

## MINUTES

**CALIFORNIA SCHOOL FINANCE AUTHORITY**  
**915 Capitol Mall, Room 587**  
**Sacramento, California 95814**  
**January 30, 2020 - 10:30 a.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 10:30 a.m.

#### ***Item 1: Roll Call***

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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  
Ravinder Kapoor, Legal Counsel  
Ian Davis, Program Lead  
Jodie Jones, Program Lead  
Erica Jamarillo, Associate Government Program Analyst  
Jeffery Martin, Staff Services Analyst  
Robert Rodriguez, Office Technician  
Ryan Storey, Program Lead  
Jose Franco, Program Lead  
Robert Biegler, Program Lead

Director Johantgen welcomed those on the phone line to the California School Finance Authority Board (Board) meeting.

#### ***Item 2: Approval of the December 6, 2019 Board Minutes (Action Item)***

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Deputy Noda introduced Item #2: Approval of the December 6, 2019 Board Minutes.

#### **Authority Action**

Motion to approve the minutes from the December 6, 2019 meeting.

MOTION: Mireles SECOND: Bell

AYES: Mireles, Bell, Noda  
NOES: NONE  
ABSTAIN: NONE  
RECUSE: NONE

MOTION APPROVED.

***Item #3: Executive Director's Report***

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Director Johantgen provided the following program updates:

Charter School Facility Grant Program (SB 740): The Authority is continuing to process 2019-20 applications. Under the Governors January 10, 2020 announcement, the 2.9% COLA (cost of living adjustment) change will be implemented and will bring the appropriation for the program to over \$140,000,000.

Charter School Revolving Loan Fund: The Authority is bringing a set of regulations to the Board for consideration today. The Authority has opened the 2019-20 funding round, held a webinar on January 24 and applications will close on February 28, 2020. At this time, eight applications have been started.

Conduit Bond and Note Program: The Authority is bringing two financings to the Board today. The Authority has issued 85 financings, including bonds, notes, QZABs and QSCBs. The Authority is looking to price Fenton STEM (science, technology, engineering, and mathematics) and it achieved a BBB- rating next week. The Authority is having a call with Alta Public Schools. Alta may be placing the financing, approved by the Board in September 2019, to existing investors.

Charter School Facilities Program: The Authority is expecting two financial soundness reviews for the Board at next month's Board meeting. The Authority continues to track polling under Proposition 13 and the most recent polls predict the proposition to pass with 53% of voters in favor. The Authority will be working with the Office of Public School Construction (OPSC) as well as the Treasurer's administration division on changes to the Charter School Facilities Program.

State Charter School Facilities Incentive Grants Program (CFDA 84.282D): The Authority is working through Round 15 awards.

Credit Enhancement Program: The Authority is still working with the federal government to finalize the performance agreement for the Authority's new \$20,000,000 grant for the Charter ABLE program; and the Authority believes that it is close to awarding a grant under the PANACEA program. The Authority is working with lenders to place that money, preferably as smaller, shorter-term transactions so this money may revolve quicker than the first \$8,300,000 grant under this federal program.

Other: The Authority continues to work on its Community College District Housing Initiatives. Part of the conversation relates to providing community college districts with resources and making the Community College Districts aware of the resources that the Treasurer's Office and the Authority may provide; specifically the benefits of conduit issuances through the Authority. The Authority continues to explore new grant opportunities for charter schools. The Board inquired about possible new grant opportunities and whether the U.S. Department of Education was being helpful. Executive Director Johantgen stated that she knows the Board is aware that the Authority did not get the most recent State Charter School Facilities Incentive Grants (Incentive Grants) award and that the award went to the State of Indiana. The Authority

is working with Indiana to help it build and implement its program. The Authority believes there will be a new grant application this year under the Incentive Grants Program. Ms. Johantgen noted that the Program is unfunded for a year (2020) and the Authority hopes to win another award for this program in 2020-21. Ms. Johantgen stated that a number of stakeholders are looking to apply for the Replication Grant that is currently open.

