

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

July 30, 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 (Via Microsoft Teams)
Jeff Martin, Analyst (Via Microsoft Teams)
Robert Biegler, Program Lead (Via Microsoft Teams)
Jose Franco, 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 June 25, 2020 Board Minutes (Action Item)

Treasurer Ma introduced Item #2: Approval of the June 25, 2020 Board Minutes.

Authority Action

Motion to approve the minutes from the June 25, 2020 meeting. Robert Rodriguez called the roll.

MOTION: Mireles

SECOND: Bell

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #3: Executive Director's Report

Executive Director Katrina Johantgen provided the following program updates:

Charter School Facility Grant Program: Out of 420 applications, only one was late (at the time of the board meeting). The Authority is finalizing the 19-20 true up reviews and anticipate those will be completed no later than September, with awards being sent out in early October. Schools are anticipating these funds.

Conduit Bond and Note Program: The Authority is bringing bond approvals to the board today. Program Lead Robert Biegler commented on Grossmont pricing, noting the yields on the Grossmont pricing were historically low for a CSFA transaction, so much so that Grossmont took the savings and was able to increase their issuance amount by \$3 million. Executive Director Johantgen praised the financing team for their efforts, and noted that staff is seeking bond issuance approval on three transactions today.

Credit Enhancement Program: The Authority is looking to make an award to Aspire public schools today from the Authority's \$8.3 million grant. The Authority has recently repurposed an \$870,000 grant award as it was no longer needed for a High Tech High when it refinanced. Aspire applied for an amount not-to-exceed \$1 million, and the Authority is making this recommendation today. The Authority is continuing to work with Mare Island Technology Academy on the \$800,000 award the Board approved a few months ago that would enhance a CSFP bridge financing.

Charter ABLE: The Authority is working through some legal issues with our issuers counsel and the Feds on the exception that was granted by the feds to deploy the money to our working capital program for charter schools.

Charter School Facilities Program (CSFP): The Authority has three reviews today for your consideration and will have several more between now and the fall.

State Charter School Facilities Incentive Grants Program: The Authority continues to administer grants 13, 14, and 15. The Authority did not receive a grant under the program in 2019 and remains hopeful the Feds will have an application for the program in 2020.

Revolving Loan Program: The Authority continues to process loan disbursements for this year's funding round. The Authority fulfilled P2 schools first, and then approved P1 schools. The Authority will be opening an over the counter application for the program as long as the Authority has the capacity, and knows that schools will be seeking low cost capital.

Webinar: The Authority conducted a very successful webinar on Tuesday, July 28, 2020. A special thanks to Treasurer Ma, Former, Superintendent Jack O'Connell, Mike Fine from the Fiscal Crisis and Management Assistance Team, John Grey from School Services, Annette Yee and Mike Kremer from Montague De Rose and Associates, LLC. 1,100 school district and county offices registered, of which around 800 attended, and most importantly, all 800 attendees stayed for the entire 90-minute presentation. The Authority anticipates significant demand for this program. The Authority is working closely with the Public Finance Division and the Department of Finance on the financing structure. The Authority has assigned financing team members, bond counsel, disclosure counsel, and underwriters. The Authority will be launching a dedicated web page for each of these programs. There will be a K-14 note program, as well as a charter working capital program (two state programs).

Board Member Jeff Bell congratulated the Authority on the webinar, and the credentials of the people who spoke.

Executive Director Johantgen noted it couldn't have happened without CDIAC, and thanked Treasurer Ma for her leadership.

Treasurer Ma thanked Katrina and her team for thinking outside of the box and accommodating our constituents during COVID-19.

Item #4: Presentation of the California School Finance Authority Fund Financial Statements with Independent Auditor's Report Year Ended June 30, 2019 (Information Item)

Program Lead Jeffery Martin presented the first annual report for the program, covering the 2018-2019 funding round. He noted that disbursements for each funding round are often made across multiple fiscal years, with this report encompassing all disbursements made relative to the 2018-2019 appropriation, regardless of the date they were made. Martin, referencing the handout provided to board members, covered highlights from the annual report.

