

MINUTES

CALIFORNIA SCHOOL FINANCE AUTHORITY
915 Capitol Mall, Room 587
Sacramento, California 95814
October 29, 2019 - 2:00 p.m.

Public Participation
Call-In Number: (877) 810-9415 / Participant Code: 6535126

OPEN SESSION

Deputy State Treasurer Audrey Noda, serving as Chair, called the meeting to order at 2:00 P.M.

Item #1 **Roll Call**

Members Present: Audrey Noda, designee for Fiona Ma, CPA, California State Treasurer
Juan Mireles, designee for Tony Thurmond, Superintendent of Public Instruction
Gayle Miller, designee for Keely Martin Bosler, Director of Finance. Ms. Miller arrived shortly after roll call.

Staff Present: Katrina Johantgen, Executive Director
Thomas Dear, Staff Services Manager II
Ravinder Kapoor, Legal Counsel
Ian Davis, Program Lead
Jodie Jones, Program Lead
Erica Jamarillo, Associate Government Program Analyst
Jeffery Martin, Staff Service Analyst
Robert Rodriguez, Office Technician

Director Johantgen noted for the record that the telephone conference line was not working.

Item #2 **Approval of the September 18, 2019 Board Minutes (Action Item)**

Deputy Noda introduced Item #2: Approval of the September 18, 2019 Board Minutes.

Authority Action

Motion to approve the minutes from the September 18, 2019 meeting.

MOTION: Member Miller

SECOND: Member Mireles

AYES: Mireles, Miller, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Director Johantgen provided the following program updates:

Charter School Facility Grant Program (SB 740)

- Staff has completed 100% of their reviews for the 2018-19 funding round for a total of \$123,000,000 for lease costs and funds needed for other costs at \$25,000,000, for a total of funds needed at \$149,000,000. This program is funded to \$136,000,000 and the Authority is anticipating that schools will receive approximately 50% of their requested amounts for other costs as the lease costs are funded up to 100%.

Charter School Revolving Loan Fund

- The Authority has completed its 2018-19 loan agreements and has sent disbursement requests to accounting for 24 loans. The Revolving Loan Fund Annual Report was completed and the Authority is gearing up for its 2019-20 funding round. The Authority may bring a regulation change to the board to change program enrollment from a once a year application process to an “over the counter” rolling application open through the year given that this program is currently undersubscribed.

Conduit Bond and Note Program

- The Authority is bringing a bond request to the Board today for Arts in Action. The Authority anticipates one additional bond financing this year for TEACH Charter Schools. The Authority had anticipated more bond financings coming to the Board before the end of the calendar year but the Governor vetoed Assembly Bill 1613. AB 1613 would have imposed a prevailing wage requirement on all revenue bonds issued for charter school projects. A number of financings withdrew their applications and plan on coming back to the Board in 2020.

Charter School Facilities Program

- The Authority is bringing one financial soundness review to the Board today and the Authority anticipates three to four additional financial soundness reviews prior to the end of the calendar year.

State Charter School Facilities Incentive Grants Program (CFDA 84.282D)

- In August, the Board approved awards for Round 15. The Authority applied for a grant from U.S. Department of Education, however the Authority was not awarded the grant. The Authority will apply next year if there is a grant.

Credit Enhancement Program

- The Authority received a \$20,000,000 grant from the U.S. Department of Education. The Authority is working to execute the Performance Agreement, as well as launch this new program in early 2020.

Item #4 Resolution No. 19-30 – Resolution of The California School Finance Authority Authorizing The Issuance of Revenue Bonds In An Amount Not To Exceed \$39,000,000 To Finance And/Or Refinance The Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing And/Or Equipping of Certain Educational Facilities Located In Los Angeles County, California, For Use By Schools in Action.

(Action Item)

Director Johantgen introduced John Kim, Managing Director from Stifel, who introduced Dr. Glenda Aleman, Executive Director for Arts in Action, and Jessica Shaham, Partner at Kutak Rock LLP, who is serving as bond counsel. Mr. Kim stated that Schools in Action, LLC will be the borrower for the transaction and that the sole member of the LLC is the charter school Arts in Action.

There are two schools that are operated by Schools in Action, an elementary school and a middle school, which are in operation. Mr. Kim stated that it will be a \$34,000,000 financing to fund several different capital projects. The term of the financing will be approximately 40 years and go out to June 1, 2059. The expectation is that the bonds will be offered to investors on a non-rated basis based upon the characteristics of the transaction. Pursuant to the Authority's policies, the denominations will be restricted to a minimum of \$250,000, as well as having an initial investment letter and restricting the purchasing of the bonds to qualified institutional buyers and accredited investors. The proceeds will be used to fund the acquisition of the already completed elementary facility located in East Los Angeles, which was developed by Red Hook Capital Partners. Funds also will be used for the acquisition and construction of parking lots for staff and other members, which is budgeted to be \$1,200,000, a \$500,000 shade structure for the schools playground, and the remaining project funds would be used to purchase and construct a middle school facility. This facility also will be constructed by Red Hook Capital Partners by August 2020.

Member Mireles wanted to know from the financing team how involved was the school with Red Hook in designing the school. The financing team responded that the school was involved with the design process from the beginning and had met with Red Hook before the property was even found. The school worked with the architects from the very beginning to make sure the school's needs were taken care of.

Authority Action

Authorizing the issuance of Revenue Bonds in an amount not to exceed \$39,000,000.

MOTION: Member Miller SECOND: Member Mireles

AYES: Mireles, Miller, Noda
NOES: NONE
ABSTAIN: NONE
RECUSE: NONE

MOTION APPROVED.

Item #5 19-31 – Approval of Financial Soundness Determination for Tracy Joint Unified School District, on behalf of Primary Charter, located in San Joaquin County for a Final Apportionment through the Charter School Facilities Program

(Action Item)

Director Johantgen stated that Primary Charter is party of the Tracy Learning Center network of charter schools in Tracy, California and that staff recommends that the board find Tracy Unified financially sound for purposes of Final Apportionment. Tracy Unified provided the lump sum contribution through Measure B proceeds, and the Authority has a letter from the district stating the lump sum portion of this financing has been expended for the purposes of this project. The grant portion can now come from the State and reimburse the district for the cost of the facility.

Even though Tracy is providing a lump sum payment in the form of bond proceeds, the Authority still conducts a financial soundness review to ensure that the Authority is funding a financially viable project. Primary has been open since 2004 and had its charter renewed in 2015, with its term ending in 2021.

Authority Action

Approval of Financial Soundness Determination for Tracy Joint Unified School District, on behalf of Primary Charter.

MOTION: Member Miller SECOND: Member Mireles

AYES: Mireles, Miller, Noda

NOES: NONE

ABSTAIN: NONE

RECUSE: NONE

MOTION APPROVED.

Items #6

Public Comment, Adjournment

Deputy Noda asked for public comment. Hearing none and with no additional business, the meeting was adjourned.