

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

October 28, 2021 - 10:30 a.m.

Public Participation

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

OPEN SESSION

Treasurer Fiona Ma, called the meeting to order at 10:36 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 Services Manager I (Sacramento Office)
Jodie Jones, Program Lead (Sacramento Office)
Robert Biegler, Program Lead (LA Office)
Elizabeth Mendez, Program Lead (LA Office)
Jeffery Martin, Program Lead (Sacramento Office)
Robert Rodriguez, Office Technician (Sacramento Office)

Attendees Via Microsoft Teams:

- Veronica Melvin, Chief Executive Officer/President, LA Promise Fund
- Liliana Vasquez, Director of Operations, LA Promise Fund
- David Spitz, Director of Finance, LA Promise Fund
- John Kim, Managing Director, Stifel, Nicolaus & Company, Inc.
- Nate Keninitz, Associate, Stifel, Nicolaus & Company, Inc.
- Joshua Bauer, Analyst, Stifel, Nicolaus & Company, Inc.
- Jessica Shaham, Partner, Kutak Rock LLP
- Sarah Kollman, Partner, Young, Minney, & Corr LLP
- Thomas Bruder, Deputy Attorney General, Attorney General's Office

- Saman Bravo-Karimi, Chief Business Officer, Bright Star Schools
- Elijah Sugay, Vice President of Finance and Facilities, Bright Star Schools
- John Phan, Principal, Campanile Group, Inc.
- Joe Herzog, Executive Director, Ivy Academia
- Maria Gennaro, Director of Business and Operations, Ivy Academia
- Rob Nickell, Managing Director, Truist Securities

Treasurer Ma welcomed those on the phone 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 September 30, 2021 Board Minutes (Action Item)

Treasurer Ma introduced Item #2: Approval of the September 30, 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 September 30, 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

K-14 SAIN and Charter ASAP Program: Executive Director Katrina Johantgen indicated that while the notes are set to mature at the end of December 2021, Executive Director Johantgen confirmed the Authority is anticipating recouping the full \$10 million that was used to enhance the ASAP note series. The Authority is working with the State Treasurer’s Public Finance Division to retain a consultant to perform the arbitrage rebate calculation for those community college districts that could not demonstrate a deficit during the period the SAIN notes are outstanding.

Charter School Facility Grant Program: The Authority is reviewing 430 applications, of which 417 appear to be eligible. Regarding the 2019-20 funding round, the Authority is looking at invoicing schools that were overpaid and will be reporting to the Board any issues or concerns.

Conduit Financing Program: The Authority is reviewing pricing of the Aspire transaction recently approved by the Board in September. The Authority is bringing three financings today: Russell Westbrook Why Not? Academy Middle and Russell Westbrook Why Not? Academy High School; Ivy Academia, which is a refinancing; and Bright Star Public Schools. Associated

TEFRA hearings were held this morning at 9:00 a.m., 9:30 a.m. and 10:00 a.m., respectively, during which there were no public comments. Director Johantgen noted that the Fortune financing approved at the September meeting closed on October 14, 2021 with a final yield of 2.8%, and the all-in True Interest Cost was 3.7%.

Credit Enhancement Program: Executive Director Johantgen noted two items that were agendized for today will instead be held over to the November 10, 2021 meeting as the Authority works through additional data pertaining to determining maximum award amounts.

Charter School Facilities Program: The Authority is working with the Office of Public-School Construction towards opening another funding round in 2022. There appears to be approximately \$100,000,000 in program funds available to charter schools for permanent facilities.

Revolving Loan Fund: Executive Director Johantgen noted the annual report, and one loan application will be coming to the Board in November. The Authority is working with the Department of Finance on legislative revisions to the program to enable the Authority to open the program to mature charters in the future, as there is currently a large sum of unutilized funds.

State Charter School Facilities Incentive Grants Program: The Authority expects the program to conclude by August 2022. As a result, the Authority is working to ensure the timely delivery of funds to all eligible applicants as soon as possible.

Treasurer Ma asked if there were any questions from Board Members or the public. There were none.

Item #4 Presentation of the Charter School Revolving Loan Fund Program 2020-21 Annual Report (Information Item) was removed from the agenda.

Item #5 - Resolution No. 21 – 27 – Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$40,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities for use by Russell Westbrook Why Not? Academy and Los Angeles Community College District located in Los Angeles, County (Action Item)

Executive Director Johantgen, presented Item #5 and introduced LA Promise Fund representatives: Veronica Melvin, Chief Executive Officer/President; Liliana Vasquez, Director of Operations; David Spitz, Director of Finance; and Lori Hashimoto, Operations Manager; as well as John Kim, Managing Director, Stifel, Nicolaus & Company, Inc.; Jessica Shaham, Partner at Kutak Rock LLP; Sarah Kollman, Partner at Young, Minney, & Corr LLP; and Thomas Bruder, Deputy Attorney General with the Attorney General's Office. Mr. Kim presented the financing details for the project.

