

# CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board

Wednesday, November 8, 2017  
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  
Dana Brazelton, Manager  
Laura Martinez, Manager  
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 roll call.

Item 2: Approval of Minutes: The minutes from the October 11, 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 (SB740): All 2016-17 final disbursements have been issued. While the Authority is still working on one appeal, it is expected that approximately \$98 million will be the final amount for 2016-17. Additionally, 94% of the 2017-18 initial disbursements have been process using the pro-ration levels approved at the last meeting.

Charter School Revolving Loan Fund Program: The online application is complete and will be available for use in the next funding round.

Conduit Bond Program: Several financing teams have asked to bring tax-exempt financings to an extraordinary meeting in November for board approval in light of changes to the federal tax law. The Authority will be reviewing applications as they come in, with likely three or four financings expected, all of which want to be able to close before the end of the year.

Charter School Facilities Program (CSFP): Authority staff is proposing regulation changes for the Board's approval today.

State Charter School Facilities Incentive Grants Program: The Authority completed the annual report to the US Department of Education by the October 30<sup>th</sup> deadline.

*Charter School Facilities Credit Enhancement Grant Program:* The Authority received \$8 million for a new PANACEA program and is working on a performance agreement to implement the new program. The program will provide interim financing to assist with pre-development costs for approved CSFP projects.

*Qualified Public Educational Facility Bond Program (QPEFB):* A housing developer is looking at working with these charter financings, so the Authority is working with their and CDLAC's application process to get funding underway for the developer.

*Item 4: Resolution No. 17-28 - Amending the Conduit Financing Fee Schedule*

Ms. Johantgen explains that the Authority has been collecting fees since 2010 and has revised its fee schedule a few times, but is now looking at increasing these fees due to an increasing number of deals that have been taking longer than expected to sell and close. The Authority hopes this will ensure deals are ready to go when applications are filed to encourage a more effective use of State time and resources. These changes will, among other requirements, have financing teams reimburse the Authority and other agencies for all costs incurred and require them to reapply, if financings do not go to market within 12 months.

The Board responded that these changes seem reasonable and inquired as to whether the Authority has received any comments from the charter community on the proposed fee increase. Ms. Johantgen confirmed there have been no comments provided.

Ms. Johantgen explained that many schools and financing teams have not finalized their bond deals, possibly due to the proposed tax reform bill or because they are waiting for the CSFP award determinations to be voted on by the Board.

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. 17-29 - Approving Financially Sound Determinations for the Proposition 51 Charter School Facilities Program Applicants for purposes of Preliminary and Advance Apportionments*

Ms. Johantgen explained to the Board that this item would approve the financial soundness reviews of additional CSFP projects, as well as went through the methodology used to make the determinations. Ms. Johantgen also noted for the Board that there are fewer schools on the resolution than were noticed due to staff summaries not being finalized by the Board meeting date.

Ms. Johantgen provided an explanation on the credits up for a vote today, all of which were determined competitive by the Office of Public School Construction (OPSC), and pointed out the fiscal strength of many of the schools themselves. She also explained how payments are made via the State-level intercept. Once approved, our financial soundness determinations are valid for one year, during which the apportionment must be approved by OPSC.

Mr. Schweizer asked about the EJE schools regarding a large jump in enrollment. After a short discussion regarding waiting lists and the specifics of the project, the Board decided to move to the next item until proof of their enrollment projections could be provided.

*Item 6: Resolution No. 17-30 - Adoption of Proposed Regulations for the Charter School Facilities Program and Authorizing the Regular Rulemaking Process*

Ms. Johantgen introduced the item and explained that many of the changes involved fixing grammatical issues and removing redundant language. Additions to the regulations included clarifying succession issues, especially in regards to charters converting to public schools, as well as new language regarding application submissions and interest. Sections regarding ongoing monitoring and the guarantor and borrower were removed.

The Board confirmed that schools and the public have not provided comment on these changes and Ms. Johantgen explained that she did not expect there to be any comment in the future. Mr. Paxson, legal counsel, confirmed these regulation items are a regular rulemaking action.

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 7: Public Comment

Donald Cohen, Executive Director of In the Public Interest (ITPI), addressed the Board. In April, his group released a study which examined seven school funding streams totaling \$2.5 billion over the last 15 years. Their overall finding is that facility funding is not integrated with educational policy, and that funding decisions are based on independent criteria, and are, therefore, disconnected from policy objectives. Mr. Cohen thanked the Authority on their most recent steps to increase accountability and provide greater transparency specifically citing the recent additions to the SB 740 regulations regarding lease costs and conflicts-of-interests. Mr. Cohen acknowledged that the new regulations were an important first step but believes the Authority should do more. Mr. Cohen provided a list of policy recommendations and thanked the Authority for their time and the chance to address them.

Ms. Johantgen asked if there were any additional public comments, after which the meeting continued.

Item 5: Resolution No. 17-29 (Continuation)

Ms. Johantgen informed the Board that she had received copies of the requested waitlist showing EJE Middle with 221 students and EJE Elementary with 180 students. Mr. Schweizer made a motion to approve and Ms. Ortega seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

Ms. Johantgen thanked the Authority members for being available for an extraordinary November meeting.

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

Respectfully submitted,

Katrina Johantgen