***Item #4: Resolution No. 20-01 – Resolution Of The California School Finance Authority Authorizing A Loan To The Authority In An Amount Not To Exceed \$2,500,000, The Issuance By The Authority Of A Promissory Note Evidencing The Obligations Of The Authority In Connection With Such Loan, And A Loan From The Authority To Encore Education Corporation, To Finance Working Capital For Encore Education Corporation Relating To Encore High School For The Arts – Riverside, In Riverside County, Providing The Terms And Conditions For Such Loans And Promissory Note And Other Matters Relating Thereto, And Authorizing The Execution Of Certain Documents In Connection Therewith  
(Action Item)***

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Program Lead, Robert Biegler, presented Item #4 and stated that Encore is seeking a \$2,500,000 loan from Charter Asset Management. The loan will be passed through the Authority and loan repayments come through the Authority's intercept mechanism, thereby lowering the cost of borrowing for Encore. \$2,395,000 of the loan proceeds are to be used for working capital and the remainder will cover the cost of issuance. The charter for Encore Riverside came before the Riverside School District Board at the end of January and the charter will potentially be approved at the board's February 18, 2020 meeting. The Authority did not specify a charter authorizer on the off chance the charter is denied by Riverside Unified because the appeal process is lengthy, and an appeal could potentially change the term of the loan. The Authority decided to have the approval of the resolution contingent on approval of the charter by Riverside Unified.

Mr. Biegler then introduced, Kerrigan Bennett, Partner from Stradling, Yocca, Carlson & Rauth who is serving as bond counsel for Encore. Mr. Bennett noted that there is a contingency built into the resolution so that, even if the resolution is approved, the participation of the Authority will not proceed unless the charter is approved.

Mr. Biegler then introduced Karl Yoder, Managing Partner from Key Charter Advisors who is serving as Encore's Financial Advisor. Mr. Yoder noted that Encore came to the CSFA Board back in September for the first part of the loan agreement, which was to cover cash flow from September to January. This loan will be covering cash flow from February through June 2020. Using short-term CSFA loans, Encore will save \$50,000-\$100,000 over alternative short-term factoring. By obtaining this series of loans, Encore is looking to reduce borrowing costs for the 2020-21 school year. The school's goal is to be completely free of its short-term cash flow debt, and if approved, Encore will no longer need any short-term financing after the 2020-21 school year.

**Authority Action**

Authorizing the issuance of loan in an amount not to exceed \$2,500,000.

MOTION: Bell      SECOND: Mireles

AYES: Mireles, Bell, Noda  
NOES: NONE  
ABSTAIN: NONE  
RECUSE: NONE

MOTION APPROVED.

***Item #5: Resolution No. 20-02 – Resolution No. 20-02 – Resolution Of The California School Finance Authority Authorizing A Loan To The Authority In An Amount Not To Exceed \$17,000,000, The Issuance By The Authority Of A Promissory Note Evidencing The Obligations Of The Authority In Connection With Such Loan, And A Loan From The Authority To Valle Vista Education, LLC, To Finance Working Capital For Valle Vista Education, LLC Relating To Caliber: Change Makers Academy, In Solano County, Providing The Terms And Conditions For Such Loans And Promissory Note And Other Matters Relating Thereto, And Authorizing The Execution Of Certain Documents In Connection Therewith (Action Item)***

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Program Lead, Jose Franco, presented Item #5 and stated this is a loan for an amount not to exceed \$17,000,000 and the lender will be Equitable Facilities Fund, formally known as Charter Impact Fund. This lender has issued a loan through the Authority in the past for KIPP Bay Area Schools for an amount not to exceed \$16,000,000. The term of this loan will be 30-years with an approximate interest rate of 3.66%. The proceeds of the loan will be used to purchase a facility that the school already occupies as of 2018, reimburse Caliber Public Schools for improvements made to the facility, and for the cost of issuance for this specific financing. The financing received a BB+ rating by Standards and Poor in December 2019 and will be issued on a taxable basis. Enrollment for the school is currently at 754, which is 89% of capacity for the facility and the school expects enrollment to hit 885 by the 2024-25 school year. Payments for the debt will be made through the Authority's intercept mechanism.

**Authority Action**

Authorizing the issuance of a loan in an amount not to exceed \$16,000,000.

MOTION: Mireles SECOND: Bell

AYES: Mireles, Bell, Noda  
NOES: NONE  
ABSTAIN: NONE  
RECUSE: NONE

MOTION APPROVED.

***Item #6: Has been removed from the Agenda***

***Item #7: Resolution No. 20-04 – Adoption of Proposed Regulations for the Charter School Revolving Loan Fund Program (CSRLFP) (Action Item)***

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Program Lead, Ryan Storey, presented Item #7 and stated there are three major recent amendments. First, there has been a major shift in the legal requirements pertaining to charter schools, specifically AB1505, creating a moratorium of online schools for the next two years. In the last two years, 31% of the applicants have been online schools. Second, the Authority

wanted to ensure the regulations are consistent with all practices and third, to clarify language and ensure internal consistencies within the regulations. Overall, there are nine changes in six sections to the regulations. The first major change is in Section 10170.17. Definitions; the “Good Standing” letter, mentioned in the regulations reference, is an older education code section, one that has been changed. The second major change is in Section 10170.19. Application Content and Submission; this will turn the application from a single annual submission to an open, over the counter, application process. The third major change is in Section 10170.22. Loan Agreements; the addition of subdivision H, which provides, in the case of a default, the Authority is allowed to offset the charter schools award funding from other programs to recoup default loan balances. This is not a supersession of laws, and the Authority cannot collect restricted funds, federal funds, or those that cannot be appropriated to the Authority per law.