Mr. Spitz discussed the project overview including how facilities would be enhanced, highlighting the total direct project costs estimated at \$3,670,000.

Mr. Kim offered details regarding the project financing: that the reserve fund is equal to the maximum annual debt service (MADS), and it is to be funded in part out of the Project

Acceleration Note and Credit Enhancement Alternatives (PANACEA) Grant program.

Treasurer Ma asked if there were any questions from Board Members. There were none. Executive Director Johantgen asked if one of the finance team attorneys would address the issue of the Lease Amendment as LA Promise is going to essentially be the landlord, a lease will need to be executed.

Ms. Kollman explained the property is currently leased to East Los Angeles College (ELAC) by the owner and that lease still has two years remaining until expiration. She stated that once LA Promise Fund becomes the owner of the property, and as part of this transaction, they will enter into a lease assignment and amendment providing ELAC with an additional six months of time in addition to the present term, allowing ELAC sufficient time to complete their facility construction project located across the street. Ms. Kollman stated that the new arrangement will include the tax and other necessary covenants, whereby ELAC will agree to continue to use the property as a community college through the extended term, ending in June 2024. After the extended lease term ends, LA Promise Fund will take possession of the property. The new lease amendment also provides authorization for LA Promise Fund to access the facility during spring, winter, and summer breaks to perform planned tenant improvements such that these improvements will be completed in time for LA Promise to occupy the facility in Fall of 2024.

Ms. Shaham stated that Bond Counsel# had communicated with Los Angeles Community College District (LACCD), that it was understood LA Promise Fund would be seeking this financing, and that Bond Counsel# had expressed there are additional matters pending resolution with LACCD in order to complete the financing.

Executive Director Johantgen asked Mr. Bruder if this approval is contingent on the execution of the letter of representation at a subsequent LACCD meeting to take place prior to marketing the bonds or closing the bonds.

Mr. Bruder stated that from the perspective of the Attorney General's Office it is acceptable to proceed with the Authority's current resolution and bond delegation of the Executive Director.

Board Member Mireles asked about the multi-faceted recruitment strategy to account for the significant enrollment projections and what that strategy is.

Mr. Spitz explained that LA Promise Fund has engaged a national marketing firm to help refine their marketing strategy in the new neighborhoods where they are going to be located, as well as investing in their recruiting efforts through software, additional staff, and enhanced enrollment and engagement practices at their existing school sites. Mr. Spitz also emphasized a focus on securing high quality temporary facilities to increase classroom capacity, allowing the schools to grow.

Board Member Mireles asked a follow up question about the temporary facilities, inquiring if they were portables or what kind of temporary facilities they were.

Mr. Spitz stated that they are not portables, but rather high quality community facilities with which they are in negotiations to secure a two-year lease, ensuring the two schools would have temporary permanent locations between now and when they finally move.

Board Member Mireles thanked Mr. Spitz for the background.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve the Authorizing the Issuance of Revenue Bonds in an amount not to exceed \$40,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities for use by Russell Westbrook Why Not? Academy and Los Angeles Community College District located in Los Angeles, County

MOTION: Mireles SECOND: Miller

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

MOTION APPROVED.

Item #6 - Resolution No. 21 – 28 – Approving a Project Acceleration Note and Credit Enhancement Alternatives (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to LA Promise Fund Facility LLC, for the benefit of Russell Westbrook Why Not? Middle School Located in Los Angeles County, California (Action Item)

Item #7: Resolution No. 21 – 29 – Approving a Project Acceleration Note and Credit Enhancement Alternatives (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to LA Promise Fund Facility LLC, for the benefit of Russell Westbrook Why Not? High School Located in Los Angeles County, California (Action Item)

Executive Director Johantgen presented items six and seven together, noting that the resolution votes would be taken up separately. Director Johantgen also noted that the Russell Westbrook Why Not? Academy (RWWNA) Middle and High School are both being recommended to receive a \$1,000,000 award. Both schools have met the eligibility requirements set forth in the performance agreement. Executive Director Johantgen introduced John Kim, Managing Director, Stifel, Nicolaus & Company, Inc. to speak regarding RWWNA.

Mr. Kim spoke about the many benefits this additional funding would have for the student body at RWWNA schools.

Treasurer Ma asked Mr. Kim about social infrastructure and what he meant by this term.

Mr. Kim explained that by social infrastructure he was referring to the broader benefits conferred upon a community by high quality educational facilities, transcending educating students, enriching and stimulating growth at large.

Treasurer Ma asked Executive Director Johantgen if there was a maximum limit or if more schools could apply.

