

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

**Wednesday, July 11, 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

Staff Present: Katrina Johantgen, Executive Director
Laura Martinez, Manager
Ian Davis, Program Analyst
Jodie Jones, Program Analyst
Anne Osborne, Program Analyst
Ryan Storey, 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 June 13, 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, noting that Authority staff are reviewing 2018-19 applications and has started the 2017-18 true-up of the Charter School Facility Grant Program (SB740). For the Charter School Revolving Loan Fund Program, 17 recommendations will be presented this month, with the remaining coming in August. Under the Conduit Bond Program, the High Tech High and Ednovate financings priced, and will close in July. The State Charter School Facilities Incentive Grant Program (Round 14) recommendations are expected to be presented in August. Lastly, under the Credit Enhancement program, staff is working to implement the \$8 million grant the Authority received in 2017.

Item 4: Resolution No. 18-10 – Authorizing the Issuance of Charter School Revenue Bonds for use by Larchmont Schools and Larchmont LFP LLC

Ms. Johantgen briefly discussed the item with the Board and introduced the financing team: Amy Held, Executive Director, and Angelica Sammons, Director of Operations, from Larchmont Schools; Andrew Yassa, Stifel, Nicolaus & Company, Inc., and; Jessica Shaham, Partner, Kutak Rock LLP.

Mr. Yassa began by explaining the structure of the financing to the Board; it will be mostly tax-exempt and not to exceed \$16 million, but will be non-rated with a 37 year maturity, with the Authority's full sales restrictions in effect. He also discussed current and future financial expectations for Larchmont, as well as how the various Larchmont organizations are related. Chairperson Brown confirmed several items with the financing team; that the Larchmont support corporation has not yet received approval of their non-profit status, that the final bond documentation will reflect the complex ownership structure, and that the school itself is at full enrollment. Ms. Shaham elaborated on the financing, explaining that it will allow the school to grow.

Ms. Held explained the history of the school, its campus structure, and overall organization. She said they have a good relationship with their Authorizer, and discussed their social and educational teaching methods, and broke down their school demographics. Ms. Sammons detailed the school site involved in the financing, including local amenities and the specific location within Los Angeles. She explained that the site is privately owned and had once been an adult education center.

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

Item 5: Resolution No. 18-11 – Approval of Revolving Loan Fund Recommendations

Ms. Johantgen described the history of the Program and thanked staff for their diligence in reviews, then called Ryan Storey, Program analyst, to answer questions from the Board.

Mr. Storey started by walking the Board through the Authority's review methodology. He explained that the operational and financial review process is similar to past funding rounds, but the Authority used refined financial models, more stringent confirmation of enrollment totals, and a new distribution timeline based on certain financial and enrollment benchmarks. Schools will now receive 40% of their loan amount immediately:

- Low risk schools will receive the remaining 60% immediately
- Medium and high risk schools will have their final disbursement broken down into 3 disbursements of 20% each, spread across the first year of operations.

The Authority received 65 applications totaling \$16.25 million, of which, 51 were Priority 1, or schools opening in the 2018-19 year. The vote will be for 17 schools totaling \$4.25 million; 1 is low risk, 15 are medium risk, and 1 is high risk, with the remaining schools anticipated in August. Once approved, the Authority will send out loan agreements.

Ms. Johantgen continued by explaining how funds are returned to the Authority and that the Authority requested a transfer of security funds to the main account to increase funding. Deputy Wong-Hernandez cautioned the Authority about the timeline of the account transfer.

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

Item 6 and 7: Resolution No. 18-12 and 18-13 – Re-Adoption of Emergency Regulations, and Adoption of Proposed Regulations for the Charter School Facility Grant Program and Authorizing the Extension of the Emergency Rulemaking and Regular Rulemaking

Ms. Johantgen called Ian Davis and Anne Osborne, Program analysts, to discuss both items with the Board. Mr. Davis discussed the history of the emergency regulations, which are expiring July 2018, and that it is simply a renewal. The permanent regulations, meanwhile, include changes made in the Governor's budget and trailer bill, as well as changes approved from the March Board meeting, and will affect both the 2017-18 and 2018-19 awards. Anne Osborne was invited to up to explain the regulatory process and related timeline.

Eric Premack, Executive Director of the Charter Schools Development Center, spoke to the Board regarding Item 7. He said he had spoken with legislators and believes the Program should be simplified. He specifically had the following concerns with the Regulations:

- The concept of an appraisal and related timing issues
- Potential internal conflicts regarding the definitions of a new facility
- Ongoing concerns of good standing, generating conflict with authorizers and charters

Ms. Wong Hernandez made a motion first to approve Resolution 18-12 and Mr. Brown seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

Ms. Johantgen said staff recommends approval of Resolution 18-13, after which Ms. Wong Hernandez then made a motion to approve Resolution 18-13 and Mr. Brown seconded. After a call for public comment, the resolution was approved unanimously by rollcall.

Item 8: Resolution No. 18-14 – Consideration of Changes to the Program Agreements for the Charter School Facilities Program

Ms. Johantgen called Ryan Storey back before the Board to discuss the changes to program agreements, who started with a brief history of the Program. Mr. Storey said that the changes are non-substantial, specifically covering new fact patterns and minor continuity edits. The Office of Public School Construction (OPSC) will also bring the changes and vote on them at their next Board meeting, after which the Authority can send them to schools.

Ms. Wong Hernandez made a motion to approve and Mr. Brown 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