

MINUTES

CALIFORNIA SCHOOL FINANCE AUTHORITY
915 Capitol Mall, Conference Room 110 (Large)
Sacramento, California 95814

300 S. Spring St, Suite 8500
Los Angeles, CA 90013

June 25, 2020 - 10:30 a.m.

Public Participation

Call-In Number: (877) 810-9415 – Participant Code: 6535126

In March 2020, the Governor declared a State of Emergency and enacted Executive Order N-29-20. In an effort to slow the rate at which COVID-19 is spreading, the Executive Order waived certain provisions of the Bagley-Keene Act and Brown Act, which required the physical presence of members, personnel of the board, or the public at meetings of state and local bodies. Pursuant to the order, the meeting of the California School Finance Authority (CSFA or Authority) Board Meeting was held telephonically, and the meeting was noticed accordingly.

OPEN SESSION

State Treasurer Fiona Ma, called the meeting to order at 10:30 a.m.

Item 1: Roll Call

Members Present: Fiona Ma, CPA, California State Treasurer (Present)
Juan Mireles, designee for Tony Thurmond, Superintendent of Public Instruction (Via Microsoft Teams)
Jeff Bell, designee for Keely Martin Bosler, Director of Finance (Via Microsoft Teams)

Staff Present: Audrey Noda, Deputy Treasurer (Via Microsoft Teams)
Katrina Johantgen, Executive Director (Via Microsoft Teams)
Ravinder Kapoor, Legal Counsel (Present)
Thomas, Dear, Staff Service Manager II (Present)
Steven Theuring, Program Lead (Teleconference)
Jeff Martin, Analyst (Via Microsoft Teams)
Robert Biegler, Program Lead (Via Microsoft Teams)
Robert Rodriguez, Office Technician (Present)

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

Item 2: Approval of the May 28, 2020 Board Minutes (Action Item)

Treasurer Ma introduced Item #2: Approval of the May 28, 2020 Board Minutes.

Authority Action

Motion to approve the minutes from the May 28, 2020 meeting. Robert Rodriguez called the roll.

MOTION: Mireles

SECOND: Ma

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

MOTION APPROVED.

Item #3: Executive Director's Report

Director Johantgen provided the following program updates:

Charter School Facility Grant Program - Director Johantgen confirmed that the 2020-21 funding round closed on June 4, 2020 at 5 p.m. The Authority is working through one late application. The Authority received 427 applications, which is down from 454 applications last round. The Authority is working through the data to figure out why there was a drop. In the 2020-21 May Revise, it was recommended the program appropriation of \$137 million remain. The Authority is watching the current budget negotiations to see where the final funding for this program lands. At the current level, the Authority anticipates that there will be no funds available for other costs under this program and that rent and lease cost will be prorated to a 93.36% award.

Conduit Bond and Note Program - Director Johantgen confirmed that the board is voting on two financings today and the Authority anticipates four financings in the near future. The Authority is working with a number of sectors on working capital programs and have asked the federal government for an exception to utilize the \$20 million Credit Enhancement grant for working capital that would otherwise be tapped to enhanced long term financings. The Authority is developing a webinar, hosted by the California Debt and Investment Advisory Committee. The webinar will cover the proposed budget, school funding and working capital options for all K-14 schools, in light of deferrals of state revenue.

Credit Enhancement Program - Director Johantgen confirmed the refinancing and reorganization of the High Tech High funding, noting the Authority has an \$870 thousand grant coming back to the program and we have a balance of about \$1.250 million. The Authority is trying to redeploy that grant money to a new financing and an update will be provided as soon as possible.

Charter School Facilities Program (CSFP) - Director Johantgen noted the Authority may be bringing up to four financial soundness reviews to the July Board Meeting now that the Authority has a better picture of what the budget looks like going forward.

State Charter School Facilities Incentive Grants Program - Director Johantgen confirmed that the Authority has closed out all schools through Round 12 and are still maintaining awards to six schools in Round 13, 14, and 15. The Authority finalized its annual audit and rebranded a new CSFA website.

Board Member Bell asked about the team responsible for the website update as he had a similar update to his department's website recently.

Director Johantgen confirmed that it really was a team effort including CSFA staff and management, the Executive Office, and the State Treasurer's Office IT department.

Treasurer Ma noted that she had pushed for an improved CSFA website and mentioned the significant research provided by Irwin Nowick.