Executive Director Johantgen noted that current regulations allow \$1,000,000 per applicant; since the Authority is considering RWWNA Middle and High Schools as two separate entities, both grants can be packaged into one financing.

Mr. Kim commented that current estimates indicate approximately \$2,060,000 in MADS. The \$2,000,000 grant will greatly reduce the amount of funds the school will need to set aside to minimal amount.

Executive Director Johantgen noted that all amounts are best estimates at the time of the award and will be finalized at pricing.

Treasurer Ma asked Executive Director Johantgen who applies and what qualifies as in income.

Executive Director Johantgen commented that there are criteria the Authority sets forth in the application with the U.S. Department of Education which is memorialized in a performance agreement.

Treasurer Ma asked if there was approximately \$30,000,000 in this fund.

Executive Director Johantgen clarified that the current \$30,000,000 balance consists of \$20,000,000 remaining available from Charter ABLE due to the Authority's use of \$10,000,000 to enhance the Advances on State Aid Payment notes; in addition to \$10,000,000 from the U.S. Department of Education under the Charter Financing Enhancement (FinE) Program.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve a Project Acceleration Note and Credit Enhancement Alternatives (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to LA Promise Fund Facility LLC, for the benefit of Russell Westbrook Why Not? Middle School Located in Los Angeles County, California

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

MOTION APPROVED.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve a Project Acceleration Note and Credit Enhancement Alternatives (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to LA Promise Fund Facility LLC, for the benefit of Russell Westbrook Why Not? High School Located in Los Angeles County, California

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma
NOES: NONE
ABSTAIN: NONE

MOTION APPROVED.

Item #8: Resolution No. 21 – 30 – Resolution of The California School Finance Authority Authorizing the Issuance of Revenue Bonds In An Amount Not To Exceed \$10,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping Of Educational Facilities Located In Los Angeles County, California for Use by Bright Star Schools (Action Item)

Robert Biegler presented, stating that this financing is not to exceed an amount of \$10,000,000 for the projected BBB- rated bond issuance for Bright Star Schools (Bright Star); specifically, their Valor Academy Middle School campus, and that it represents an acquisition from the Turner Agassi Fund. Mr. Biegler introduced Bright Star Representatives Saman Bravo-Karimi, Chief Business Officer; and Elijah Sugay, Vice President of Facilities and Finance. Mr. Biegler also introduced John Phan, Principal at Campanile Group, Inc.; Nate Keninitz, Associate at Stifel, Nicolaus & Company, Inc.; Josh Bauer, Analyst at Stifel, Nicolaus & Company, Inc.; and Jessica Shaham, Partner at Kutak Rock LLP.

Mr. Keninitz provided an overview of the transaction, indicating that Bright Star is anticipating a term of 40 years, pricing on Thursday, November 18, 2021, and closing the bonds at the beginning of December.

Board Member Mireles questioned how Bright Star came up with the \$100,000 cap on repairs and replacement.

Mr. Keninitz answered that \$100,000 is a generally accepted, market standard sizing for a single building. He shared details that two other schools in the obligated group also have \$100,000 capital maintenance and operating funds on hand with the trustee, and that the school is able to pull from that fund at any time to make immediate repairs as needed which could not otherwise be financed out of their standard operations budget.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve Authorizing the Issuance of Revenue Bonds in An Amount Not to Exceed \$10,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Los Angeles County, California for Use by Bright Star Schools.

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma
NOES: NONE
ABSTAIN: NONE

MOTION APPROVED.

Item #9 Resolution No. 21 – 31 – Resolution of the California School Finance Authority Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$30,000,000 to Finance and Refinance the Acquisition, Renovation, Improvement, Furnishing and Equipping of Educational Facilities Located in Los Angeles County, California for Use By Alternative Schools, Inc. DBA Ivy Academia Entrepreneurial Charter School (Action Item)

Elizabeth Mendez recommended the approval of Resolution 21 - 31 authorizing the issuance of school facility revenue bonds in the amount not to exceed \$30,000,000 to refinance the California and Enterprise Development Authority 2018 bonds. Ms. Mendez then introduced the school representatives and financing teams: Joe Herzog, Executive Director at Ivy Academia; Maria Gennaro, Director of Business and Operations at Ivy Academia; Sarah Kollman, Partner at Young, Minney, & Corr LLP; John Phan, Principal at Campanile Group, Inc.; Jessica Shaham, Partner Kutak Rock LLP; and Rob Nickell, Managing Director at Truist Securities.

Mr. Phan provided history regarding the 2018 transaction in which Ivy Academia (Ivy) issued these bonds. Mr. Phan stated that refinancing the bond will improve the financial strength of the school.

