

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, September 14, 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
Jeff Bell, 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

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

Item 2: Approval of Minutes: The minutes from the August 10, 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: Resolution No. 16-26 – Resolution Authorizing the Issuance of Charter School Revenue Refunding Bonds in an Amount Not to Exceed \$8,500,000 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 Value Schools

Ms. Johantgen called the financing team before the Board who introduced themselves; Gerry Jacoby and Rhonda Hoffarth from Value Schools, Bill Wildman from Piper Jaffray, and Eugene Clark-Herrera from Orrick, Herrington & Sutcliffe. Ms. Johantgen introduced the item, explaining that an LLC will hold title over the facility and lease it to the school, University Preparatory Value High School.

Ms. Jacoby told the Board the history of Value Schools and the current status of their enrollment. Mr. Wildman continued the discussion by detailing the financial strength of Value Schools. Specifically, he explained that the investment rating is expected in October and that the bonds will be priced in November and closed later in the same month with interest rates between 3-4%.

The Board and the financing team discussed the enrollment expectations, and discussed a possible appeal of the project, stating this could be an issue that could delay the project. Lastly, they discussed their use of some of the funding in regard to interest payments.

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

Item 5: Resolution No. 16-27 – Resolution Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$27,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and/or Equipping of Educational Facilities Located in San Diego County, California for High Tech High

Mr. Wildman and Mr. Clark-Herrera remained from the previous item as Ms. Johantgen introduced the financing; a limited public offering to refinance existing High Tech High (HTH) debt with an expected BBB- rating.

Mr. Wildman described the details of the financing, explaining that this is a refinancing of a transaction that paid for the Media Arts and the HTH Chula Vista facilities and expects an interest rate in the low 3% range, given current market conditions. He additionally believes that the financing will go to market on October 27th and close a few weeks later.

After further discussion of the financing's breakdown of payments, Mr. Schweizer made a motion to approve and Mr. Bell seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

Item 6: Resolution No. 16-28 – 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 Los Angeles County, California for TEACH, Inc.

Ms. Johantgen introduced the financing team to the Board; Guillermo Garcia from Stifel, Mildred Cunningham from TEACH Public Schools, and Eugene Clark-Herrera who remained from the previous items.

Mr. Garcia started by discussing the details of the financing and the current status of TEACH Public Schools, continuing with details about the two schools that would benefit from the financing. He added that the financing itself will be designed to be an obligated group, so additional TEACH campus' could be included later into the overall credit of the borrower. Ms. Cunningham presented the history and academic successes of TEACH Public Schools to the Board.

A clarifying discussion began between the Board and the financing team regarding the locations of the individual grades and students. Additionally they discussed how the bond proceeds will be used and the reasoning behind the financing team's decision to have the bonds be unrated, as well as investors' reactions to these types of state bonds.

After some additional discussion, Mr. Bell made a motion to approve and Mr. Schweizer seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

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

Respectfully submitted,

Katrina Johantgen