

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, March 14, 2018

11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

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

Roll Call

Members Present: Vincent P. Brown, designee for John Chiang, State Treasurer
Jacqueline Wong-Hernandez, designee for Michael Cohen, Director of Finance
Nick Schweizer, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director
Dana Brazelton, Manager
Laura Martinez, Manager
Ian Davis, Program Analyst
Jodie Jones, Program Analyst
Anne Osborne, Program Analyst
Nicolaus Seppi, Office Technician

Katrina Johantgen welcomed those on the phone line to the Board meeting, after which Chairperson Brown declared a quorum present after roll call.

Item 2: Approval of Minutes: The minutes from the February 14, 2018 Authority Board meeting were presented to the Board and approved unanimously by roll call.

Item 3: Executive Director's Report

Charter School Facility Grant Program (SB740): The Authority is finalizing its second disbursements for the 2017-18 funding round and has disbursed \$56 million; staff projects 120% oversubscription. The Authority is also working with the Department of Finance (DOF) on trailer bill language to mitigate further program oversubscription.

Charter School Revolving Loan Fund Program: The application period closed on February 28, 2018, and 51 priority one applications totaling \$13 million were received. As there is only \$8 million available, \$1.5 million will likely be transferred from the security fund for this funding round. Staff will be working on addressing the issue of defaulted loans and integrating analysis into underwriting criteria for this funding round.

Conduit Bond Program: The Authority is working with trustees to ensure delivery of annual administrative fees. Debt issuance in 2018 is down both in the Authority and at other BCA's, due to the changes in federal tax law and deals rushing to market in 2017.

Charter School Facilities Program (CSFP): Authority staff is working on program agreements for those Proposition 51 projects that were recently awarded a preliminary apportionment by the State Allocation Board.

State Charter School Facilities Incentive Grants Program: Funding Round 14 opens March 19, 2018 and closes April 20, 2018, with an informational webinar March 29, 2018. The Authority projects \$12 million in funding will be available.

Charter School Facilities Credit Enhancement Grant Program: The \$8.3 million grant awarded in 2009 is being held in trust and the Authority is not aware of any defaults or draws on these funds. The Authority is working to implement a performance agreement with the U.S. Department of Education to implement the new \$8 million grant.

Qualified Public Educational Facility Bond Program (QPEFB): The Authority received a \$200 million reservation for tax-exempt bonds to assist for-profit developers on public benefit projects. The Authority is marketing the program to developers directly, with two already showing interest.

Item 4: Resolution No. 18-03 Readoption of Emergency Regulations for the Charter School Facility Grant Program and Authorizing the Extension of the Emergency Rulemaking

Ms. Johantgen introduced the item and invited Anne Osborne, Authority analyst, to speak and advised the Board that Authority staff recommend approval of the item.

Ms. Osborne explained the current status of both the Emergency and proposed Permanent regulations to the Board and reviewed the timeline of both rulemaking processes. Ms. Osborne said that the Authority received multiple comments during the public comment period for the proposed Permanent regulations; some for and some against. Staff is recommending withdrawing the contested language from the proposed Permanent regulations, readopting the uncontested language into the Emergency regulations, and working with DOF on the current trailer bill prior to finalizing the proposed Permanent regulations in July or August.

Colin Miller from the California Charter Schools Association (CCSA) supported the changes.

Mr. Schweizer made a motion to approve the readoption of the Emergency regulations and Ms. Wong-Hernandez seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

Item 5: Consideration of Appeal on Behalf of Today's Fresh Start Charter School – Inglewood located in Los Angeles County Related to Ineligibility for the Charter School Facility Grant Program (SB 740)

Ms. Johantgen introduced the item and invited Ian Davis, Authority analyst, to explain the item to the Board. She then introduced the representatives from Today's Fresh Start Charter School (TFS): Dr. Jeanette Parker, Superintendent; Clark Parker, and Rahul E. Reddy, Senior Associate at Procopio, Cory, Hargreaves & Savitch LLP.

Mr. Reedy and the Parkers addressed the Board with a prepared presentation. Mr. Reedy introduced the item by stating that TFS wants to use SB740 funds to pay for lease costs for their Charter School Facilities Program (CSFP) site and made the following allegations:

- TFS was informed that SB 740 money could be used for CSFP, which was included in the financial soundness determination for their Inglewood site.
- The regulation in question (Section 10170.4(b)(4)) was added years after the aforementioned, and therefore, TFS should be given an exception to the regulation.
- SB740 statutes specifically reference “leases” as eligible costs and specify the only other prohibited costs, that does not include the CSFP lease. Therefore, the new regulation (Section 10170.4(b)(4)) overreaches.
- TFS does not actually own the facility in question; it is held in trust by the State for educational purposes.

Mark Paxson, General Counsel for the State Treasurer’s Office, said that the changes in regulations are consistent with the authority delegated to CSFA in statute and the relevant Education Code. He explained that TFS holds fee simple title to the property, and while there are restrictions on what can and cannot be done on the property, they still own it. Mr. Paxson also confirmed for the Board that the use of the word “lease” in the CSFP statute was intended as a mechanism for public school districts in terms of the amount of debt they can incur. Mr. Paxson stated that the CSFP program is more similar to a loan in that it is subject to a funding agreement, schools have principal and interest payments, and hold fee simple title to the property.

Mr. Miller from CCSA returned and voiced support for TFS.

The Board members all voiced support for the school and its work, but had several concerns regarding TFS’ request to approve an exception to Authority regulations that had already been approved, and ultimately, denied the appeal.

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

Respectfully submitted,

Katrina Johantgen