Member Juan Mireles asked whether the Authority knew what percentage of applicant schools were eligible based on students receiving free/reduced price meal. Martin confirmed that of the 418 schools, 342 of them met the 55% threshold of students receiving free and reduced meal price on their own, while the other schools were eligible due to the local elementary school in their attendance area

Member Bell noted that the report was designed very well, and noted that the majority of the applicants were from Southern California schools. He inquired if there were fewer eligible schools in Northern California. Executive Director Johantgen noted that a majority of charter schools are located in Southern California. She noted that all schools throughout the state are notified of the

program. Board Member Bell appreciated the confirmation, and again, noted his appreciation of the work that went into the report.

No public comment.

Item #5: Presentation of the California School Finance Authority Fund Financial Statements with Independent Auditor's Report Year Ended June 30, 2019 (Information Item)

Thomas Dear, Staff Services Manager II for the Authority, presented, noting that the audit results were largely positive. Dear highlighted one exception and one notation, providing additional details. He confirmed the audit found everything to be in balance for all nine Authority programs, with the exception of a few accounting items that the Authority and the State Treasurer's Office Accounting Division is working through to ensure compliance.

No public comment.

Item #6: Resolution No. 20-20 - Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$21,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in San Diego County for use by The Classical Academy, Inc. (Action Item)

Program Lead Robert Biegler provided an overview and introduced the financing team from The Classical Academy (TCA). Representing TCA are CEO Cameron Curry, COO Mark Kalpakgian, and CFO James Heath. Representing underwriter RBC Capital Markets are John Synder, Akshai Patel, Dustin Daily, and Jon Solarczyk. Representing bond counsel Stradling Yocca Carlson & Rauth is Kerrigan Bennet. Representing borrowers counsel Young Minney & Corr is Sara Kollman. Also in attendance is financial advisor John Phan of Campanile. Biegler noted that TCA is a hybrid network and that it is currently conducting both on campus and remote learning classes. Due to their proven track record with remote learning during the COVID crisis, enrollment demand has been very high. Biegler handed over the presentation to Cameron Curry.

Cameron Curry presented background on the school and its history and how the project would move forward. Board Member Bell had a question regarding the Orange Glen campus, and whether it was in the Escondido High School district's footprint. Curry confirmed it was, noting they had about 400 high school students migrate this year.

Board Member Mireles had a question about the surge of students during the pandemic, and whether the school anticipated the students remaining after the pandemic, or if the surge was temporary due to circumstances. Curry confirmed they are embracing the opportunity and making efforts to permanently convert these students to their remote learning program.

James Heath, CFO of TCA presented financial details from the school related to the project.

Board Member Mireles had a question regarding new staff potentially being added to accommodate the surge in enrollment, and how it would affect their expenditures. Heath confirmed they have staffed accordingly based on the projected model, and have confirmed

that the projections align with currently anticipated enrollment numbers, but they are ready to add more staff as necessary if the enrollment exceeds the projections.

Board Member Bell had a follow up question regarding the cost for additional staff, and how they planned on paying for them. Heath confirmed that the contingencies written into the project, including a \$1.2 million surplus in the budget and \$16 million in reserves.

Board Member Bell noted he was impressed with the fee structure of the project, and agreed that the savings involved would help cover the potential costs.

Kerrigan Bennett provided additional detail on the structure of the project, noting it was similar to the other obligated group financed through CSFA, with bonds issued under an indenture and proceeds are loaned through a loan agreement.

Authority Action

Motion to approve the Issuance of Revenue Bonds in an amount not to exceed \$21 million to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in San Diego County for use by The Classical Academy, Inc.

MOTION: Bell

SECOND: Mireles

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #7: Resolution No. 20-21 - Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$17 million to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Contra Costa County for use by Contra Costa School of Performing Arts (Action Item)

Robert Biegler provided an overview and introduced the financing team from the Contra Costa School of Performing Arts (CCSPA). Representing CCSPA is Executive Director Neil McChesney, representing financial advisor Choice Advisors are Matt O'Mara and Samadhi Asnes. Representing bond counsel Kutak Rock is Dane Fernandez. Representing purchasers counsel Orrick, Herrington & Sutcliffe is Eugene Clark Herrera. Robert Biegler noted the structure of this transaction is similar to structure of the College Preparatory Middle School transaction, which the board approved at the June board meeting, in that Rosemar Management is the current landlord for CCSPA, with the school having an agreement available to potentially purchase the property from the landlord by privately placement bonds, and with Rosemar to purchase these bonds. Biegler acknowledged the unique structure of the agreement, and noted that Fernandez and Herrera would be available to address any questions about structure.

