

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

June 24, 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 10:31 a.m.

Item #1: Roll Call

Members Present: Fiona Ma, CPA, Treasurer (LA Office)
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)
Ryan Storey, Program Lead (Via Microsoft Teams)
Jeff Martin, Program Lead (Sacramento Office)
Robert Rodriguez, Office Technician (Sacramento Office)

Attendees Via Microsoft Teams:

- Brian Bauer, Executive Director, Granada Hills Charter
- Tammy Stanton, Chief Financial Officer, Granada Hills Charter
- Marc Bauer, Partner, Orrick
- Joe Crowley, Director, Ziegler
- Sarah J. Kollman, Partner, Young, Minney & Corr, LLP
- Ruth Wamuyu Schriver, Chief Operating Officer, Downtown College Prep

- Kathryn Hanson, Board Chair, Downtown College Prep
- Kathleen (Kathy) Yates, Board Treasurer, Downtown College Prep
- Nancy Albarran, Superintendent of Schools, San Jose Unified School District
- Brian Wheatly, Board President, San Jose Unified School District
- Stephen McMahon, Deputy Superintendent, San Jose Unified School District
- Veronica Causor-Lara, Internal Audit Manager, San Jose Unified School District

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

Item #2: Approval of the May 25, 2021 Board Minutes (Action Item)

Treasurer Ma introduced Item #2: Approval of the May 25, 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 May 25, 2021 meeting. Robert Rodriguez called the roll.

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Treasurer Ma confirmed that item #7 would be presented first.

Item #7 – Resolution No. 21 – 19 – Consideration of an Appeal of Ineligibility under the Charter School Facility Grant Program for Downtown College Preparatory (Downtown College Prep - El Primero), and Downtown College Preparatory Middle (Downtown College Prep - El Camino) located in Santa Clara County (Action Item)

Executive Director Katrina Johantgen provided a brief history of the Charter School Facility Grant Program (SB740), and the guidelines currently in place regarding determination of an applicant school’s ‘good standing’. Executive Director Johantgen confirmed that current regulations require each school’s authorizer to verify the school is in compliance with the terms of its charter agreement. If an authorizer indicates that a school is not in compliance, they are deemed not in good standing, and are thereby ineligible to receive program funding.

In January 2021, the Authority informed Downtown College Prep (DCP) that their authorizer, San Jose Unified School District (SJUSD), had indicated the school was not in compliance with the terms of its charter agreement. The Authority had thereby determined DCP to be not in good standing, rendering both DCP campuses ineligible for the 2020-21 funding round. DCP, represented by Sarah J. Kollman of Young, Minney and Corr, LLP (YMC), appealed the Authority’s determination in April 2021. Representatives from DCP, YMC, and SJUSD were in attendance to address the board.

Executive Director Johantgen confirmed that staff was upholding their finding of ineligibility and noted DCP had been found eligible during the 2016-2017, 2017-2018, 2018-2019, and 2019-2020 funding rounds, with the denied funding in question being only the 2020-2021 round. Executive Director Johantgen introduced Ravinder Kapoor, attorney for the State Treasurer's Office, who noted the strict timelines listed under the program regulations and stated that in his legal opinion this issue needed to have been resolved by May 5, 2021. Ms. Kollman requested that Chief Operating Officer of DCP, Ruth Wamuyu Schriver speak first. Ms. Schriver spoke about DCP's student demographics and the negative impact this loss of funding would have on their student population.

DCP Board Treasurer Kathy Yates spoke next, detailing the efforts DCP has made to satisfy SJUSD's requirements, and the challenges DCP experienced throughout their attempts to do so. Ms. Yates also provided information on how the lack of funding would affect the school's budget in the 2020-2021 school year.

Ms. Kollman spoke next, presenting an argument that the Authority is not required to rely solely upon an authorizer's decision when determining good standing. Ms. Kollman requested the Authority Board consider all of the information presented and vote to overturn the ineligibility determination for the 2020-2021 funding year.