Mr. Nickell provided an overview of the financing. He explained proceeds will be used to refinance the 2018 bonds that Mr. Phan referenced, and for restructuring to create an economic improvement scenario with sustainable long term debt service for Ivy. In addition, Ivy is financing tenant improvements. Mr. Nickell emphasized that the financing will be a non-rated transaction and is expected to have a fixed rate bonds going out to 40 years.

Executive Director Johantgen asked if Mr. Phan could confirm whether the initial bonds were structured with an early call feature and Mr. Phan confirmed the bonds could be called today at a price of 102%, approximately an additional \$500,000.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve the Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$30,000,000 to Finance and Refinance the Acquisition, Renovation, Improvement, Furnishing and Equipping of Educational Facilities Located in Los Angeles County, California for Use by Alternative Schools, Inc. DBA Ivy Academia Entrepreneurial Charter School

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma
NOES: NONE
ABSTAIN: NONE

MOTION APPROVED.

Item #10: Resolution No. 21 – 32 – Approving the Credit Enhancement (CDFA #84.354) Award in an Amount Not to Exceed \$1,000,000 to Valor Academy Middle School (Action Item)

Robert Biegler presented and noted that this is Bright Star's second financing and their first credit enhancement grant award. Executive Director Johantgen introduced Saman Bravo-Karimi, Chief Business Official with Bright Start Schools. Mr. Bravo-Karimi expressed his gratitude for the Authority and board members support and emphasized how the school would benefit through the program by lowering their debt service, allowing Bright Star to dedicate more operational funding towards higher pay for teachers, counselors, and additional student resources. Executive Director Johantgen noted that the applicant meets all program eligibility requirements, and that Authority staff is recommending approval of Resolution 21 - 32 approving a Credit Enhancement award in an amount not to exceed of \$1,000,000 to Valor Academy Middle School.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve the Credit Enhancement (CDFA #84.354) Award in an Amount Not to Exceed \$1,000,000 to Valor Academy Middle School

MOTION: Mireles SECOND: Miller

AYES: Mireles, Miller, Ma
NOES: NONE
ABSTAIN: NONE

MOTION APPROVED.

Item #11: Resolution No. 21 – 33 – Approving the Credit Enhancement (CDFA #84.354) Award in an Amount Not to Exceed \$1,000,000 to Ivy Academia (Action Item)

Executive Director Johantgen presented and recommended approval of Resolution 21-33 approving the Credit Enhancement Award in an amount not to exceed \$1,000,000 to Ivy Academia. The school has met all eligibility criteria and will be securing financing that is being coupled with the grant.

Rob Nickell, Managing Director from Truist Securities, commented that the grant would be beneficial by further reducing debt service as projected based on the proposed financing.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve the Credit Enhancement (CDFA #84.354) Award in an Amount Not to Exceed \$1,000,000 to Ivy Academia

MOTION: Mireles SECOND: Miller

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

MOTION APPROVED.

Item #12: Resolution No. 21 – 34 – Adoption of Proposed Permanent Regulations for the Charter School Facility Grant Program (Senate Bill 740 Program) (Action Item)

Jeff Martin presented, summarizing the need for permanent regulatory changes to the SB740 Program. He explained the proposed changes would affect the preference in admission provision. Authority staff currently rely on charter petitions to confirm any preference in admissions policy when applicable. Mr. Martin indicated the proposed change would improve clarity and transparency of the review process for applicants. The additional text stipulates the requirement for applicant’s charter petition to include a preference in admissions for program eligibility whenever applicable. Only one of two requirements must be met: Subsection A will state that Education Code Section 47614.5 must be directly referenced regarding preference in the admission section of the current charter petition; while Subsection B will state that students from the said public elementary school must be specifically listed as receiving preference in the admissions section of the current charter partition.

Treasurer Ma asked if there were any public comments. There were none.

Authority Action

Motion to Approve the Adoption of Proposed Permanent Regulations for the Charter School Facility Grant Program (Senate Bill 740 Program)

MOTION: Miller SECOND: Mireles

AYES: Mireles, Miller, Ma

NOES: NONE

ABSTAIN: NONE

MOTION APPROVED.

Item #13: Resolution No. 21 – 35 – Adoption of Proposed Permanent Regulations for the Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA) Program (Action Item) removed from agenda

Item #14: Resolution No. 21 – 36 – Adoption of Proposed Permanent Regulations for the Charter Access to Bank Loan Enhancement (CharterABLE) Program (Action Item) removed from the agenda

Item #15: Other Business

Executive Director Johantgen confirmed that all 2022 Board meeting have been scheduled for the last Thursday of each month except for March, November, and December.

Item #16: Public Comments

No public comments.

Item #17: Adjournment

There being no public comments, the Board adjourned the meeting at 12:00 p.m.