

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Monday, March 20, 2017

1:00 p.m.

915 Capitol Mall, Room 587  
Sacramento, California 95814

Deputy State Treasurer Steve Juarez, serving as Chair, called the meeting to order.

### Roll Call

Members Present: Steve Juarez, 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  
Dana Brazelton, Manager  
Laura Martinez, Specialist  
Robert Biegler, Program Analyst  
Ian Davis, Program Analyst  
Jose Franco Gonzales, Program Analyst  
Jodie Jones, Program Analyst  
Kristen Schunk, Program Analyst  
Ryan Storey, Program Analyst  
Anne Osborne, Program Analyst  
Nicolaus Seppi, Office Technician  
Linda Sawin, Administrative Assistant

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

Item 2: Approval of Minutes: The minutes from the February 8, 2017 Authority Board meeting were presented to the Board and approved unanimously by roll call.

### Item 3: Executive Director's Report

Charter School Facility Grant Program: Ms. Johantgen reported that that 2016-17 disbursements are underway with \$62 million currently disbursed.

Charter School Revolving Loan Fund Program: Ms. Johantgen reported that applications were due at the end of February. The Authority received 42 applications; 30 were Priority One schools, which have not opened yet, and 12 priority two schools. The Authority is also working with the Controller and Attorneys General to write off old loans that have been closed out, which will likely be another finding with our auditor this year.

Conduit Bond Program: Ms. Johantgen reported that there will be a financing presented today, and additional financings are expected in the next few months. The Authority presented their financing report last meeting and is collecting market data to be presented to the Board next year. Lastly, the Authority is looking at how it prices its administrative fees to possibly change them.

Charter School Facilities Program: Ms. Johantgen reported that Proposition 51 (Prop 51) is underway. There was one workshop presented in Sacramento with additional workshops planned in the valley at the request of Assemblyman Nazarian. The Authority will also be presenting the program at the California Charter Schools Conference on March 21, and will also be holding an online webinar. The first financial soundness reviews are expected in the late fall, and the State Allocation Board (SAB) will make their decisions in January 2018.

State Charter School Facilities Incentive Grant Program: Ms. Johantgen reported that Round 13 opens March 20<sup>th</sup> and will close April 21<sup>st</sup>, with \$13 million expected to be disbursed. She confirmed this funding can only supplement, not supplant, State funding, and expects awards to be brought to the Board this summer.

Chairperson Juarez asked a few questions regarding funding and specifics with the programs to familiarize himself with the Authority. With no additional questions or comments, the meeting continued.

Item 4: Resolution No. 17-05 – 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 Los Angeles County for use by New Designs Charter School

Ms. Johantgen introduced the representatives of the financing team; Jim Blandford, Managing Director, and Will McIntyre, Assistant Vice President, from Robert W. Baird & Co. The financing team discussed some of the history of New Designs and their financing history with the Authority, as well as their academic achievements. The organization received a BB+ rating and the financing will be limited to accredited and institutional investors with an expected interest rate of 5.25%. The financing team also discussed how the school is located in a low income region with over 90% Free and Reduced Price Meal (FRPM) participation, but has a 95% student retention rate from grades 6-12.

Board members asked a few questions regarding the independence of the LLC and the structure of the financing itself. The financing team confirmed that there are three members shared between the Boards of the charter school and the LLC, and that the LLC will hold the debt and lease the facilities to the school.

Ms. Johantgen confirmed that staff recommends the Board approve the item. 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. 17-06 – Approval of Financial Soundness Determination for KIPP King located in Alameda County for an Advance/Final Apportionment through the Charter School Facilities Program

Ms. Johantgen called Ryan Storey before the Board, who explained that this resolution will supersede the previous resolution. He explained there was an error which showed the full cost of the project instead of the Office of Public School Construction's (OPSC) estimate. He added that the financial soundness was reviewed for a more technical guarantee.

Ms. Johantgen confirmed that staff recommends the Board approve the item. 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. 17-07 Adoption of Proposed Regulations for the Charter School Facilities Program and Authorizing the Regular Rulemaking Process*

Ms. Johantgen reported that this item has been removed from the Agenda, due to the current regulations being sufficient to fulfil the emergency requirements. She confirmed that permanent changes will be coming to the Board in the future.

*Item 7: Resolution No. 17-08 Adoption of Proposed Emergency Regulations for the Charter School Facility Grant Program and Authorizing the Emergency Rulemaking Process*

Ms. Johantgen called the co-leads for the Program, Ian Davis and Anne Osborne, to discuss proposed changes. The team presented the following to the Board:

- Implementing a Good Standing Letter (GSL) requirement for current 2016-17 and new 2017-18 applicants to ensure a GSL is on record for all apportionments.
- Adding conflict of interest provisions to ensure all conflicts are resolved by Authority standards before being awarded by the Program.
- Extending related party requirements to include service agreements that are paid during final apportionment as vendor submissions as well as expanding who is considered a related party.

The Board asked the team to clarify what was meant by service agreements, which were described as maintenance, contracts, and general janitorial costs, and occasionally renovations. The discussion continued between staff and the Board regarding the due diligence staff use to review applications. The emergency regulations will require schools to certify to no related parties when submitting invoices by signing a certification, to be sent along with the invoices submitted for reimbursement

Eric Premack from the Charter School Development Center (CSDC) came before the Board with a public comment. He began by stressing the good relationship between the Authority staff and his organization, but believes there is no emergency, citing concerns about the conflict of interest and GSL provisions.

Specifically for GSLs, he asserted that authorizers either do not respond to requests or have spurious reasons for denying good standing, with no official capacity for charters to challenge them, as well as no official meaning for what good standing means. He stated these changes are overreaching and that rules already exist on the local level for resolving conflicts between authorizers and charters. He is additionally concerned that, if the new emergency regulations go into effect this year, they could affect schools that have already budgeted for grant funding.

Ms. Johantgen responded to the concerns, asserting that twice-a-year GSL requests are not problematic, as the federal program already requires multiple GSLs a year. The current provision also allows schools to appeal the decision. Ms. Johantgen confirmed that the additional GSL requirement will only affect the 2017-18 schools.

Asked why the CSDC has concerns regarding the conflicts of interest, Mr. Premack said that local laws exist regarding non-profits and charters to require approval of transactions when such conflicts exist, and that adding another layer of laws to this process makes it unnecessarily complicated. Ms. Johantgen responded that the Authority works with schools to resolve issues, so the extra layer of complications is not much of a concern.

The Board voiced their opinions. Mr. Juarez disagreed that a regulation cannot exist at one level of government just because it is similar to another regulation elsewhere, especially since it is not known whether all conflicts covered by the Program are covered by local laws. He asked staff to be sensitive to the ideas offered and to return to the Board if some of Mr. Premack's concerns prove true. Mr. Schweizer voiced sympathy that the meaning of "good standing" is vague, asking staff to look into some sort of guidelines, as well as adding more structure to the process.

After some additional 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 8: Consideration of Appeal on Behalf of San Jose Conservation Corps Charter located in San Jose County Related to Ineligibility for the Charter School Facility Grant Program*

Ms. Johantgen told the Board that this item will be held over until next meeting.

Before closing the meeting, Mr. Juarez stated his surprise at the number of financings and volume of programs that move through the Authority and complemented the staff for their hard work.

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

Respectfully submitted,

Katrina Johantgen