

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, August 10, 2016
11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

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

Roll Call

Members Present: Vincent P. 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
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 Brown 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 June 8, 2016 Authority Board meeting were presented to the Board and approved unanimously by roll call.

Item 3: Executive Director's Report

Ms. Johantgen asked the Board members if they had any questions regarding the program updates in Item 3 of the packet. With no questions, the meeting continued.

Item 4: Charter School Facility Grant Program On-line Application Process and Processing Late Applications

Ms. Johantgen called Jodie Jones before the Board, who detailed how the Authority has mitigated the issue of late applications at the Board's September 2015 request. This included the introduction of an online application and educational webinars in April 2016, and described the status of the most recent application period. Additionally, staff now recommends that all applications should be accepted until October 15 of the fiscal year, provided that all other requirements are met and that there is funding capacity.

After some additional discussion regarding late applications, Mr. Schweizer made a motion to approve and Ms. Ortega seconded. After a call for public comment, the item was approved unanimously by rollcall.

Item 5: Resolution No. 16-19 – Delegating Certain Powers and Authorizing Certain Actions Related to Debt Financings

Ms. Johantgen told the Board that all STO Authorities have delegations on file to allow Directors to allow them to enact Board decisions, and this item is to extend the current delegation authority until January 31, 2019. Ms. Johantgen confirmed that no other changes were made.

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. 16-20 – Approving Debt Issuance Guidelines

Ms. Johantgen explained to the Board that this is a modification of the existing debt issuance guidelines to allow bond representatives to sign the Authority's investor letter on behalf of investors, as they currently need to get signatures from all involved investors. She also said the Authority is working with the Attorney General's office regarding how this change will affect the investor letter and will get feedback from bond counsel and underwriters.

Ms. Ortega and Mark Paxson, the Authority's Counsel, discussed that this is only affecting charter bonds, but once the language is determined, it will be shared with other issuers in the STO. It was also confirmed for the Board they are only voting to allow the Authority to move forward with this decision, not voting on specific language.

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

Item 7: Resolution No. 16-21 – Resolution Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$14,000,000 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 ACE Charter School Foundation, Inc.

Ms. Johantgen introduced the financing team for this item: John Kim from Stifel, Greg Lippman, ACE Charter Schools' Executive Director, Michael O'Farrell, ACE Charters' Managing Director of Finance, and Eugene Clark-Herrera, from Orrick as Bond Counsel.

Mr. Lippman and Mr. O'Farrell detailed the history of ACE charters, their personal history with the company, the current fiscal situation, and future expectations for ACE. Mr. O'Farrell continued that the bond would refinance the debt of the original ACE campus and allow the construction of a multiuse room. The second site will install eleven new modular units, an administrative building, a lunch area, and new restrooms. When completed, both sites will have the same capacity and will extend the control of the site up to fifty years. John Kim said that this bond deal is a mostly tax-exempt thirty-five year Obligated Group (OG) financing to sell unrated sometime in October with an expected 4% interest rate.

After a question from Mr. Schweizer regarding aggressive enrollment projections, the team explained that the schools try to add 100 students and a grade every year, but that current facilities restrict growth, so there is expected to be more growth with the new facilities.

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

Item 8: Resolution No. 16-22 – Resolution Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$13,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and/or Equipping of Educational Facilities Located in Los Angeles County, California for City Charter Schools

Ms. Johantgen invited the financing team to the Board for this item: John Kim from Stifel, Valerie Braimah, Executive Director for City Charter Schools, and John Bales from Kutak Rock LLP as Counsel.

Ms. Braimah detailed her experience, history, and current status of City Charter Schools. She explained the project will demolish an old preschool facility for a new 2-story facility that will begin when the bond expects to close in September, and will be completed by next fall. Mr. Kim continued; it will be an OG structure with a thirty-five year financing, expecting to close in September.

The Board confirmed that the Charter will own the property and that the organization has the experience on their leadership team to safely move the financing forward, as it is their first.

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

Item 9: Resolution No. 16-23 – Approval of Revolving Loan Fund Program Recommendations and Amounts

Ms. Johantgen told the Board that this will be the final list of applicants for the 2015-16 funding round for the Revolving Loan Fund program and called up Kristen Schunk to answer any questions. Ms. Schunk explained that the program was under-subscribed this year, funding only \$7.4 million of the expected \$9 million. Ms. Johantgen explained that all of the schools are Priority Two, seven are asking for an award of \$250,000 and one for \$150,000.

After some discussion, 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 10: Resolution No. 16-24 – Adoption of Proposed Permanent Regulations for the Charter School Revolving Loan Fund Program and Authorization of the Permanent Rulemaking Process

Ms. Johantgen began to explain that these regulations have not gone to stakeholders, but confirmed that the charter community has already been notified of substantive changes. Ms. Schunk then detailed several of the changes to be made and the reasoning for them. Additionally, some of the language was taken from the Charter School Facility Grant Program (SB 740) regulations that have previously been approved.

Mr. Schweizer asked for clarification regarding the use of the term of “Affiliated parties” and Ms. Schunk explained that the California Charter School Association uses the term in their charter school lists. After some additional discussion, Mr. Paxson requested that the following grammatical change be made: “school district, parent company, or charter management organization”.

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

Item 11: Resolution No. 16-25 – Determination of Awards and Authorizing the Disbursement of Funds and a list of Alternates under the Twelfth Funding Round of the State Charter School Facilities Incentive Grants Program based on a Final Determination of Rankings based on Program requirements

Ms. Johantgen started by discussing the Authority’s history with this program and how it interacts with the SB 740 program, and that due to a reconciliation of the program, the Authority will be disbursing \$19 million this funding round. Ms. Johantgen then called up Ian Davis, who detailed the breakdown of awardees and their type of award. He further explained that the Authority worked with stakeholders to develop a webinar to assist schools in the application period and described the updated procedures used in determining awardees, as well as the development of an online application.

After some discussion of the award, Ms. Johantgen added that awards may now be increased or decreased after board approval by the Executive Director if funding is eligible for a limited time for schools still in lease negotiations.

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 12 and 13

These items were resolved at the staff level.

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

Respectfully submitted,

Katrina Johantgen