

## CALIFORNIA SCHOOL FINANCE AUTHORITY

### Meeting of the Board

**Wednesday, July 8, 2015  
11:00 a.m.**

**915 Capitol Mall, Room 587  
Sacramento, California 95814**

Deputy State Treasurer Vince Brown, serving as Chair, called the meeting to order.

#### Roll Call

Members Present: Vince Brown, designee for John Chiang, State Treasurer  
Eraina Ortega, designee for Michael Cohen, Director of Finance  
Nick Schweizer, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director  
Laura Martinez, Manager  
David Weinberg, Program Analyst (via phone line)  
Robert Biegler, Program Analyst  
Anne Osborne, Program Analyst  
Kristen Schunk, Program Analyst  
Nicolaus Seppi, Office Technician

The Chair declared a quorum present.

Approval of Minutes: *The minutes from the June 25, 2015 Authority Board meeting were presented to the Board and approved unanimously by roll call.*

#### Executive Director's Report

Charter School Facility Grant Program: For the 2015-16 funding round, Ms. Johantgen told the Board that the Authority received 374 applications of which 366 are eligible (with the new 55% Free and Reduced Price Meal (FRPM) eligibility threshold). Ms. Johantgen reported that no applications were received under the funding round that allows schools with 60% FRPM to apply (per AB 948).

Charter School Revolving Loan Fund Program: Ms. Johantgen reminded the Board that they approved staff recommendations in June, and that schools that did not have CDS or charter numbers will receive them at the State Board meeting this month. Offsets for this round of loans, and existing loans, will begin in August and end in February. The Board had asked for default information in June, and Authority staff provided the Board with default rates from 2009-10.

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The Authority took control of the program with \$3,000,000 in defaulted loans but has invoiced and collected \$1,600,000 (53% recovery rate). The Board told Ms. Johantgen that having this information on a quarterly basis would be helpful.

**Conduit Bond Program:** Ms. Johantgen informed the board that two bond financings are coming to the Board today for approval: River Springs and KIPP LA.

Ms. Johantgen also said that the Rocketship financing will likely be coming into the market at a different amount and structure to close at the end of July. The Authority is working with bond counsel and the Attorney General's office to determine if it must return to the board for a vote.

**State Charter School Facilities Incentive Grants Program:** Ms. Johantgen said that the Authority is bringing the Board their recommendations for funding for the 2015-16 funding round today.

**Charter School Facilities Credit Enhancement Grant Program:** Ms. Johantgen told the Board that the remaining amount of \$135,000 will go to the Rocketship financing, if it closes by July.

**Administrative and Legislative Update:** Ms. Johantgen previously told the Board about the creation of a State Credit Enhancement Program. However, while the bill passed there was no funding appropriated with it, so the Authority is looking to amend the bill so it is not obligated to start the program without the program receiving funding.

**Item 4: Resolution No. 15-16 – Approving Awards and Authorizing the Disbursement of Funds under the Eleventh Funding Round of the State Charter School Facilities Incentive Grants Program**

The Authority received public comment regarding two schools that might have a conflict of interest. The federal grant forbids even perceived conflicts, so this will be a conditional recommendation until the schools can be vetted to ensure no conflicts exist.

When asked about dependence, Ms. Johantgen responded that all schools on the list are independent charters, even those that are district dependent. However, the Authority will look into better defining 'autonomy' in regulations regarding district dependent schools.

Public comment was called. Board member Ortega made a motion to approve the resolution, Board member Schweizer seconded. The motion was approved unanimously by rollcall.

**Item 5: Resolution No. 15-17 – Recertification of Financial Soundness for the Charter School Facilities Program for Advance Apportionment in the amount of \$2,560,016.60 for New Construction for El Sol Science and Arts Academy**

The Board previously found El Sol sound for preliminary apportionment in November 2014. Since then, issues regarding new market tax credits, the school's footprint, and security issues delayed the apportionment. This recertification will allow El Sol to access its funding since the first financial soundness review was only good for six months.

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Public comment was called. Board member Ortega made a motion and Board member Schweizer seconded. Motion passed unanimously by rollcall.

*Item 6: Resolution 15-18 – Approval of Financial Soundness Determination for the Charter School Facilities Program for Advance Apportionment in the amounts of \$407,892.60 and \$333,329.80 for New Construction and Rehabilitation, respectively, for Natomas Charter School*

The Board previously found Natomas Charter School financially sound in November. The school is eligible for 10% of its award for rehabilitation of existing facilities and 10% for new construction.

Public comment was called. Board member Ortega made a motion and Board member Schweizer seconded. Motion passed unanimously by rollcall.

*Item 7: Resolution No. 15-19 – Authorizing the Sale and Issuance of Not to Exceed \$38,000,000 Aggregate Principal Amount of California School Finance Authority School Revenue Bonds for the Purpose of Financing and Refinancing the Acquisition, Construction, Improvement, Renovation, Furnishing and Equipping of Certain Educational Facilities Located in Riverside County, California for River Springs Charter School*

This bond deal will have a par amount no greater than \$38,000,000; \$33,365,000 tax-exempt and \$240,000 taxable. Ms. Johantgen noted these are estimates and are subject to change (decrease only). The team will know their rating the week of July 20, and the bonds will go market in August. The Board asked for elaboration on limited offerings. Ms. Johantgen said that the Board adopted bond sale restrictions that permit these bonds being sold to Qualified Institutional Buyers (QIB) or Accredited Investors (AI) only. Without a BBB-rating, sales are limited to QIBs.

When the Board asked if there was market interest in bonds of this size, Megan Wienand, of RBC, spoke for the team, saying most sales would go to QIBs, and that there is additional interest from bond funds. With a BBB- rating, interest rates would be in the 5% range.

While a relatively high par amount for the Authority, the team clarified that it is \$5,000,000 - \$6,000,000 per facility, each of which serves over six hundred students. Kerrigan Bennet, of Stradling Yocca Carlson, added that total enrollment is over 5,300 for the organization as a whole.

Public comment was called. Board member Ortega made a motion and Board member Schweizer seconded. Motion passed unanimously by rollcall.

*Item 8: Resolution No. 15-20 – Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$80,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California for Klare Holdings.*

Ms. Johantgen first corrected the name of one of the LLC as "Budlon" not "Buldong" as printed in the staff summary, and clarified that the Authority closed a similar obligated group structure for KIPP LA last June.

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The financing team explained to the Board that this deal will add five new landlords to the existing obligated group, containing six charter schools. Last year, KIPP LA served 4,000 students in eleven schools and 4,900 students in thirteen schools next year, in a region with 90% FRPM. The previous bond totaled \$28,725,000. For this deal, one school might not be included so the par amount could fall to \$58,000,000.

The Board was told that for deals below investment grade (BBB-), the Authority gives borrowers options; increase minimum denominations, or stay at \$100,000 limited to QIBs. The finance team wanted to sell to accredited investors as well, so the minimum was set at \$250,000. The anticipated rating is BB+ based on cash flows, but will be meeting with the rating agency the day after the meeting.

Public comment was called. Board member Ortega made a motion and Board member Schweizer seconded. Motion passed unanimously by rollcall.

Board members were told by STO General Counsel Mark Paxson that the Treasurer made a call in number available for use for the STO Authorities' Board meetings, and that it will be active at the August meeting. Applicants and representatives will not be able to use it.

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen  
Executive Director