Biegler handed the presentation over to Neil Mc Chesney, who provided an overview of the school and history of the project.

Board Member Bell had a question regarding the total students they had projected within 6-12 months. Neil confirmed they had projected 472 students, and are a little over projections at the moment.

Neil Mc Chesney concluded his presentation.

Herrera provided additional details regarding the bond structure.

Board Member Mireles had a question regarding the ongoing efforts made by the school to retain kids from junior high to high school, requesting additional details from the school.

Matt O'Meara confirmed it was their highest point of attrition, and provided they are addressing the issue by actively recruiting 8th graders for their high school program, yielding improving results each year.

Authority Action

Motion to approve the Issuance of Revenue Bonds in an amount not to exceed \$17 million to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Contra Costa County for use by Contra Costa School of Performing Arts

MOTION: Mireles

SECOND: Bell

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #8: Resolution No. 20-22 - Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$11.5 million to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Riverside County for use by REAL Journey Academies, Inc. (Action Item)

Robert Biegler provided an overview and introduced the financing team from REAL Journey Academies (RJA). Representing RJA is CEO Alex Lucero. Representing bond counsel Kutak Rock is Dane Fernandez. Representing underwriter Stifel, Nicolaus & Company, Inc. are Guillermo Garcia, John Kim and Nathaniel Keninitz. The board had expressed some concerns about the enrollment projections for RJA and the potential to achieve those projections. Contingencies for such an occurrence have been built into the presentation. The underwriter also stipulated a breakeven point, to where enrollment may stagnate or decrease, for the school to still preserve coverage ratios.

Garcia presented financing details for RJA, noting it will be their second financing with the Authority, the first having occurred last year. He then turned the presentation over to Alex Lucero.

Lucero provided an overview of school values and the programs and efforts made to accommodate their student body.

Garcia presented additional details regarding the proposed financing and school facilities, as well as enrollment growth.

Board Member Bell had a question regarding their current increase in students and which school district they were from. Lucero confirmed the school districts affected are Marina Valley Unified School District and San Bernardino City Unified School District.

Treasurer Ma had a question regarding retention rates for RJA students, as they move up to middle school and then high school. Alex Lucero confirmed that retention has been historically good, with 'moving away from the region' being the most common reason given for a student not returning.

Board Member Bell had a question regarding cost of issuance, with the underwriter discount, bond counsel and borrowers counsel had a higher associated cost than normal, especially when compared to the other schools presenting today. He asked if there were any details that could be provided for this.

Executive Director Johantgen had Garcia speak to the discount breakdown and how it was determined. Board member Bell agreed to follow up as necessary outside of the meeting, as he was satisfied with the details provided.

Board Member Mireles had a question regarding the projections of enrollment, and how RJA planned to potentially reduce expenses if they didn't achieve the projected numbers.

Garcia confirmed the school's current debt service coverage had the flexibility to absorb a reduction of 80 students and still meet all of its obligations. He also noted the school could apply additional cuts to its budget and asked Alex Lucero to speak to that in greater detail.

Alex Lucero confirmed certain positions would be potentially cut under such circumstances, as well as reduced pay options for home office and district staff up to 5-10%. They would also potentially reevaluate external contracting services, and adjust based on student needs.

Authority Action

Motion to approve the Issuance of Revenue Bonds in an amount not to exceed \$11.5 million to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Riverside County for use by REAL Journey Academies, Inc.

MOTION: Bell

SECOND: Mireles

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #9: Resolution No. 20-23 - Approval of Financial Soundness Determination for Nord Country School, located in Butte County, for a Final Apportionment through the Charter School Facilities Program (Action Item)

Program Lead Jose Franco presented, noting that Lisa Speegle, Business Manager for Nord Country School and Kathy Dahlgren, principal were present.

Jose Franco outlined the financial details of the apportionment, the school's facilities and how the school met the programs requirements. He confirmed that staff is recommending approval of the resolution.

Speegle offered to answer any questions from the board.

Board Member Bell had a question regarding total project cost. Jose Franco confirmed it was \$802,332.

Speegle spoke to the construction and rehab components of the project.

