

## 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**

**September 24, 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***

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Members Present: Audrey Noda, Deputy Treasurer (Via Microsoft Teams)  
Juan Mireles, designee for Tony Thurmond, Superintendent of Public Instruction (Via Microsoft Teams)  
Gayle Miller, designee for Keely Martin Bosler, Director of Finance (Via Microsoft Teams)

Staff Present: Katrina Johantgen, Executive Director (Via Microsoft Teams)  
Ravinder Kapoor, Legal Counsel (Present)  
Thomas, Dear, Staff Service Manager II (Present)  
Shannon McEuen, Staff Service Manager I (Present)  
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)

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

**Item #2: Approval of the July 30, 2020 Board Minutes (Action Item)**

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Deputy Treasurer Noda introduced Item #2: Approval of the July 30, 2020 Board Minutes.

**Authority Action**

Motion to approve the minutes from the July 30, 2020 meeting. Robert Rodriguez called the roll.

MOTION: Miller

SECOND: Mireles

AYES: Mireles, Miller, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

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

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Executive Director Katrina Johantgen provided the following program updates:

TRANS Programs: Executive Director Johantgen confirmed the program has 97 distinct district applicants in the K-14 pool, and the Charter School ASAP program has 10 applications at this time. The program held a webinar last week for the Charter School ASAP program, and had a webinar on July 28 pertaining to the K-14 program. The program currently has numerous subgroups and committees that are working on different aspects of the financing and are working through the credit structure with the rating agencies.

Charter School Facility Grant Program: Executive Director Johantgen noted that appeals have been processed for the 19-20 funding round, and the program can now finalize the work under that round with true-ups currently being completed. The program anticipates sending out final true-up disbursements in October. Under the 2020-21 funding round, four late applications were received, and staff is looking to effectuate emergency regulations to deal with those late applications.

Conduit Bond and Note Program: Executive Director Johantgen confirmed the program has two financings before the board today. The Aspire financing, previously approved by the board, may be coming back to the Board with a different component to the financing. The program has one application in the queue for the October meeting, which we anticipate getting soon.

Credit Enhancement Program: Executive Director Johantgen noted that the Board granted an award in March to Mare Island Technology, which is expiring and the program is working with the school and the lender to see if the enhancement grant will be redeployed, due to the timing, as it was done at the very beginning of the pandemic.

Charter ABLE: Executive Director Johantgen outlined that this program is working with representatives at the U.S. Department of Education to deploy to the Charter ASAP program, noting the program does have clearance to utilize \$10 million and are presenting to them a demand analysis showing what the full \$20 million would mean to the program.

Charter School Facilities Program (CSFP): Executive Director Johantgen confirmed that two financial soundness reviews were coming to the board. She added that there are several reviews in the queue for reviews prior to the end of the calendar year.

State Charter School Facilities Incentive Grants Program: Executive Director Johantgen confirmed this program was not renewed in 2019, and staff are working down schools in round 13, 14 and 15 and will be dispersing funds through 2022. The Authority continues to monitor the possibility of opportunities for additional funds for the Incentive grant program.

Revolving Loan Program: Executive Director Johantgen noted that the Authority is excited to announce they have launched the 20-21 funding round A, which opened on September 11. The program has \$13 million in program funds that can be deployed to schools. That application period closes on Friday, October 9th, and the program has a webinar next week to present this funding round A. Funding is scarce for charters and because this program has such a low interest cost, the Authority opened up an extraordinary round for schools that are P2 and P3 schools. The program has an annual report due October 1st and the Authority will be presenting it as an information item at the October board meeting.

***Item #4: Resolution No. 20-28 - Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$87,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Sonoma County for use by Santa Rosa Junior College (Action Item)***

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Robert Biegler presented and introduced the financing team members, noting that this is a new financing type, and he would be available for question after the team's presentation. He introduced Director Nick Waugh, from Stifel, Nicolaus & Co. (Stifel), Director David Adams, Assistant Vice President, Brad Gysin, and from the borrower Santa Rosa Junior College (SRJC), Pedro Avilla, Vice President, and from National Campus and Community Development Corporation Director of Operations Margaret Temple and CEO Greg Eden were also present.

