

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Friday, August 17, 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: John Chiang, State Treasurer
Vincent P. Brown, designee for John Chiang, State Treasurer
Juan Mireles, designee for Tom Torlakson, Superintendent of Public Instruction
Jacqueline Wong-Hernandez, designee for Michael Cohen, Director of Finance

Staff Present: Katrina Johantgen, Executive Director
Laura Martinez, Manager
Ian Davis, 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 roll call.

Item 2: Approval of Minutes: The minutes from the July 11, 2018 Authority Board meeting were presented to the Board and approved unanimously by roll call.

After roll call, State Treasurer Chiang replaced Deputy Brown as Chairperson.

Item 3: Executive Director's Report: Ms. Johantgen explained that the Authority is finalizing true-up and invoice reviews for the 2017-18 funding round of the Charter School Facility Grant Program (SB 740); the Authority received 438 applications for the 2018-19 year, with 4 arriving late. Regulations are also in their 15-day comment period. The remaining priority one Revolving Loan Fund applicants will be voted on today, with priority two schools expected in September or October, depending on the \$1.5 million security fund transfer awaiting approval at the Department of Finance. The Larchmont financing, approved by the board at its July meeting, priced this morning, and the Authority expects 2 or 3 financings in September. For the Charter School Facilities Program, the Authority has finalized Program Agreements, which are expected to be approved by the State Allocation Board and sent to schools for execution. For the Charter School Facility Incentives Grant Program, Round 14 awards will be presented today, with staff recommending 21 schools for an award (and 3 alternates). Lastly, the Project Acceleration Notes and Credit Enhancement Alternatives Program performance agreement was approved by the US Department of Education, so regulations are expected to be effective in September.

Item 4: Resolution No. 18-15 – Approval of Revolving Loan Fund Recommendations: Ms. Johantgen introduced the item and told the Board that staff recommends approval of the schools listed in Exhibit A of Resolution 18-15. Once approved, staff will prepare loan agreements and work to disburse funds. Ms. Johantgen also discussed some items that schools will need to provide to the Authority prior to receiving funds.

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

Item 5: Resolution No. 18-16 - Approving Awards and Authorizing the Disbursement of Funds under the Fourteenth Funding Round of the State Charter School Facilities Incentive Grants Program (CFDA #84.282D)

Ms. Johantgen invited Laura Martinez, Program Manager, to explain regulation changes and how the changes relate to the Authority's administration of the Incentives Grant and the SB740 program. She also discussed the awardees to be voted on and the funding amounts available.

Ms. Wong Hernandez made a motion to approve and Mr. Mireles seconded. After a call for public comment, Ervin Reed, CFO of Alta Public Schools, thanked the Board for approving his schools and was appreciative of the funding available. With no additional public comment, the resolution was approved unanimously by rollcall.

Item 6 Resolution No. 18-17 – Approval of Financial Soundness Determination for Aspire Public Schools

Treasurer Chiang confirmed with Ms. Johantgen that Item 6 was moved to the September 2018 agenda.

Item 7: Resolution No. 18-18 – Approval of Financial Soundness Determination for San Luis Coastal Unified School District

Ms. Johantgen introduced the item and said that staff recommends approval. She explained that the district had been found to be financially sound on behalf of Bellevue-Santa Fe Charter in October 2017, and approved the charter for an additional five years in February.

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

Item 8: Consideration of Appeals for the Charter School Facility Grant Program

Ms. Johantgen called Ian Davis, Program Analyst, to inform the Board about the individual schools for the item and the background of each appeal. He also discussed the history of the application procedures and past Board rulings regarding late applications. The Authority's recommendation is that all appeals be accepted on condition there is funding available after true-up in 2019, and if there is no funding, the appeals will be denied. The Authority is not yet able to determine available funds due to the October application period and other costs not being calculated until next summer, 2019.

