

Minutes
CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board
Tuesday, January 24, 2006
1:00 p.m.
915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Ted Eliopoulos, serving as chair, called the meeting to order.

Roll Call

Members Present: Ted Eliopoulos for Phil Angelides, State Treasurer
Kathleen Moore for Jack O'Connell, Superintendent of Public Instruction
Jeannie Oropeza for Michael C. Genest, Director of Finance

Staff Present: Katrina Johantgen, Executive Director

Approval of Minutes

The minutes of the August 25, 2005 meeting were adopted as submitted.

Executive Director's Report

Ms. Johantgen provided updated information regarding two awardees that received preliminary apportionments through the Proposition 47 round of the Charter School Facilities Program (Program) in July 2003.

Academy for Career Education (ACE) – As requested, ACE provided a guarantor commitment letter from Wheatland Unified High School District (WUHSD), who has agreed to provide a guaranty of ACE's lease payment obligations for the local matching share portion of the Program award. Authority staff is in the process of reviewing WUHSD's financial soundness to confirm its eligibility to act as a guarantor.

Orange County High School of the Arts (OCHSA) – To meet Program requirements related to financial soundness, OCHSA had been requested to provide a guarantor commitment letter to the Authority by October 31, 2005. OCHSA was unable to secure an acceptable guarantor, and has submitted a letter advising that on November 26, 2005, the Board of Trustees took action to return the \$28 million apportionment eligibility. The Board of Trustees felt that without an acceptable guarantor, OCSHA would not be in a financial position to utilize the state funds within the required timeline.

Lisa Constancio, of the Office of Public School Construction, advised the members that the State Allocation Board is requesting formal notification from OCHSA concerning the rescinded funds. Potentially, the funds from the returned allocation could be held and used for cost overruns by

other projects, or a new funding round could be opened for allocating the \$28 million. Ms. Constancio advised that the matter would be presented to the State Allocation Board at its February meeting for consideration.

Resolution No. 06-01 Approving That Academia Semillas Del Pueblo has Maintained a Financially Sound Status for Purposes of an Advance Apportionment

The report for Academia Semillas Del Pueblo has been withdrawn from this meeting. Shortly before the meeting, additional information was received from school representatives that could impact the school's financial soundness. Staff is evaluating the effect of this new information, and will present a report to the members at the next Authority meeting.

Resolution No. 06-02 Approving That Animo Oscar De La Hoya Charter High School has Maintained a Financially Sound Status for Purposes of an Advance Apportionment

Animo De La Hoya Charter High School (Animo De La Hoya) requested an advance apportionment of \$842,421 for design costs and \$1,696,068 for site acquisition costs. The school was awarded a preliminary apportionment of \$11,816,346, on February 23, 2005 by the State Allocation Board.

The school was reviewed for financial soundness on a stand alone basis, and not in conjunction with the Green Dot Public Schools organization. Although the Green Dot organization would be willing to serve as a guarantor in the event financial difficulties are experienced by any of the six Animo schools receiving preliminary apportionments under Propositions 47 and 55, the six schools have been reviewed as stand alone entities. It was noted that Animo De La Hoya has accelerated hiring as they expect to commence instructional operations earlier than anticipated. The additional expenditure in salaries is noted in the report, but is not a grave concern. Staff recommends that the members find that Animo De La Hoya has maintained a financially sound status for purposes of an advance apportionment.

Ms. Johantgen advised that Authority staff is working with OPSC staff on an issue related to the release of site acquisition funds. The payout of funds for site acquisition triggers the lease agreement to be executed because the allocation for site acquisition includes funds from both the local matching share and the State's share. A handful of the schools requesting site acquisition funds are in the Los Angeles Unified School District, and the State will have to negotiate the lease terms with each individual charter school as well as the district. It is anticipated that the district will request that certain terms and conditions be included in the lease. Ms. Johantgen advised the members that she would provide an update at the next meeting.

It was moved, seconded and passed to approve Resolution No. 06-02, determining that Animo Oscar De La Hoya Charter High School has maintained a financially sound status for purposes of an advance apportionment for the Program.

Resolution No. 06-03 Approving That Animo Venice Charter High School has Maintained a Financially Sound Status for Purposes of an Advance Apportionment

Animo Venice Charter High School (Animo Venice) requested an advance apportionment of \$830,957 for design costs and \$2,009,661 for site acquisition costs. The school was awarded a preliminary apportionment of \$12,328,892, on February 23, 2005 by the State Allocation Board.