Executive Direction Johantgen recommended approval of the item.

Authority Action

Motion to approve the Financial Soundness Determination for Nord Country School, located in Butte County, for a Final Apportionment through the Charter School Facilities Program

MOTION: Bell

SECOND: Mireles

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #10: Resolution No. 20-24 - Approval of Financial Soundness Determination for Natomas Pacific Pathways Prep Elementary, located in Sacramento County, for a Final Advance Apportionment through the Charter School Facilities Program (Action Item)

Jose Franco presented, outlining project cost, the rehab processes their facilities would undergo, and confirmed the school met all eligibility criteria. He confirmed they are in good standing with the authorizer, and spoke to their enrollment rate, which is comparable to other schools in the district.

Franco presented the team from Natomas Pacific Pathways Prep Elementary. Tom Wooten, executive director, Jen Maloor, the Facilities Representative for the district, and Jessica Lowe, consultant on project.

Jen Maloor spoke about the scope of project and how it will help improve their facilities.

No questions from the board.

Authority Action

Motion to approve the Financial Soundness Determination for Natomas Pacific Pathways Prep Elementary, located in Sacramento County, for a Final Advance Apportionment through the Charter School Facilities Program

MOTION: Mireles

SECOND: Bell

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

MOTION APPROVED.

Item #11: Resolution No. 20-25 - Approval of Financial Soundness Determination for Aspire Berkley Maynard Academy, located in Alameda County, for an Advance Apportionment through the Charter School Facilities Program (Action Item)

Jose Franco presented and introduced the team from Aspire. Jeanine Hawk, Chief Financial Officer, and Michael Wimbish, Director of Finance. Jose Franco outlined the financial details of the project, noting the school met all of the eligibility criteria, and no legal disclosures in the legal questionnaire. He recommended the board approve the resolution and opened the floor to questions.

Executive Director Johantgen noted the rehab is for an existing Oakland Unified School District location and asked the school to offer insight into their program agreements.

Jeanine Hawk provided the requested insight, noting they have a facility use agreement in place, which has been provided.

Board Member Bell had a question regarding talks with the district regarding the next two years, in regards to the school's facilities.

Hawk confirmed they had been approved for the grant in 2018, noting it has taken two years to work through the details of the process. She noted they have a good relationship with the superintendent of the district, and believes they are aligned with the district and have their support.

Authority Action

Motion to approve the Financial Soundness Determination for Aspire Berkley Maynard Academy, located in Alameda County, for an Advance Apportionment through the Charter School Facilities Program

MOTION: Bell

SECOND: Mireles

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

MOTION APPROVED.

Item #12: Resolution No. 20-26 - Approval of Charter School Revolving Loan Fund Program Loan Modification for Baypoint Preparatory Academy - San Diego, located in San Diego County (Action Item)

Program lead, Steven Theuring, presented the project details, including previously approved modifications, and potentially incorporating changes into regulations for recovering funds from closing schools. Steven Theuring passed the presentation on to Zack Wolf, back office provider for Baypoint Preparatory Academy.

Zack Wolf outlined how this project will help improve the school's cash flow through the COVID period of next year.

Board Member Bell had a question regarding the legal precedence for this type of modifications. Legal Counsel Ravinder Kapoor confirmed that this type of update was within the existing regulations.

Authority Action

Motion to approve the of Charter School Revolving Loan Fund Program Loan Modification for Baypoint Preparatory Academy

MOTION: Bell

SECOND: Mireles

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

MOTION APPROVED.

Item #13: Resolution No. 20-27 - Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to Aspire Public Schools in Sacramento and San Joaquin Counties (Action Item)

Executive Director Johantgen presented, outlining the project details including eligibility thresholds that still need to be met and a good standing letter, which is still yet to be received, in order to receive the award. Executive Director Johantgen confirmed the school had met all eligibility requirements and noted that staff recommended approval.

Jeanine Hawk from Aspire noted they appreciated the opportunity to apply for this program, as well as the time of the board.

Authority Action

Motion to approve the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to Aspire Public Schools in Sacramento and San Joaquin Counties

MOTION: Mireles

SECOND: Bell

AYES: Mireles, Bell, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #14: Public Comments

No public comments.

Meeting was adjourned.

Item: Adjournment

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