Voices College-Bound Language Academies: Casey Fee, attorney with Young, Minney & Corr, and Frances Teso, founder of Voices College-Bound Language Academies, came before the Board to speak on its behalf of the schools. Mr. Davis explained that Voices failed to submit their application, and several items had not been uploaded to the website. He described how the website prevents submitting an incomplete application for the Board and how users are notified, but confirmed that it was not an error of the website itself.

Ms. Fee said that Voices believed they had submitted the application on time, and the next day, after the deadline, contacted the Authority and submitted the missing documentation. Ms. Teso repeated the request to approve their appeal, and claimed that losing the award would severely impact the school, and briefly discussed how the items were late.

The Board asked several questions about the school and their appeal. Mr. Mireles confirmed that the regulations clearly deny late schools, and that permitting late schools is a policy set by the Board. Ms. Wong-Hernandez said she finds it hard to deny funding for a school due to issues on the last day, discussing the differences between this appeal and the other two, and clarified the timing of any potential awards with Ms. Johantgen and how late applications for managed in the 2017-18 application period.

Moira Topp, on behalf of the California Charter School Association (CCSA) voiced support for the appeal and for the Board's ability to approve the appeal.

Grove School: Ms. Johantgen and Mr. Davis explained that the school was not able to attend the meeting due to financial hardship, but that they contacted the Authority after the deadline and asked when they could submit their application. They were unaware that they could submit an application without a valid lease agreement; Mr. Mireles confirmed that a school can apply using the previous year's lease costs if they lack a current lease.

Eric Premack, representing Charter School Development Center (CSDC) spoke in support of both Voices and Grove. He explained that the Program is expected to be fully funded with an additional \$20 million, so the Authority should immediately award these schools.

Peak to Peak Charter School: Wendy Worster, CBO of Peak to Peak Charter, spoke on behalf of the school. Mr. Davis explained that school representatives asked the Authority on June 6 about the application deadline. The school said they started an application on June 1 after receiving notification on May 28, but were unable to complete it due to technical issues. Ms. Worster said that losing this grant will be a financial hardship for the school.

After hearing from all school representatives and supporters, the Board deliberated on the four appeals. They voiced concerns about maintaining consistency and setting precedent regarding late appeals, though the Authority does not expect additional appeals for late applications. The Board discussed providing flexibility for extenuating circumstances, and the nuances between the items before them.

Mr. Mireles made a motion to approve staff recommendation for all schools, with no second.

Ms. Wong-Hernandez made a motion to immediately approve the appeal of both Voices charters and Mr. Mireles seconded. After a call for public comment, Ms. Wong-Hernandez stated that it is important not to wait until the last moment to submit applications, and that failing to follow deadlines places the Board in a difficult position. CCSA, CSDC, and other

representative associations should also remind schools when applications for these programs are due. The motion was approved unanimously after rollcall.

Ms. Wong-Hernandez made motion to approve the staff recommendation for Grove School and Mr. Mireles seconded. After a call for public comment, the motion was approved unanimously by rollcall.

Mr. Mireles made a motion to approve the staff recommendation for Peak to Peak and Ms. Wong-Hernandez seconded. After a call for public comment, the motion was approved unanimously by rollcall.

Item 9: Public Comment

John Winker, representing Imagine Schools Imperial Valley, requested that the Board reconsiders their SB 740 determination on the September agenda, and gave the Board a brief summary of what had occurred between Imagine and its authorizer. Treasurer Chiang directed Ms. Johantgen to place the item on the September agenda, for which Moira Topp thanked the Board.

Ms. Johantgen called up the next group to speak. Dr. Jennifer Root of Anaheim Union High School District asked the Board to exercise its oversight capabilities to allow transparency in financing charter school facilities. She raised concerns about the number of charter schools in her district.

Ryan Willis, trustee for Anaheim Elementary School District, raised concerns about the proliferation of charter schools in Anaheim.

Grant Schuster, president of the Anaheim Secondary Teachers Association, voiced concern related to the Aspire item that had been on the agenda but was moved to the September board meeting due to a noticing error.

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

Respectfully submitted,

Katrina Johantgen