

MINUTES

**CALIFORNIA SCHOOL FINANCE AUTHORITY
915 Capitol Mall, Conference Room 587
Sacramento, California 95814**

**300 S. Spring St, Suite 8500
(Large Conference Room)
Los Angeles, CA 90013**

February 25, 2021 - 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

Treasurer Fiona Ma, called the meeting to order at 10:32 a.m.

Item #1: Roll Call

Members Present: Fiona Ma, CPA, 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: Audrey Noda, Deputy Treasurer (LA Office)
Katrina Johantgen, Executive Director (LA Office)
Ravinder Kapoor, Legal Counsel (Via Microsoft Teams)
Thomas, Dear, Staff Service Manager II (Sacramento Office)
Shannon McEuen, Staff Service Manager I (Sacramento Office)
Robert Biegler, Program Lead (Via Microsoft Teams)
Michael Pack, Program Lead (Via Microsoft Teams)
Robert Rodriguez, Office Technician (Sacramento Office)

Consultants Via Microsoft Teams:

Annette Yee, Managing Director, Montague DeRose and Associates, LLC
Michael Kremer, Managing Director, Montague DeRose and Associates, LLC
John Solarczyk, Principal, RBC Capital Markets
Dan Deaton, Partner, Nixon Peabody, LLP
Ann La Morena Rohlin, Partner, Norton Rose Fulbright US LLP
Frank Vega, Managing Director, RBC Capital Markets
Debra Saunders, Co-Senior Manager, Citi

Treasurer Ma welcomed those on the phone line to the California School Finance Authority (CSFA) Board (Board) meeting. Executive Director Katrina Johantgen read the prompt regarding the teleconference line and public participation.

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

Treasurer Ma introduced Item #2: Approval of the January 28, 2021 Board Minutes. Treasurer Ma asked if there were any public comments and there were none.

Authority Action

Motion to approve the minutes from the January 28, 2021 meeting. Robert Rodriguez called the roll.

MOTION: Mireles SECOND: Miller

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Item #3: Executive Director's Report

Charter School Facility Grant Program: The Authority continues to clear 19-20 schools, and have begun working on the 20-21 funding round. In addition, the Authority is also working with Department of Finance to forecast program needs for the 21-22 funding round.

Conduit Financing Program: The Authority will have two applications for financing that will be coming to the March board meeting. The Authority will bring process recommendations to the board based on feedback received from capital market participants and back office providers.

Credit Enhancement Program: The Authority executed a performance agreement with the US Department of Education for the \$20 million Charter ABLE program for use to enhance the series A Advances on State Aid Payments (ASAP) notes. The Authority is working with lenders to deploy an \$8 million grant and looking to work with smaller banks to enhance smaller loans for schools throughout the state.

Charter School Facilities Program: The Authority is working with the Office of Public School Construction to revise regulations as it relates to succession provisions. Financial soundness reviews will be coming to the board before May, which will allow schools to access funding through that program.

Revolving Loan Fund: The Authority is bringing an item for the board approval today. The Authority is also gearing up for a new funding round that will be opening no later than April 2021.

Incentives Grant Program: The Authority is working to obtain grant agreements for the round 15 alternates and execute these agreements so schools may receive funding. The Authority's goal is to distribute all of the funds by August 30, 2022. The Authority is sending a packet to congressional leaders for their support to replenish funding under the Incentives Grant Program so California can continue to administer the grant that benefits so many charter school students.

There were no public comments.

Treasurer expressed her appreciation for the hard work of the CSFA staff.

Item #4 – Presentation of the Annual Conduit Financing Report (Information Item)

Robert Biegler and Michael Pack presented. Mr. Biegler began the discussion, presenting insight into the challenges of administering the program, including pricing shifts related to the Covid-19 pandemic and the election. Mr. Biegler outlined how these shifts affected school's projected budgets and noted that it was a great year for interest rates and municipal debt. He confirmed there were 17 issuances, for a total of \$389,485,671 in funding. Mr. Biegler offered additional program highlights, including the board approving a community college, and the first non-charter school issuance, Grossmont Union High School District, in over a decade for the financing.

