolution No. 14-18, approval of the revolving loan fund recommendations and amounts to the schools listed on Exhibit A. Staff is charged with providing schools with notification of loan approval, distributing loan agreements, executing loan agreements, and carrying out all necessary steps to disbursing funds to schools.

It was moved, seconded, and passed unanimously to adopt Resolution No. 14-18.

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

Respectfully submitted,

Katrina Johantgen
Executive Director