Executive Director Johantgen then requested a representative of the SJUSD board respond with details as to how the district had arrived at the conclusion that DCP was not in compliance with its charter agreement.

Brian Wheatly, SJUSD Board President, responded providing details regarding DCP's response to their initial finding of non-compliance and reiterated that DCP had failed to address their deficiencies within the timeline established by SJUSD. Deputy Superintendent of SJUSD, Stephen McMahon, spoke next offering additional details regarding the district's review process and described DCP's failure to meet their requirements. Mr. McMahon acknowledged that DCP has refused to accept SJUSD's findings, insisting they had made every effort to satisfy the district's directives.

Treasurer Ma asked Mr. McMahon to specifically address the conditions that led to the determination that the school was not in good standing.

Mr. McMahon outlined three separate issues, beginning with a dispute regarding special education services that lingered for multiple years. Mr. McMahon continued with recent changes to state law regarding the statute of limitations on sexual abuse cases, which resulted in SJUSD's insurance providers advising them to increase their liability coverage requirements for all schools in their district, which he claimed DCP failed to accomplish within the district's time limits. Finally, Mr. McMahon explained that academic achievement concerns for DCP's students were a determining factor in denying their good standing. Mr. McMahon claimed that all of these issues went largely ignored by DCP until the Authority informed the school they were ineligible for SB740 funding.

Treasurer Ma asked DCP to address these items, and Ms. Kollman responded to each one separately. Ms. Kollman noted that the special education issue was related to SJUSD asking DCP to explore additional special education services, which DCP did explore, but ultimately did not make any changes to their programs given it was not a requirement. Ms. Kollman addressed the liability insurance issue next, noting the requirement was for DCP to have

insurance proportional to the district; Ms. Kollman contrasted the district's 10,000+ student population versus DCP's 1,500 student population, suggesting the requirements imposed upon DCP by the district were unreasonable, and far from proportional. Ms. Schriver added details regarding the lack of direction SJUSD provided to DCP when navigating this issue, which created additional challenges for DCP when working to meet the insurance requirement. Ms. Kollman addressed the academic achievement concern next, noting that the district's requirements allowed DCP until 2024 to meet the academic achievement benchmarks in question. Ms. Kollman stated the school should not be penalized for not achieving these benchmarks in 2021.

Mr. McMahon spoke again, admitting these were complex issues, but reiterating SJUSD would stand by its determination, stating they had followed all established guidelines in reaching their conclusion. Mr. McMahon went on to suggest that it would set a bad precedent for the Authority Board to overrule or disregard a district's determination with regard to good standing, opening up the possibility for a significant increase in similar appeals in the future. For this reason, in addition to those previously discussed, Mr. McMahon requested that the Authority Board deny this appeal.

Board Member Miller then stated that she was unable to make a determination based on the information presented, noting she was not comfortable overturning the decision at this time. Board Member Mireles agreed with this assessment and asked Executive Director Johantgen to provide details on any similar appeals presented to the board in the past related to good standing.

Executive Director Johantgen then requested that Treasurer's counsel, Mr. Kapoor, comment on an authorizer's ability to make changes to a good standing determination. Mr. Kapoor confirmed that he agreed with Board Member Miller's assessment regarding the complexity of the issue, and that he also felt it was not the Authority Board's role to question individual district's processes for determining good standing. Mr. Kapoor said that he would take the SJUSD at their word and defer to their judgement.

Board Member Mireles inquired about the voting process for this item should it not receive a motion to approve. Executive Director Johantgen confirmed that it would not be voted on if no motion to approve is made.

Kathryn Hanson, incoming Board Chair for DCP, spoke next, stating how DCP worked towards addressing SJUSD's good standing concerns, and requested the CSFA's Board to make an exception for DCP in light of the pandemic's effect on their school and students.

