

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, June 8, 2016  
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  
Ian Davis, Program Analyst  
Kristen Schunk, Program Analyst  
Jodie Jones, Program Analyst  
Anne Osborne, Program Analyst  
Nicolaus Seppi, Office Technician  
Jaspreet Kang, Student Assistant

Chairperson Boyken declared a quorum present after rollcall, after which Katrina Johantgen welcomed those on the phone line to the Board meeting.

Item 2: Approval of Minutes: The minutes from the May 19, 2016 Authority Board meeting were presented to the Board and approved unanimously by roll call.

### Item 3: Executive Director's Report

Due to the length of the agenda and the items to be discussed, Ms. Johantgen asked the Board members if they had any questions regarding the written documentation they received on the program updates contained in Item 3 of the binder. With no questions asked, the meeting continued.

Item 4: Resolution No. 16-16 – Resolution Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$19,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in San Bernardino County, California for Encore Education Corporation

Ms. Johantgen introduced the financing team to the Board to discuss the details of the deal and answer any questions: Denise Griffin and John Griffin from Encore Education

Corporation, and John Kim from Stifel, Nicolaus & Company, Inc. Ms. Griffin addressed the Board first by explaining some history of Encore Education and detailed the current status of the school involved with the program and about the communities they serve.

John Kim explained the details of the deal: \$16.9 million financing to buy their current facility and \$11.5 million to buy an additional facility at the current location, plus portables and related facility improvements. The deal is an Obligated Group Structure (OGS) which will only have a single school, but which additional schools can be added to at a later date.

After questions from the Board regarding some details of the deal, Ms. Ortega made a motion to approve and Mr. Schweizer seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

*Item 5: Resolution No. 16-17 – Resolution Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$25,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Santa Clara County, California for Escuela Popular Del Pueblo*

Ms. Johantgen introduced the item and presented the financing team to the Board: Bill Wildman from Piper Jaffray & Co. and Christine Cadman from Orrick, Herrington, & Sutcliffe.

Mr. Wildman discussed some of the history and purpose of the funding, including the issue of a parking lot located in the neighboring district to be resolved in the next 30 days. The deal is expected to be on the market in late August or September, and will close in early October. He moved to a discussion about the schools and detailed how the adult education aspect impacts student attendance and, in turn, investing ratings.

Ms. Ortega made a motion to approve and Mr. Schweizer seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

*Item 6: Resolution No. 16-18 – Approval of Revolving Loan Fund Program Recommendations and Amounts*

Ms. Johantgen explained the current status of the current Revolving Loan funding round and the loan approvals presented to the Board today and answered questions about the mechanics of the program and how money is disbursed and reclaimed from defaults.

Ms. Ortega made a motion to approve and Mr. Schweizer seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

*Items 7 and 8: Consideration of Appeal on Behalf of New West Charter located in Los Angeles County and Valley Charter Elementary located in Los Angeles County Related to Ineligibility for the Charter School Facility Grant Program*

Ms. Johantgen introduced Sarah Kollman from Young, Minney, and Corr, who represents the two schools for Items 7 and 8. Ms. Johantgen explained some of the background of the Charter School Facility Grant Program and for the particular appeals facing the Board.

Ms. Kollman introduced herself and described the two appeals as unique cases due to faults in the Los Angeles Unified School District's (LAUSD) "MiSiS" system, resulting in their FRPM being underreported by as much as 20%. Documentation provided to the Board showed the necessary FRPM at their local elementary schools during this time. She believes that since the statute does not specify how the Authority determines FRPM, then another dataset should be used. Regarding a CDE claim that schools had the opportunity to appeal the FRPM data, she said the affected schools do not receive the information, only the district.

After some discussion, Sharon Weir from New West Charter and Robert Burke from Valley Charter Elementary spoke to the Board about the history and current status of their schools, and how the loss of funding would impact them and the corrective measures they attempted.

Board members voiced concerns on precedent and legality regarding the regulations and Mr. Paxson clarified that regulations specify exactly the dataset to be used, leading to the determination that errors in the dataset was not for staff to correct. School representatives continued to debate the validity of other data sources, the integrity of the existing data, and the intent of the statute. Ms. Kollman suggested that regulations went against the intent of statute but Mr. Paxson countered that the Office of Administrative Law (OAL) approved the regulations and that the Authority is required to follow those regulations. After further discussion, Ms. Kollman asked for the appeal be held so actions can be taken with CDE, but Mr. Paxson indicated that if the Board chooses to take no action, the appeal will fail. Staff confirmed however that if CDE recertifies the data, the appeal can be reconsidered.

After further discussion, Chairperson Boyken asked for public comment. Michelle Low from the California Charter Schools Association voiced support for the schools and asked that the Board broadly interpret the regulations.

The Board dismissed the school representatives and took no action, letting the staff recommendation stand.

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

Respectfully submitted,

Katrina Johantgen