

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, March 11, 2015
11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Grant Boyken, serving as Chair, called the meeting to order.

Roll Call

Members Present: Grant Boyken, designee for John Chiang, State Treasurer
Eraina Ortega, designee for Michael Cohen, Director of Finance
Nick Schweizer, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director
Laura Martinez, Manager
David Weinberg, Program Analyst (via phone line)
Anne Osborne, Program Analyst
Jodie Jones, Program Analyst
Kristen Schunk, Program Analyst

The Chair declared a quorum present.

Approval of Minutes

The minutes from the February 11, 2015 Authority Board meeting that was adjourned and continued on February 18, 2015 were presented to the Board for approval. After a motion by Mr. Schweizer and a second by Ms. Ortega, the minutes were approved unanimously by roll call.

Executive Director's Report

Charter School Facility Grant Program:

The Authority has delivered the second disbursements to eligible 2014-15 schools. The total amount disbursed in 2014-15 is \$45 million.

Charter School Revolving Loan Fund Program:

Applications were due February 24th for the 2014-15 funding round. The Authority received fifty-one Priority One applications totaling \$12.75 million. There are nineteen Priority Two applications totaling \$4.4 million, for a total of \$17.15 million requested in loans. If the transfer from the Security Fund is approved, there will be approximately \$11 million available for loans, so the program will be oversubscribed. Priority One schools will be brought to the

Board before the end of the fiscal year. The Authority has also recovered \$1.158 million in defaulted loans and late payments.

Conduit Bond Program:

The Alliance deal is entering the market next week; they are working on final revisions to the offering statement. The Rocketship transaction is delayed based on ground lease issues.

Charter School Facilities Program:

There will be eight financial soundness reviews presented at the April Board meeting. Four are for preliminary apportionments and four for final conversions to begin construction.

State Charter School Facilities Incentive Grants Program:

Round 11 will be opening at the end of April once the regulations are approved by OAL. The Authority will bring the amount of available funds to the Board in April; approximately \$13-14 million.

Charter School Facilities Credit Enhancement Grant Program:

The Authority continues to collect interest payments.

Legislative and Administrative Updates:

The Authority is tracking proposals from the Governor's Office to expand the SB 740 program. It is also speaking with stakeholders on the Revolving Loan Fund language and a state-level credit enhancement program for charter facilities.

Item 5: Resolution No. 15-07 – Adoption of Proposed Emergency Regulations for the Charter School Facility Grant Program and Authorizing the Emergency Rulemaking Process

Ms. Johantgen covered the changes in the emergency regulations for the Board. She clarified first that the regulations account for an additional funding round due to the implementation of AB 948.

- Clarifies FRPM eligibility to be determined only from CDE sources as well as expanded flexibility with K-12 and 5-17 datasets.
- Adds eligibility for first-year charters to apply.
- Regarding AB 948, the Authority will review and approve eligible applications one percent at a time from 69.9% - 60% and will disburse additional funds based on availability. The Authority will address what to do about proration and oversubscription.
- Requires schools and parent organizations to be in compliance with other Authority programs. "Compliance" is a term used throughout the Authority.
- Assists charter employees with determining eligible costs.
- Moves some exemptions under "permitted cost" up to "eligible cost" to clear issues with ground leases and modulars, making them eligible.
- Clarifies the interpretation of some ongoing costs and excluded others.
- The Authority is shifting to electronic document filing. Charters and leases can be submitted electronically, or excluded if multi-year documents are still valid and on file with the Authority. Certifications and applications with original signatures are still required.

- Clarifies the estimated annual entitlement calculation for first-year charters by looking at the twenty-day CDE attendance record with a 90% cap.
- Removes irrelevant language in sections pertaining to apportionment and grant funds.

The Board began a discussion about the meaning of compliance. Concern stems from an out-of-compliance school within a management organization preventing another school within that organization from getting a loan or grant. Counsel confirms that the language would not prevent a separate school from being accepted, but an organization with an out-of-compliance school can be refused. Joyce Montgomery of the Charter School Development Center (CSDC) and Moira Topp from the California Charter School Association (CCSA) agreed with Counsel. All parties agreed that the language “associated with the charter school” should be removed.

The Board then began a conversation regarding eligible costs that are bundled in the lease. Ms. Topp was concerned about disallowing utility and salary costs, considering them “operational costs”. She said the CCSA would suggest charter schools renegotiate their leases to bundle these costs so they can be covered by the program. The main issues were if taxes should be included and what constitutes a “utility.” Counsel is against using state money to pay for taxes and assessments. However, Counsel says insurance and utilities that are tied to a property can be considered part of facility rent and lease payments. The Board recommends the language is struck regarding ongoing costs.

The Board moved to the issue of related parties. Ms. Johantgen said that the Authority had been in discussion with stakeholders since June regarding related parties. Ms. Montgomery said that the conflict of interest clauses need to be reviewed due to a lack of discussion. Counsel replied that the Authority sent out notifications twice regarding the regulations since June. The CSDC’s official response was that they continue to have concerns regarding conflicts of interest and that some schools delegate lease approvals to staff. Due to this process, schools become fully vetted and signed off by staff and Counsel; as of yet, none have been excluded.

Ms. Johantgen recommended amending Section 10170.3 to read the “Charter School Educational Management Organization or Charter Management Organization is not in default with the requirements of all other programs administered by the Authority” and from Section 10170.4, striking the word “before.”

Board Chair Boyken made a motion to accept the emergency regulations with the two Board recommended amendments and Mr. Schweizer seconded this motion. After public comment was called and none further was received, the motion passed unanimously by roll call.

Item 6: Resolution No. 15-08 – Authorizing the Executive Director to enter into Contracts on behalf of the Authority without specific Authority approval, for amounts not to exceed \$300,000

Item six allows the Executive Director to sign contracts up to \$300,000 while alerting the Board to anything above \$10,000. This is to streamline procedures among all the BCA’s the Treasurer chairs. Board Chair Boyken made the motion and Mr. Schweizer seconded it.

Public comment was called, none was received. The motion passed unanimously by roll call.

Ms. Johantgen let the Board know the next meeting will be on the third Wednesday in April. There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen
Executive Director