

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Monday, June 25, 2015
12:30 p.m.

915 Capitol Mall, Room 110
Sacramento, California 95814

Deputy State Treasurer Vince Brown, serving as Chair, called the meeting to order.

Roll Call

Members Present: Vince Brown, 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
Jose Franco, Program Analyst (via phone line)
Steve Theuring, Program Analyst
Anne Osborne, Program Analyst
Kristen Schunk, Program Analyst
Nicolaus Seppi, Office Technician

The Chair declared a quorum present.

Approval of Minutes

The minutes from the May 27, 2015 Authority Board meeting were presented to the Board and approved unanimously by roll call.

Executive Director's Report

Charter School Facility Grant Program: Ms. Johantgen noted that the Authority received and is evaluating 374 applications for the 2015-16 funding round. Only one submitted a late application and has been notified of the Authority's appeal process. For the AB 948 second funding round, 79 schools (with FRPM percentages between 69.99% and 60.00%) were identified and notified by email three times that today (June 25, 2015) is the deadline for schools to submit applications. Staff is still working on the 2014-15 true-up process, with 61% of schools complete. The Authority requested \$92 million to be encumbered by our accounting colleagues and anticipates all funds to be allocated due to the drop to 60% FRPM.

Charter School Revolving Loan Fund Program: The Board will be looking at thirty-five credits today. The Authority has received twenty-two signed loan agreements. These were sent in anticipation of approval by the Board as the Accounting department needed them by

today so the loans could be encumbered for this fiscal year and repayment can be begin next year. The program needs cash flow to make it sustainable.

Conduit Bond Program: The Authority anticipates two financings next month and one in August. The previously approved Rocketship deal has not issued and sold bonds to date. There is also a small credit enhancement grant attached to this bond deal. It is staff's understanding that the deal is delayed due to an issue with the ground lease that underlies the financing. The Authority has issued thirty-seven bond and note transactions since 2010, totaling \$429 million.

Charter School Facilities Program: There will be two recertification's coming to the Board next month involving two schools whose financial soundness reviews from November expired. It is Authority policy that these financial soundness reviews only remain valid for six months. The delay was caused by issues with program agreements being executed.

There will also be two final conversion reviews for Helix and Monseñor Oscar Romero in August.

State Charter School Facilities Incentive Grants Program: Ms. Johantgen informed the Board that Item 4 is being held over to the July meeting of the Board.

Charter School Facilities Credit Enhancement Grant Program: The Authority is reporting to the federal government and logging interest checks that come in.

Administrative and Legislative Update: Ms. Johantgen notified the Board that Gilbert and Associates are auditing all Authority programs.

Ms. Johantgen told the Board that SB 740 was expanded by \$20 million to \$112 million, and that the eligibility threshold was reduced to 55% FRPM at both the school and local elementary school level. With the program expansion, the Authority anticipates it will be oversubscribed, which will require prorated awards. This will cause issues during the true-up process.

Ms. Johantgen also informed the Board that a bill to create a credit enhancement grant was passed by the Assembly but that no funding was allocated to program.

Items 4: Resolution No. 15-14 – Determination of Awards and Authorizing the Disbursement of Funds under the Eleventh Funding Round of the State Charter School Facilities Incentive Grants Program

This item is being held over to the July 8, 2015 meeting of the board.

Item 5: Resolution No. 15-15 – Approval of the Revolving Loan Fund Program Recommendations and Amounts: The Authority is presenting thirty-five staff reports to the Board for review. The information is presented in a cursory fashion, but additional documentation is available. Of the thirty-five priority one schools presented, twenty-two have loan agreements that have been signed by school representatives. They will be sent to the accounting department today based on the vote of the Board.

The Chairperson asked what the process is regarding schools with pending codes. It was explained that to get a loan disbursement, a school needs a CDS code and a charter number. Only schools with CDS codes will go to accounting today, the others will go to the July State Board of Education (SBE) meeting. Once a code is verified by the CDE, the Authority will send the school a loan agreement as they have already been reviewed and vetted the applicant's credit. If a school is not granted a CDS code, they will not be awarded and new recommendations will be brought to the Board if funding is available.

Board member Ortega asked about the long-term health of the program, specifically about the default rate. Ms. Johantgen said that she recalls previous information about the program that spoke to a 12% default rate on the program's loan portfolio before the Authority took it over.

Ms. Johantgen noted that since 2013-14, the Authority has captured over \$1 million in delinquent or late loan payments. The Board asked, and Ms. Johantgen confirmed that, the Authority can return in August with a high level analysis of the program. Ms. Johantgen also reports that the Authority can provide the Board with the annual program report that was sent to the Legislature last October.

Board member Ortega made a motion to approve and Board member Schweizer seconded. The motion is approved unanimously by roll call.

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

Respectfully submitted,

Katrina Johantgen
Executive Director