

MINUTES

CALIFORNIA SCHOOL FINANCE AUTHORITY
915 Capitol Mall, Room 587
Sacramento, California 95814
November 14, 2019 - 2:30 p.m.

Public Participation
Call-In Number: (877) 810-9415 / Participant Code: 6535126

OPEN SESSION

Deputy State Treasurer Audrey Noda, serving as Chair, called the meeting to order at 2:35 P.M.

Item #1 **Roll Call**

Members Present: Audrey Noda, designee for Fiona Ma, CPA, California State Treasurer
Juan Mireles, designee for Tony Thurmond, Superintendent of Public Instruction
Jeff Bell, designee for Keely Martin Bosler, Director of Finance.

Staff Present: Katrina Johantgen, Executive Director
Thomas Dear, Staff Services Manager II
Spence Walker, Legal Counsel
Ian Davis, Program Lead
Jodie Jones, Program Lead
Erica Jamarillo, Associate Government Program Analyst
Jeffery Martin, Staff Service Analyst
Robert Rodriguez, Office Technician

Director Johantgen welcomed those on the phone line to the Board meeting.

Item #2 **Approval of the October 29, 2019 Board Minutes (Action Item)**

Deputy Noda introduced Item #2: Approval of the October 29, 2019 Board Minutes.

Authority Action

Motion to approve the minutes from the October 29, 2019 meeting.

MOTION: Mireles

SECOND: Bell

AYES: Mireles, Bell, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Director Johantgen provided the following program updates:

Charter School Facility Grant Program (SB 740)

- Staff is working through the 2019-20 applications. The Authority has been working with stakeholders and the Department of Finance on the current level of oversubscription, as well as projections for 2020-21 and 2021-22 given the historical oversubscription and current funding levels.

Charter School Revolving Loan Fund

- The Authority is looking to bring regulations to the board in January as the Authority is looking to convert this program to an “over the counter” program rather than a once a year application given the contracting nature of brand new charter schools. The Authority is looking to make this a Priority 2 and Priority 3 loan program versus a program for schools that have not started as this program is currently undersubscribed.

Conduit Bond and Note Program

- The Authority anticipated multiple financings in November and December as Assembly Bill 1613 loomed in the background, and when the Governor vetoed the bill, most of those financings fell off the schedule. The board is hearing one bond financing application today and the Authority expects at least two in December.

Charter School Facilities Program

- The Authority continues to monitor Prop 13 (Assembly Bill 48) which would fund the Charter School Facilities Program with another \$500,000,000.

State Charter School Facilities Incentive Grants Program (CFDA 84.282D)

- The Authority is working on implementing round 15 awardees; the Authority had a productive call with LAUSD (Los Angeles Unified School District) because so many the schools that receive funding from the Incentive Grant program are in Prop 39 facilities. The Authority was informed that we did not receive a new federal incentive grant application for rounds 16 through 20. We will continue to monitor grant opportunities.

Credit Enhancement Program

- The Authority has an obligation to report annually to the U.S. Department of Education by December 1 about the credit enhancement program.

Other

- The Authority is reaching out to new stakeholders and has been having meeting with community college districts, looking at ways the Authority might be able to provide funding or conduit issuance.
- The Authority is having early discussions with the California Department of Education to evaluate if we can finance equipment and installation for backup electric generators needed as a result of the new climate events California is experiencing.

Item #4 Resolution No. 19-32 - Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$30,000,000 to finance the acquisition, construction, expansion,

remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Los Angeles County, California for use by TEACH, Inc.

(Action Item)

Director Johantgen introduced the financing team for TEACH, Inc. (TEACH) Mrs. Mildred S. Cunningham, Co-Founder & Executive Director of TEACH Public Schools, Dr. Raul Carranza, Superintendent of Schools, Underwriter Guillermo Garcia from Stifel, Nicolaus & Company, Inc. and Jessica Shaham from Kutak Rock LLP serving as bond counsel.

Mr. Garcia brings TEACH public schools before the board seeking approval for their second bond issue. TEACH sold a bond issued by the Authority back in 2016 to fund TEACH Academy of Technologies Middle School. This proposed financing is to fund acquisition of both their elementary school and their high school as well as to fund some smaller projects including improvements to the middle school building, and the acquisition of another property to be the parent outreach center. TEACH has three schools, one of which is currently in the obligated group and following the financing all three schools will be in it. The goal is to serve grades TK-12. Currently the elementary school serves TK through second grade, over the next two years TEACH will have a third and fourth grades, completing the TK-12 pipeline. All three of the schools are authorized by LAUSD and are all close to each other within the same part of town.

Director Johantgen noted for the record at this point that the Authority is recommending the not to exceed amount be reduced from \$30,000,000 to \$27,750,000, which will be distributed as \$27,000,000 in tax-exempt bonds and \$750,000 in taxable bonds. Mr. Garcia stated that the bond will be sold in denominations of \$250,000.

Mr. Garcia continued and stated that both the elementary and high school facilities to be acquired were constructed by Red Hook Capitol and are currently in use by TEACH. The elementary school is to be purchased for \$6,250,000 and the high school is to be purchased for \$13,000,000.

Authority Action

Authorizing the issuance of Revenue Bonds in an amount not to exceed \$30,000,000.

MOTION: Mireles

SECOND: Bell

AYES: Mireles, Bell, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Director Johantgen stated that Item #5 is held over to the December or January Meeting.

Item #6 Resolution No. 19-34 - Approval of Financial Soundness Determination for Roseland Accelerated Middle School, located in Sonoma County, for a Final Apportionment through the Charter School Facilities Program

(Action Item)

Director Johantgen introduced Resolution #19-34, Approval of Roseland Charter School's final apportionment financial soundness recommendation. Authority staff found the credit to be financially sound for a project totaling over \$16,000,000, which is the final apportionment figure the Authority received from OPSC. The school received its preliminary apportionment back in 2011, which is pressing the bounds of the timeline of this program, but given where the school is located, the wildfires affected it two years ago and the school's project was delayed. The school has been working with Office of Public School Construction and others on their plans to get to this milestone of final apportionment. Roseland has met all eligibility criteria. The School began operations in 2003, their charter was reapproved in 2017 and is in place through 2023, the school is in good standing with its authorizer and is in compliance with its charter. There was nothing disclosed in the legal status questionnaire that would lead to extra due diligence on staff's part. The school met all of the Authority's financial benchmarks related to cash flows, matching share obligation revenue, debt service coverage, net working capital and unrestricted cash and the school has 267 days of cash on hand, which is quite high relative to other schools. Staff recommended approval of the resolution.

Authority Action

Approval of Financial Soundness Determination for Roseland Accelerated Middle School.

MOTION: Bell

SECOND: Mireles

AYES: Mireles, Bell, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Items #6

Public Comment, Adjournment

Deputy Noda asked for public comment. Hearing none and with no additional business, the meeting was adjourned.