

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Tuesday, February 5, 2019
2:30 p.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

State Treasurer Fiona Ma, serving as Chair, called the meeting to order.

Roll Call

Members Present: Fiona Ma, CPA, State Treasurer
Audrey Noda, designee for Fiona Ma, CPA, California State Treasurer
Juan Mireles, designee for Tony Thurmond, Superintendent of Public
Instruction
Jacqueline Wong-Hernandez, designee for Keely Martin Bosler, Director
of Finance

Staff Present: Katrina Johantgen, Executive Director
Laura Martinez, Manager
Ian Davis, Program Analyst
Anne Osborne, Program Analyst
Kristen Schunk, Program Analyst
Nicolaus Seppi, Office Technician

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

Item 2: Approval of Minutes: The Board reviewed minutes from the January 15, 2019 Authority Board meeting and approved them unanimously by roll call.

Item 3: Executive Director's Report: Ms. Johantgen provided updates related to the Authority's programs. The Charter School Facility Grant Program (SB740) is finalizing the true-up awards for the 2017-18 year, and is projecting a 77% payment rate of other costs due to program oversubscription. The Authority anticipates a similar oversubscription for 2018-19. The Charter School Revolving Loan Fund Program (RLF) application is open and will close February 28, 2019 with approximately \$8 million available for funding for this round. The Authority's Conduit Bond and Notes is currently at \$1.1 Billion in outstanding debt. The Charter School Facilities Program is processing program agreements to allow projects to access funding. The Charter School Facilities Incentive Grant Program regulation changes before the Board today will implement Round 15 of the Program, the last round the Authority is currently able to award. The Authority is working to disburse the \$8 million available for bridge funding as part of the Credit Enhancement program and is in talks with some interested parties. Lastly, the Authority is looking at some legislative amendments to its Authorizing Act that will permit the Authority to finance preschools and housing.

Treasurer Ma discussed Governor Newsom's preschool goals, and thanked Audrey Noda and Ms. Johantgen in their efforts to meet these goals.

Item 4: Resolution 19-02 – Authorizing the Issuance of Charter School Revenue Bonds to Alliance for College-Ready Public Schools Facility Corporation

Ms. Johantgen explained that the Authority moved this item to the March Board meeting.

Item 5: Resolution 19-03 – Authorizing a Loan to the Authority, and Issuance by the Authority of a Promissory Note, and Issuing a Loan from the Authority to KBARE

Ms. Johantgen introduced the item and invited the financing team before the Board: John Buck, founder of Buck Financial Advisors LLC; Lisa Raffetto, Associate Director of Finance at KIPP Bay Area Public Schools (KIPP), Eugene Clark-Herrera, Partner at Orrick, Herrington & Sutcliffe, and; Anand Kesavan, CEO at Charter Impact Fund. Ms. Johantgen confirmed that Staff recommends approval of the item.

Mr. Buck thanked the Board and started with a history of KIPP's financings with the Authority and the specific financing before the Board. The Authority had previously approved a financing in 2018, but the financing team decided to switch to a different loan structure. Mr. Clark-Herrera discussed the financing structure itself, explaining it as a tri-party loan between Charter Impact Fund (the lender), the Authority (the issuer), and KIPP (the borrower). He also discussed KIPP's Obligated Group structure, and the terms and conditions of the financing as well as fee and transfer restrictions. Ms. Raffetto detailed the history of KIPP and their organizational purpose, as well as the schools involved with the financing. Mr. Kesavan described the Charter Impact Fund, explaining its goal is to support high performing charter schools, and that its loan program functions similar to a revolving loan. He explained to the Board that Charter Impact Fund started in August 2017, and that they have a three to six month screening process for schools, reviewing practices of the school itself as well as the school's financial soundness and performance to take a loan.

Ms. Wong-Hernandez made a motion to approve resolution and Mr. Mireles seconded. After a call for public comment, the Board approved the resolution unanimously by roll call.

Item 6: Resolution 19-04 – Authorizing the Issuance of Revenue Notes to Inspire Charter Schools

Ms. Johantgen introduced the item and invited the financing team before the Board: Marc Bauer, Partner at Orrick, Herrington & Sutcliffe; Nick Hagan, Senior Vice President at Piper Jaffray; Erika Vanderspek, Director of Curriculum at Inspire Charter Schools, and; Spencer Styles, President at Charter Impact Fund.

Mr. Hagan started by explaining that the schools have cash flow needs due to their growth, and this financing will assist them in developing needed liquidity. He discussed the details of the financings and related fee restrictions and that the payments would be made using the State-level intercept. Mr. Styles described income statements and the network's financial history, projections and types of expenses. Ms. Vanderspek guided the Board through a prepared presentation, discussing the history and status of Inspire Charter schools and their support for independent charters, and describing current and historical school statistics. She also discussed how Inspire uses specific types of education, depending on the needs of the student, like hiring tutors.

Deputy Treasurer Audrey Noda replaced Treasurer Ma as Chair of the Board while discussing this item. Ms. Wong-Hernandez made a motion to approve resolution and Mr. Mireles seconded. After a call for public comment, the Board approved the resolution unanimously by roll call.

Item 7: Resolution 19-05 – Financial Soundness Determination for Chula Vista Elementary School District, on behalf of Leonardo di Vinci Health Science Charter

Ms. Johantgen introduced the item and explained that the Board previously found this Project to be financially sound in February 2018, but the Board must reapprove it for them to receive their final apportionment. The Project itself is completed, and the school itself is in good standing and is financially viable.

Ms. Wong Hernandez made a motion to approve resolution and Mr. Mireles seconded. After a call for public comment, the Board approved the resolution unanimously by roll call.

Item 8: Resolution 19-06 – Adoption of Proposed Regulations for the State Charter School Facilities Incentive Grants Program and Authorizing the Regular Rulemaking Process

Ms. Johantgen called Eric Premack of the Charter School Development Center before the Board and introduced the item, explaining the following regulation changes to the Board: 1) Added language to prohibit for-profit organizations; 2) Added language to prohibit SB740 applicants from receiving awards from this Program for similar costs and deleted contradictory language; 3) Deleted language regarding award calculations for schools in SB 740 and this Program for the same site; 4) Added the word “location” under subsection (j)(7) for consistency; 5) Added language under School Choice; and 6) Added “Proposition 39 Pro-rata payments” to maintain consistency.

Mr. Premack thanked the staff for their work and said that while he had some concerns regarding certain parts of the regulations, he is supportive of this item in its current form.

Ms. Wong-Hernandez made a motion to approve resolution and Mr. Mireles seconded. After a call for public comment, the Board approved the resolution unanimously by roll call.

Item 9 – Adjournment

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

Respectfully submitted,

Katrina Johantgen