Romel Antoine from the California Charter Schools Association stated that he wanted to discuss the “Good Standing” requirement for the revolving loan program, which is also a requirement under SB740 program. The California Charter School Association has been on record as opposing the “Good Standing” regulations, but understands the direction the program is moving. Mr. Antoine stated that, under the SB740 program, districts and other authorizers have taken an extremely long time to fill out the Good Standing requirement letter and by doing so, have held up a number of schools funding. Mr. Antoine stated that the CCSA has a hard time reaching districts that want to delay this process, and currently there is no way for the CCSA to force those districts to respond to the letter. Mr. Antoine asked the Board to contemplate language regarding timeliness to the “Good Standing” letter requirement so that if the district or authorizer does not respond in the defined time, the school is presumed to be in “Good Standing”.

Program Lead Ian Davis responded to Mr. Antoine, and stated the Good Standing form does contemplate what Mr. Antoine had stated. Mr. Davis continued stating that an unreturned form will be presumed as acknowledgment that there is no outstanding compliance revocation issues with the charter school. The defined time will generally be about 30 days. The Authority will notify the authorizers, letting them know which schools the Authority is requesting the Good Standing from, and if the Authority does not receive a form back, the Authority will presume that there are no outstanding compliance or revocation issues, and the school will be remain eligible.

**Authority Action**

Authorizing the Adoption of Proposed Regulations for the Charter School Revolving Loan Fund Program

MOTION: Bell      SECOND: Mireles

AYES:              Mireles, Bell, Noda  
NOES:              NONE  
ABSTAIN:          NONE  
RECUSE:           NONE

MOTION APPROVED

***Item #8: Consideration of an Appeal on behalf of National University Academy Dual Language Institute located in San Diego County Related to Ineligibility for the Charter School Facility Grant Program (Action Item)***

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Program Lead, Ian Davis, presented Item #8, an appeal from National University Academy Dual Language Institute (NUA Dual Language). NUA Dual Language is appealing their ineligibility determination regarding the Charter School Facility Grant Program. A charter school is eligible for program funding if it meets either one of the following conditions: either 55% of the charter school's pupils are eligible for Free or Reduced Price Meals (FRPM) or the charter school is physically located within the attendance area of a public elementary that has at least a 55% participation of FRPM. The schools relying on their local elementary to meet this requirement must provide preference and admissions to people currently enrolled or residing in the elementary school attendance area. NUA Dual Language meets the 55% threshold on the latter requirement, but their enrollment policy, as stated in the schools charter, does not include the required preference and admissions language.

On December 18, 2018, the charter school's board adopted policies offering preferences and admissions to pupils who attended or resided within Hannalei Elementary School attendance area. However, these policies were not been approved by the schools authorizer, San Diego Board of Education as required by Education Code 47605 (d)(2)(b)(i). This education code requires all charter schools, approved after January 1, 2018, to update or change their admissions policies. The admissions policies have to be approved by the chartering authority at a public hearing. Authority staff sent several reminders to the school requesting it to update the preference in admissions policy. NUA Dual Language filed an amendment with their authorizer to be heard at their charter authorizer's board meeting on July 24, 2019. The charter authorizer's board voted unanimously not to take action on this item and to defer to it to a future agenda.

NUA Dual Language is asking the Board to recognize that the school took all the steps in its control to meet the eligibility requirements and to overturn staff's ineligibility determination for the 2018-19 program funds. According to NUA Dual Language, if the school does not receive the award, estimated of \$218,000, the school would not be able to offer one of its programs. Staff recommends that the November 24, 2019 finding of NUA Dual Language ineligibility stand based on the Education Codes.

As an additional note, the 2018-19 funding round is oversubscribed and any funds used to award NUA Dual Language will lower the available funds for the current awardees. The Authority estimates that awardees' grants would be reduced by as much as \$5,000.

**Authority Action**

The Board proposed a motion that would allow the remaining 2018-19 SB 740 funds be distributed to the awardees and encumber approximately \$218,000 for NUA Dual Language.