Board Member Miller commended the presenters for their hard work and creativity.

Michael Pack presented next, providing details on the program transactions, referring to the report provided to board members. Mr. Pack highlighted program statistics from the year, noting there was a 52% increase in funding from last year. Mr. Pack spoke to the 17 transactions from the year, noting 14 were conduit revenue bonds and three were bank loans. Mr. Pack also highlighted that the Authority was responsible for more than half of all tax exempt charter school bond and revenue anticipation notes issued in California for the calendar year of 2020.

Executive Director Johantgen noted the reports are available on the Authority's webpage, and confirmed the conduit financing program has been in place for 10 years.

Mr. Biegler concluded the presentation by providing insight into the transactions that are currently in the process of closing as well as the expectations for the next year.

Treasurer Ma asked Board Members if they had any comments. No comments were given. Treasurer Ma asked if there were any public comments. There were no public comments.

Item #5 – Resolution 21 – 03 – Authorizing the Issuance of one or more series of State Aid Intercept Notes in an amount not to exceed \$1,175,000,000 to Finance Working Capital for certain California School Districts, Community College Districts, and County Offices of Education listed in Attachment A (Action Item)

Executive Director Katrina Johantgen presented, and began by introducing the Managing Director Annette Yee and Michael Kremer from Montague DeRose and Associates, LLC. Executive Director Johantgen then introduced Frank Vega, the Managing Director from RBC Capital Markets. From Co-Senior Manager Citi, Executive Director Johantgen introduced Director Debra Saunders, followed by Director Blake Fowler from our Public Finance Division. Executive Director Johantgen then introduced Dan Deaton, a partner and Ann La Morena Rohlin, Partner, Norton Rose Fulbright US LLP.

Mr. Vega presented key program highlights, outlining the Treasurer's desire to create a low cost financing option for school districts and charters due to the cash flow challenges these schools face. He confirmed this program provides that option, noting the program has staying power for years to come to provide low costs options for school districts. Mr. Vega provided additional details on rate changes and the program structure.

Ms. Yee offered insight into the process of building the program, praising Treasurer Ma and Executive Director Johantgen for their support in the process. She then provided insight into the current financial challenges for school districts and how the program was built to benefit them. Ms. Yee provided a breakdown of the districts involved and the borrowing costs.

Executive Director Johantgen noted she had neglected to thank Gisele Rainer from the Attorney General's Office, serving as Issuer's counsel, the Treasurer's Office Public Finance Division, California Debt and Investment Advisory Commission, and Information Technology division for their support on developing the program webpages. Executive Director Johantgen wanted to make sure they were all recognized for their sizable efforts.

The Treasurer also praised Blake Fowler and his team for their commitment to the program's success.

Mr. Deaton presented next, offering details on the Preliminary Official Statement (POS) of the transaction. He noted it was designed in a way to encourage the investor to look just to the state in its payment of the principal apportionment and to the intercept structure that the Authority has, under its statute, to ensure the principal apportionment will be deferred and directed to the trustee of the notes.

Executive Director Johantgen provided details on the bond documents. Ann La Morena Rohlin joined the meeting and shed light on the mechanics of the legal documents.

Ms. Saunders stated the rating couldn't be disclosed yet as it hadn't been made public, but confirmed the state credit was a theory the rating agencies have accepted and they would be making the rating public soon. Ms. Saunders spoke to the contributions of the parties involved and the legwork completed with the rating agencies, adding she anticipates a successful conclusion.

Treasurer Ma asked if there were any comments from the public. There were no public comments.