Ms. Kollman spoke again, noting DCP's hesitation before bringing this item to the board and how they had exhausted every other available option before doing so. Ms. Kollman outlined the lack of communication DCP had received from SJUSD during the good standing determination process and asked for special consideration to be made by the CSFA's Board. Treasurer Ma reiterated that the board relies on authorizers to make good standing determinations and outlined her concerns on the liability insurance item and how it could potentially affect students. Treasurer Ma asked for additional clarification on this item and Mr. McMahon responded by stating it was a statewide requirement that other districts upheld and laid out the financial risk the district was under without this level of liability insurance.

Treasurer Ma asked if there were any public comments and was informed three callers were waiting on the public comment line to speak.

Sarahi Cid-Luna spoke to the challenges the community has faced in recent years and how DCP's involvement was crucial in addressing them. Ms. Cid-Luna spoke to DCP's alleged unfair treatment by SJUSD and how the denied funding would affect the school's student body.

An unidentified speaker said she was speaking on behalf of parent Julia Fresquez, who needed to leave the call due to a medical emergency and read a letter on Ms. Fresquez's behalf. The letter reiterated the efforts and challenges DCP experienced to get a good standing certification and requested the board consider overturning the decision of SJUSD.

Caitlin O'Halloran from the Charter School Development Center spoke last, urging the Authority's board to overturn the decision of SJUSD and provided details on why the board had the authority to do so.

Treasurer Ma asked if there was a motion at this time to overturn SJUSD's good standing determination, to which there was no response. Treasurer Ma then confirmed the board would support the Authority staff's recommendation; she went on to express hope that SJUSD and DCP would continue to work together on this issue for the benefit of DCP students.

Executive Director Johantgen noted that program regulations allowed DCP and SJUSD until the end of the fiscal year, June 30, 2021, to come to an agreement and resolve this issue of good standing.

Authority Action

Motion to approve the Consideration of an Appeal of Ineligibility under the Charter School Facility Grant Program for Downtown College Preparatory (Downtown College Prep - El Primero), and Downtown College Preparatory Middle (Downtown College Prep - El Camino) located in Santa Clara County

MOTION: None SECOND: N/A

AYES: N/A
NOES: N/A
ABSTAIN: N/A

NO MOTION OR VOTE OCCURED.

Executive Director Johantgen suggested omitting the Executive Director's report from the board meeting to accommodate the schedules of the board members.

Board Member Miller needed to briefly leave the board meeting and Treasurer Ma asked for the Executive Director's report.

Item #3: Executive Director's Report

Student Housing: The Authority continues to monitor AB 1377 that would establish a revolving loan fund for student housing administered by the Authority.

K-14 SAIN and Charter ASAP Program: The Authority is awaiting final budget language regarding State education funding deferral payments and will follow up once more information is received. The Authority continues to conduct monthly monitoring for ASAP borrowers which is an obligation under the letter of credit bank agreements.

Charter School Facility Grant Program: The Authority received 437 applications for the 2021-2022 funding round. The Authority is currently reviewing applications and allowed an additional week extension to apply to allow repeat awardees to submit applications.

Conduit Financing Program: The Authority is presenting an item on behalf of Granada Hills to the board today.

Credit Enhancement Program: The Authority is making a recommendation for an award to Granada Hills Charter to enhance their financing. The Authority also received notice that a new funding round for credit enhancement would soon open at the United States Department of Education. The Authority will be consulting with the Executive Office to determine if the Authority is going to apply for the grant.

Charter School Facilities Program: The Authority is working to finalize program agreements with Los Angeles Unified School District for Alliance Dr. Olga Mohan so the school may occupy the facility in July 2021.

Revolving Loan Fund: The Authority will be bringing reviews and loan recommendations to the board in July 2021.

Incentive Grants Program: The Authority is working to ensure no surplus funds will remain by the time the grant program closes on August 31, 2022.

Treasurer Ma asked if there were any public comments, and there were none.