Nick Waugh experienced technical issue, which prevented access to the board meeting, resulting in the Board deciding to move on to Board item #5.

***Item #5: Resolution No. 20-29 - Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$11,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Los Angeles County for use by Value Schools (Action Item)***

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Robert Biegler presented and provided a correction to the staff summary regarding the two financings. The staff summary incorrectly stated that the smaller financing was to be taxable and stated that should be corrected to be tax-exempt. Question from Board Member Miller, she asked for clarification on the tax exempt elements of the bond. Underwriter Nick Hagen spoke to the nature of the bond, noting both financing are entirely tax-exempt. Robert Biegler introduced Mark Bauer, bond counsel from Orrick Herrington & Sutcliffe, David Doyle, CEO of Value Schools, Rhonda Hoffarth, CFO of Value Everest, Steffi Chan, also bond counsel with Orrick Herrington & Sutcliffe. Nick Hagen then presented the financial details of the deal, noting they were looking to close by November 17. He detailed the schools fundraising efforts and their current plan for using the bond funds. Mr. Hagen then passed the presentation to

David Doyle and Rhonda Hoffarth, who provided an overview of Value School’s history, facilities, locations and student body. Hagen then spoke to the schools historical financials, and projected financials, detailing how the school plans to grow moving forward.

Question from Board Member Mireles about any fall enrollment changes, either up or down. Mr. Doyle confirmed that they haven’t seen any changes, with consistent enrollment in all four of their schools.

There was a question from Board Member Miller about the financing structure’s tax-exempt status. Mr. Hagen confirmed that every aspect of the bond is tax-exempt. Board Member Miller asked about any contingencies in place for Series B. Mr. Hagen confirmed they intent to fundraise \$5.5 million, stating the school had already raised \$3.8 million. Mr. Hagen outlined how this fundraising is intended to pay back Series B in the next 12 months, noting they are also looking at other sources of capital, including a line of credit or loan, which could also be used to cover Series B. They noted they’d know whether there would be a need for a Series B by October, and Board Member Miller asked for them to confirm the status via email once they were able.

Deputy Director Noda inquired about the fundraising \$5.5 million and how confident the school was that they be able to raise the funds. Mr. Doyle confirmed the school was confident they would and had a strategy in place to have the funds within a year, noting they’d raised \$3.8 million in little over a year.

No public comment.

**Authority Action**

Motion to approve the authorizing the Issuance of Revenue Bonds in an amount not to exceed \$11,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Los Angeles County for use by Value Schools

MOTION: Mireles

SECOND: Miller

AYES: Mireles, Miller, Noda

NOES: NONE

ABSTAIN: NONE

***Item #4: Resolution No. 20-28 - Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$87,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Sonoma County for use by Santa Rosa Junior College (Action Item)***

The presentation picked up exactly where it had previously left off with Nick Waugh from Stifel presenting an overview of project and the junior college’s current housing situation. He spoke to the scope of the project and the impact it would have their student body, which is currently experiencing a housing shortage. He offered details on financing of the project, the student enrollment and how the project has little impact on the districts credit profile.

Board Member Mireles had a question, noting this was a newer type of funding provided by the Authority, as they typically work with K-12 schools, and asked for a basic walkthrough of how community college funding works, in regards to tuition, state assistance, etc.

Mr. Pedro Avila confirmed the funding was similar to K-12, but rather than being funded by headcount, they are funded based on full time equivalent students, which is based on the number of hours the students are in the classroom. The more time spent in classes, the more funding the school will generally receive. Mr. Avila noted they get additional categorical funding based on other indicators, like low income students, equity funding, and student success funding, which is separate from their enrollment.

Board Member Mireles had a question about whether faculty could also use the housing outlined in the project. Mr. Avila confirmed the housing would be for students only. Mr. Waugh offered additional details, including how under certain conditions the housing could be used for faculty, but noted it was not the focus of the project.

