

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, June 13, 2018
11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

State Treasurer John Chiang, serving as Chair, called the meeting to order.

Roll Call

Members Present: 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
Ian Davis, Program Analyst
Jodie Jones, Program Analyst
Anne Osborne, Program Analyst
Kristen Schunk, Program Analyst
Nicolaus Seppi, Office Technician

Treasurer Chiang started the meeting by noting that the public phone line was not operational, and declared a quorum present after roll call.

Item 2: Approval of Minutes: The minutes from the May 9, 2018 Authority Board meeting were presented to the Board and approved unanimously by roll call.

Item 3: Executive Director's Report

Ms. Johantgen presented the Executive Director Report. She noted that the Charter School Facility Grant Program (SB740) received and is processing 438 applications for the 2018-19 funding round, and four applications were submitted late. There is Trailer Bill Language indicating an anticipated increase in funding for 2017-18 as well as for 2018-19. The Charter School Revolving Loan Fund Program team is analyzing 52 applications for the 2017-18 funding round requesting over \$13 million. The Conduit Bond Program has seen an increase in financings, as compared to the first half of 2018. Program Agreements for the Charter School Facility Program (CSFP) are being finalized. The State Charter School Facilities Incentive Grant Program received 131 applications, requesting over \$73 million; the Authority will bring recommendations to the Board in August. The Credit Enhancement performance agreement is delayed in Washington DC, and funds cannot be drawn down until it is executed. Lastly, the Authority participated in an educational webinar for the Qualified Public Educational Facility Bond Program (QPEFB), which had over 300 participants.

Item 4: Resolution No. 18-07 – Authorizing a Loan to the Authority in an Amount Not to Exceed \$33,000,000, the Issuance by the Authority of a Promissory Note Evidencing the Obligations of the Authority in Connection with Such Loan, and a Loan from the Authority to HTH Learning, to Finance a project at borrower’s Educational facilities Located in San Diego County

Ms. Johantgen introduced the item and the financing team to the Board; Mark Young, Managing Director at KNN Public Finance; Jenny Salkeld, Chief Financial Officer of High Tech High (HTH) Learning, and; Eugene Clark-Herrera, Partner at Orrick.

Ms. Salkeld walked the Board through a prepared presentation, discussing the history, culture, and educational style of HTH Learning. She discussed the school benefiting from this loan, and presented images of the school campus and described the property. She explained the school would open in August 2018. She also discussed their plans for growing enrollment and related finances.

Mr. Young explained the structure of the financing in greater detail, explaining the financial strength of HTH and the sources of much of its funding: City National Bank and the Irwin Jacobs Family Trust. He said that HTH is requesting approval of a fixed rate, tax-exempt construction drawdown loan, funded by City National Bank. He discussed the requirements placed upon them from the bank for this loan, with restrictions similar to an unrated bond financing. He discussed their financing and budgetary strategy, until they are able to get a bond to pay off the loan, estimated to be in October 2022. He explained to the Board that a loan was preferred (rather than bonds) due to concerns regarding construction loans in the market, and their lack of an investment-grade rating. He went on to explain that a traditional financing could have been possible if HTH had an Obligated Group structure in place, which is their goal for future financings.

Mr. Schweizer commented on HTH expansion, specifically in regard to maintaining the high performance standards of their schools.

Ms. Wong-Hernandez confirmed that HTH does not anticipate any net loss with the transfer of students from Point Loma to the new school property, as Point Loma has a large waitlist.

Mr. Clark-Herrera further explained the structure of the loan: the bank loans money to the Authority, who will then loan it to HTH, but that the bank insisted on the use of restrictions similar to the Authority’s non-rated fee restrictions. He also requested the following be added to the resolution in Section II, after ‘Regulation D’ and before ‘promulgated’: or “qualified institutional buyers” as defined in rule 144A.

Ms. Wong Hernandez made a motion to approve with the amended resolution and Mr. Schweizer seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

Item 5: Resolution No. 18-08 – Approval of Financial Soundness Determination for Natomas Unified School District, on behalf of Natomas Pacific Pathways Prep Middle located in Sacramento County for a Final Apportionment through the Charter School Facilities Program

Ms. Johantgen introduced the item, and confirmed that staff recommends approval of the item. She explained that this is an approval for a financial soundness determination for a final apportionment. She confirmed that there have been no material changes, and that the school has remained in good standing with its authorizer and is in compliance with the terms of its charter.

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

Item 6: Resolution No. 18-09 – Approval of Financial Soundness Determination for Old Adobe Union School District, on behalf of Old Adobe Charter Elementary, located in Sonoma County for a Final Apportionment through the Charter School Facilities Program

Ms. Johantgen introduced the item, and confirmed that staff recommends approval of the item. She explained that this is an approval for a financial soundness determination for a final apportionment. She confirmed that there have been no material changes, and that the school has remained in good standing with its authorizer and is in compliance with the terms of its charter.

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

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

Respectfully submitted,

Katrina Johantgen