Item #4 - Resolution No. 21 – 16 – Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$16,000,000 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 Granada Hills Charter School (Action Item)

Executive Director Katrina Johantgen presented and introduced Robert Biegler, Authority staff member; Joe Crowley, Director at Ziegler; Tammy Stanton, Chief Financial Officer of Granada Hills Charter; and Marc Bauer, Partner at Orrick. Mr. Crowley presented a summary of the financial details for Granada Hills Charter, referring to the report provided to board members. Mr. Crowley mentioned this would potentially be the third financing provided by the Authority and referenced how the facility would benefit from the potential funding. Mr. Crowley finally spoke to the extraordinary academic results of the school's students and the history of the project.

Mr. Biegler spoke next and added that summer is a particularly good time for municipal bonds and confirmed this would likely be the only charter financing until August of 2021.

Deputy Treasurer Audrey Noda confirmed she was chairing this particular item and asked if there were any questions from board members. There were none. Due to Board Member

Miller's absence, Deputy Treasurer Noda opted to keep the vote open until Board Member Miller's return.

Item #5 – Resolution No. 21 – 17 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$500,000 to Granada Hills Charter School located in Los Angeles County (Action Item)

Executive Director Katrina Johantgen presented, introducing the team from Granada Hills Charter (again), consisting of Joe Crowley, Director at Ziegler, Tammy Stanton, Chief Financial Officer of Granada Hills Charter, and Marc Bauer, Partner from Orrick. Mr. Crowley spoke, offering details on how this credit enhancement funding would benefit the school and the financing by providing additional coverage. Mr. Crowley noted they were still working out a financing schedule for the project to determine when it would make the most economical sense to return to the board for additional funding.

Executive Director Johantgen noted that the Authority was prepared to hold an additional board meeting, if necessary, to accommodate a maximum award through the Authority's Credit Enhancement Program.

Treasurer Ma and Board Member Miller returned to the board meeting.

Mr. Crowley spoke next, confirming that the demand for "BBB" rated charter school bonds is currently in great demand, exceeding the available supply and creating a great pricing opportunity.

Treasurer Ma suggested holding a vote for item 4. Treasurer Ma asked if there were any public comments, and there were none.

Authority Action

Item #4 – Resolution No. 21-16 Motion to Authorize the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$16,000,000 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 Granada Hills Charter School

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

MOTION APPROVED.

Treasurer Ma called for a vote for item #5 at this time.

Authority Action

Motion to Approve the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$500,000 to Granada Hills Charter School located in Los Angeles County

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

MOTION APPROVED.

Item #6 – Resolution No. 21 – 18 – Approving Amendments to the Charter School Facilities Program (CSFP) Regulations and Authorizing the Rulemaking Process (Action Item)

Executive Director Katrina presented the item, explaining that the regulation changes are necessitated by a number of charter schools no longer needing their facilities financed through the Charter School Facilities Program. Ms. Johantgen noted that the Authority and counsel had worked closely with the Office of Public School Construction and that the changes conform to the statute related to the succession of facilities through the program. Ms. Johantgen noted there are now at least three facilities that are being or need to be transferred to a succeeding charter school and offered details on these examples thereby demonstrating the Authority's need for these regulatory updates.

Board Member Mireles confirmed that he was familiar with these regulation changes noting he was part of the State Allocation Board that previously approved the item for the Office of Public School Construction.

Treasurer Ma asked if there were any public comments, and there were none.

Authority Action

Motion to Approve Amendments to the Charter School Facilities Program (CSFP) Regulations and Authorizing the Rulemaking Process

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

MOTION APPROVED.

Item #8: Public Comments

No public comments.

Executive Director Katrina Johantgen confirmed with Treasurer Ma that the Authority would likely be reaching out to board members to schedule an additional board meeting related to item #5.

Item #9: Adjournment

There being no public comments, the Board adjourned the meeting at 12:29pm.