Board Member Mireles had a question about prior enrollment, noting a slight decline, and how it coincided with the increase in student housing revenue being projected. Mr. Avila confirmed there is a high demand for housing from both local students and international students and how they previously had been unable to accommodate them to due to the limited housing options in the region, which are regularly effected by wildfires. Mr. Avila confirmed this project would allow them to build the housing to accommodate these students.

Board Member Mireles had a question regarding the project's operating expense reserves and if they factored in the cost of routine maintenance. Mr. Waugh confirmed that repair and replacement funds were built in to the project, with building assessments occurring every 2-4 years to ensure these costs are updated as necessary.

Board Member Mireles had a question about international student housing requirements, and how many they typically had each year. Mr. Avila confirmed they typically have about 165 international students, noting they had eased back on international recruitment due to their current housing shortage. Mr. Avila noted they hoped to grow this number moving forward.

**Authority Action**

Motion to approve the authorizing the Issuance of Revenue Bonds in an amount not to exceed \$87,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Sonoma County for use by Santa Rosa Junior College

MOTION: Miller

SECOND: Mireles

AYES: Mireles, Miller, Noda

NOES: NONE

ABSTAIN: NONE

***Item #6: Resolution No. 20-30 - Approval of Financial Soundness Determination for California Montessori Project - San Juan (American River Campus) located in Sacramento County for a Final Apportionment through the Charter School Facilities Program (Action Item)***

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Jose Franco presented and introduced Brett Barley, Superintendent of CA Montessori Project Schools, Nicholas Arps, Director of Facilities for San Juan Unified School District, Bryce Fleming, who is the back office support consultant for the school, and Chris DeLong, who is a project consultant. Mr. Franco provided details on the school, project costs and the upgrades that would be applied to the school. Mr. Franco confirmed all program eligibility criteria had been met, and that the schools have consistently outperformed local schools in the district. He continued and stated that staff is recommending the board approve this item. Mr. Barley provided additional details on the school's history and how the project would improve their existing facilities. Mr. Barley also spoke to the transition to distant learning, and how quickly the staff was able to accommodate home learning for the students.

No questions from the Board.

**Authority Action**

Motion to approve the Financial Soundness Determination for California Montessori Project - San Juan (American River Campus) located in Sacramento County for a Final Apportionment through the Charter School Facilities Program

MOTION: Mireles

SECOND: Miller

AYES: Mireles, Miller, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

***MOTION APPROVED Item #7: Resolution No. 20-31 - Approval of Financial Soundness Determination for Rise Kohyang Middle School located in Los Angeles County for an Advance Apportionment through the Charter School Facilities Program (Action Item)***

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Jose Franco presented and introduced Saman Bravo-Karimi, who is the Chief Business Office for Brightstar Schools, which is the parent organization of the school. Mr. Franco outlined information on the school's location, the project costs, and how Los Angeles Unified School District (LAUSD) is also contributing additional funds to the school via an augmentation grant for this project. Mr. Franco confirmed all program eligibility criteria had been met, and that a legal disclosure item regarding a lawsuit the parent organization is facing, and confirmed the State Treasurer's Office legal department did not believe it would have a material impact on the future operation of the school. Mr. Franco confirmed the school had outperformed neighboring schools in the district for the last three years, and that they anticipate 400 additional students in the first year of project occupancy, which will be 2025. He confirmed staff recommend approval of this item and had Mr. Bravo-Karimi offer additional details on the school and their relationship with the district.

Question from Board Member Mireles about the site acquisition cost, asking for the price. Mr. Bravo-Karimi confirmed the property cost a little bit less than \$16 million dollars, for one acre in Korea Town, which he noted was an expensive region.

**Authority Action**

Motion to approve the Financial Soundness Determination for Rise Kohyang Middle School located in Los Angeles County for an Advance Apportionment through the Charter School Facilities Program (Action Item)

MOTION: Mireles

SECOND: Miller

AYES: Mireles, Miller, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

**Item #8: Public Comments**

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No public comments.

Meeting was adjourned.

**Item: Adjournment**

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