

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, May 9, 2018

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
Dana Brazelton, Manager
Ian Davis, Program Analyst
Jodie Jones, Program Analyst
Anne Osborne, Program Analyst
Kristen Schunk, 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 April 11, 2018 Authority Board meeting were presented to the Board and approved unanimously by roll call.

Item 3: Executive Director's Report

Ms. Johantgen presented the Executive Director Report. She noted that the Charter School Facility Grant Program (SB740) is finalizing disbursements for 2017-18, and the 2018-19 application period opened on April 30 and will close on June 4. Related to the Charter School Revolving Loan Fund Program, the Authority has requested that the Department of Finance (DOF) transfer funds from the Security Fund to the Program Fund to increase the amount of awards available for 2018-19. Under the State Charter School Facilities Incentive Grants Program, the Authority has received 131 applications for Funding Round 14 and award determinations are expected by August.

Ms. Johantgen also explained that regulations for the Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA) Program are coming before the Board today, and the Authority will take part in an informative webinar with Orrick and Stifel regarding the Qualified Public Educational Facility Bond (QPEFB) Program. Additionally, the Authority is working to implement Fi\$CAL. Lastly, she noted that the Authority is working with the Legislative Analyst's Office (LAO) and DOF on Trailer Bill Language.

Item 4: Resolution No. 18-05 – Resolution Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$35,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Los Angeles and Orange Counties, California for use by Ednovate, Inc.

Ms. Johantgen opened the item and confirmed that staff recommends its approval, and introduced the financing team: John Kim, Managing Director at Stifel; Katie Hart, COO, and Oliver Sicat, CEO at Ednovate, and; Eugene Clark-Herrera, Partner at Orrick.

Mr. Kim started by presenting the Board with some information regarding the overall organization and the Bond structure, and explaining the lack of a taxable portion. The deal is non-rated, so it will have the Authority's standard sales restrictions. He and Ms. Hart described the school's sites and related projects that would receive funding. He and Mr. Sicat also discussed the school's academic successes, mission, and their financial strength.

Mr. Clark-Herrera explained the legal structure of the financing. He described the "Obligated Group Structure" and how the funding stream would work, explaining that this type of structure has become popular for charter financings for its improved borrowing rates and flexibility in adding additional schools. Mr. Schweizer added that such structures can become complicated

Mr. Schweizer confirmed that, if enrollment projections are not met, the schools would likely change staffing and compensation costs, which was confirmed to be less than 50% of total school expenses. They stressed that their enrollment projections are strong and have continued to grow yearly.

Chairperson Brown discussed the status of the Bond market since the start of the year with Mr. Kim, who said that many deals were rushed from 2018 into 2017, and that now, there are about half as many financings this year as this time last year.

Mr. Schweizer made a motion to approve. He encouraged the financing team not to cut employee benefits, which are already below average, and to be transparent with their authorizers about this deal and the details of the financing structure. Mr. Bell seconded, repeating Mr. Schweizer's concerns regarding staffing costs. Chairperson Brown asked if there was any public comment.

Carolyn Fowler came before the Board, representing Dr. George McKenna from the Los Angeles Unified School District (LAUSD) Board. Ms. Fowler voice the Member's concerns related to charter school growth within LAUSD and called for greater transparency on charter related matters.

After a call for any additional public comment, the resolution was approved unanimously by rollcall.

Item 5: Resolution No. 18-06 – Adoption of the Regulations for the Charter School Facilities Credit Enhancement Grant Program Award (CFDA #84.354A) and Authorizing the Regular Rulemaking Process

Ms. Johantgen introduced the item, and clarified that the package is a regular, not an emergency, rulemaking. She explained that this will implement a new funding program, Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA), using an \$8 million federal grant award to provide interim financing to Charter School Facilities Program awardees, as well as secure other debt instruments.

Mr. Bell made a motion to approve with the amended changes 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