Authority Action

Motion to approve the authorizing the Issuance of one or more series of State Aid Intercept Notes in an amount not to exceed \$1,175,000,000 to Finance Working Capital for certain California School Districts, Community College Districts, and County Offices of Education listed in Attachment A

MOTION: Miller SECOND: Mireles

AYES: Miller, Mireles, Ma

NOES: NONE

ABSTAIN: NONE

Item #6 – Resolution 21 – 04 – Authorizing the Issuance of one or more series of Revenue Notes in an aggregate amount not to exceed \$200,000,000 to Finance Working Capital for California Charter School listed in Attachment B (Action Item)

Executive Director Katrina Johantgen presented, listing schools that may need to be moved from most recently approved Resolution 21 – 03, listed on Attachment A to the charter program. They were: Freshwater Charter Middle, La Tijera K-8 Charter School Academy of Excellence of Inglewood Unified, New Jerusalem Charter School, Delta Bridges Charter School, Delta Charter Online, Delta Charter, Delta Home Charter, and Delta Keys Charter. Executive Director Johantgen reintroduced Managing Director Annette Yee and Michael Kremer from Montague DeRose and Associates, LLC; she confirmed Blake Fowler, Director of the Treasurer’s Office of Public Finance was available to answer questions, and introduced John Solarczyk, Managing Director from RBC Capital Markets, and Debra Saunders Director of Public Finance from Citi. Executive Director Johantgen confirmed Mark Bauer, Partner from Orrick was also in attendance who confirmed Dan Deaton, Partner at Nixon Peabody was also on the call. Executive Director Johantgen confirmed the program had one contingency, noting the Authority was still working with California Department of Education on item E, confirming some revisions would be applied. Ms. Johantgen noted that the approval of the item is contingent on the execution of the Memorandum of Understanding with the State Controller’s Office, the California School Finance Authority and the California Department of Education.

Mr. Kremer presented next and gave some history on the program and their efforts. Mr. Kremer confirmed the program structure was similar to what was being done with the K-14 program that is financing P1 and P2 deferrals by issuing Tax and Revenue Anticipation Note (TRANS) and repaying them through Authority’s intercept of the deferrals. Mr. Kremer gave insight into the closing dates and associated risks, and confirmed this would dramatically reduce the borrowing costs for charters. He confirmed the notes would likely be priced on or about March 17, and close on or about March 30.

Mr. Solarczyk presented next, and spoke to the marketing of the program. He provided details on series’ sales dates and expectations. Mr. Solarczyk confirmed their strategy to roll out the program to schools and projected timeline. Ms. Sanders added additional insight into the credit committees and how they have been working together cooperatively to make the process productive and collaborative.

Mr. Bauer provided details on the legal documents associated with the item. He outlined the terms of the loan agreements and reimbursement agreements and passed the presentation to Mr. Deaton who briefly spoke to the structure of the POS.

There were no public comments.

Authority Action

Motion to approve the Conduit Financing Program Borrower Fee Schedule

MOTION: Miller SECOND: Mireles

AYES: Miller, Mireles, Ma

NOES: NONE

ABSTAIN: NONE

Item #7: Resolution 21 – 05 - Approval of a Charter School Revolving Loan Fund Program Loan in an amount of \$150,000 for EPIC Charter located in Orange County (Action Item)

Executive Director Johantgen presented the item and recommended approval of the loan for EPIC Charter School. She confirmed the funding round had been opened outside of the normal cycle due to the program's balance. EPIC Charter School was the last applicant to be found eligible in the round. The proposed amount of \$150,000 is the maximum amount available to EPIC Charter as the school previously received a \$100,000 loan through the program.

No questions from board members or the public.

Authority Action

Motion to approve the Charter School Revolving Loan Fund Program Loan in an amount of \$150,000 for EPIC Charter located in Orange County

MOTION: Miller SECOND: Mireles

AYES: Miller, Mireles, Ma

NOES: NONE

ABSTAIN: NONE

Item #8: Public Comments

No public comments.

Item: Adjournment

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