4. Resolution No. 20-15 – Resolution Authorizing the Issuance of Charter School Revenue Bonds In An Amount Not To Exceed \$45,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Sacramento County, San Joaquin County, and San Mateo County, California, for Use by Aspire Capitol Heights Academy; Aspire Langston Hughes Academy; Aspire Port City Academy; Aspire Stockton TK-5 & 6-12; Aspire Alexander Twilight College Preparatory and Aspire Alexander Twilight Secondary Academies; Aspire East Palo Alto (Action Item)

Robert Biegler presented the item and introduced the following individuals from the Aspire financing team. John Kim, Managing Director of Stifel, serving as the underwriter presented some background information on Aspire Charter Schools's financial position and underlying rating. Jeanine Hawk, CFO of Aspire, joined the presentation and added details of the Aspire administrative team, the student body, and some of the unique programs their school provides.

John Kim then presented details regarding the school's financial history and how the bond would potentially impact their budget. Board member Mireles had a question regarding how long Aspire's online program had been in place, and how the increase of online programs may effect facility needs. Jeanine Hawk confirmed the programs have been in place for a number of years and didn't think the online programs would have an impact on their needs for facilities. John Kim continued his presentation.

Board member Bell had a question regarding the organization's 2021-22 enrollment, and how their future projections were generated. Jeanine Hawk confirmed two schools were set to open during this time, accounting for the increase. John Kim completed his presentation.

No public comments.

Authority Action

Motion to approve the issue of revenue bonds.

MOTION: Bell

SECOND: Mireles

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #5: Resolution No. 20-16 – Resolution Authorizing the Issuance of Charter School Revenue Bonds In An Amount Not To Exceed \$13,250,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in San Diego County, California, for use by College Preparatory Middle School (Action Item)

Robert Biegler gave an overview of the financing request, and introduced the members of the College Preparatory Middle School (CPMS) financing team: Paula Pimenter of Choice Advisors, serves as the school’s municipal advisor. Christina Callaway provided a history of CPMS, including information on the region, student body, and school facilities.

Board member Bell asked a question regarding the coding and engineering courses provided by the school, asking for information on how these courses were started.

Christina Callaway, Director of School Business, confirmed the school staff proactively took coding classes specifically for untrained educators, and then implemented these in to a new program using staff development time to teach it to the other members of the staff. She also detailed their “maker space” and 3-D printer program starting this year.

Paula Pimenter then presented additional details on the bond structure, breaking down the various facility costs and projections.

Authority Action

Motion to approve the issue of revenue bonds.

MOTION: Bell

SECOND: Mireles

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

MOTION APPROVED.

Treasurer Ma confirmed items #6 and #7 have been removed from the board meeting agenda.

Item #8: Resolution No. 20-19 - Approval of Charter School Revolving Loan Fund Program Recommendations and Amounts for the Schools listed in Attachment A (Action Item)

Director Johantgen confirmed the previous board approval of Priority 2 schools, verifying the schools being presented were Priority 1 schools opening in the 2020/21 school year. Steven Theuring presented, stating that there were initially 16 applicants in this group, noting three had withdrawn their applications for this round. He provided details of the schools, current financial outlooks, and risk levels. He noted that the schools being brought to the board are all financially solvent.

Board Member Bell had a question about why all of the 13 schools were in the Southern California region only.

Steven Theuring confirmed that Southern California's larger cities tend to make up most of the applicants, as well as a 30% increase in online classes accounting for this balance.

Board Member Mireles asked about the schools labeled "high-risk" that are included in list, and why they were being considered. Steven Theuring confirmed that the high-risk schools still met the minimum requirements of their programs model.

Director Johantgen added that the incremental distribution method would provide 40% of fund before the schools would need to begin repaying next year.

Treasurer Ma had a question regarding the payment format, whether it was a paper check, or an electronic payment. Steven Theuring confirmed we offer both options, depending on the school's preference.

Authority Action

Motion to approve the Charter School Revolving Loan Fund Program Recommendations and Amounts for the Schools listed in Attachment A

MOTION: Mireles

SECOND: Bell

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #9: Public Comments

No public comments.

Director Johantgen praised her team and the board members for their work during this challenging month.

Meeting was adjourned.

Item: Adjournment

There being no public comments, the Board adjourned the meeting.