Just like other Green Dot schools, Animo Venice was reviewed for financial soundness on a stand alone basis, and not in conjunction with the Green Dot Public Schools organization. Although the Green Dot organization would be willing to serve as a guarantor in the event financial difficulties are experienced by any of the six Green Dot schools receiving preliminary apportionments under Propositions 47 and 55, the six schools have been reviewed as stand alone entities. It was noted that Animo Venice has also accelerated their salaries, but staff did not consider the additional expenditure in salaries to be of grave concern. Staff notes that Animo Venice can support the lease obligation associated recommends that the members find that Animo Venice has maintained a financially sound status for purposes of an advance apportionment.

Ms. Johantgen discussed the Green Dot Public Schools organization and the award of Program funds to six of its charter schools. These combined awards represent a significant lease obligation of \$71 million, with an annual lease obligation of \$2.2 million. While the financial soundness of the six charter schools have been reviewed individually, the potential financial impact on the educational management organization ought to be considered. It was determined that staff should discuss the potential of reviewing Green Dot Public Schools' financial soundness with legal counsel and then report back to the members.

It was moved, seconded and passed to approve Resolution No. 06-03, determining that Animo Venice Charter High School has maintained a financially sound status for purposes of an advance apportionment for the Program.

Resolution No. 06-04 Approving That Aspire Public Schools – Los Angeles (Secondary) Campus has Maintained a Financially Sound Status for Purposes of an Advance Apportionment

Aspire Public Schools – Los Angeles (Secondary) Campus has requested an advance apportionment of \$5,262,400 for site acquisition costs. The school was awarded a preliminary apportionment of \$19,669,826, on February 23, 2005 by the State Allocation Board.

The Authority has reviewed the financial soundness for Aspire Public Schools (Aspire) as a single organization. The combined report includes information for Aspire's two projects located in Los Angeles and Stockton. It was noted in the report presented to the members in August 2005, that there was some concern about Aspire's over-reliance on contributions and on their student performance. Based on staff's most recent analysis, contributions represent 13 percent of

total expenditures, which is in our acceptable range of 10-15 percent. Also, student performance is improving in that the API (Academic Performance Index) scores are going up and most of Aspire's schools are meeting their AYP (Adequate Yearly Progress) criteria.

Ms. Oropeza requested that action on this item be held over until the next meeting, as it would be difficult to vote on the organization's financial soundness without time to review the report. Ms. Johantgen asked the Aspire Public Schools representative present if holding Aspire's items over to the next meeting, planned for mid-February, would present a problem. The representative agreed that, as long as the meeting was held soon, it probably would not create any critical problems.

The members agreed to hold over to the next meeting any action on the two items approving that Aspire Public School has maintained its financial soundness for purposes of an advance apportionment of funds for site acquisition for the Los Angeles (Secondary) Campus or for final apportionment of funds for the Stockton Campus.

Resolution No. 06-05 Approving That Today's Fresh Start Charter School has Maintained a Financially Sound Status for Purposes of an Advance Apportionment

The report for Today's Fresh Start was withdrawn from this meeting. Ms. Johantgen advised that the withdrawal will not cause undue concern to the school, and that the report would be scheduled to be presented at the next Authority meeting.

Resolution No. 06-06 Approving That Aspire Public Schools – Stockton Campus has Maintained a Financially Sound Status for Purposes of a Final Apportionment

As noted in the Aspire item above, the members agreed to hold over to the next Authority meeting any action on both Aspire items requiring their approval that Aspire Public School has maintained its financial soundness for purposes of an advance apportionment of funds for site acquisition for the Los Angeles Secondary Campus or for a final apportionment of funds for the Stockton Campus.

Resolution No. 06-07 Approving the Form of the Grant Agreements for the State Charter School Facilities Incentive Grants Program

This resolution is to approve the forms of the grant agreement that will be executed by each awardee of the State Charter School Facilities Incentive Grants Program. The first form will apply to awardees who receive grant funds for facility rent, lease, mortgage, or debt service payments. The other form will apply to awardees who receive grant funds for the purchase, design and construction costs of acquiring land and constructing or renovating a school facility. The forms of the grant agreement have been accepted by representatives for the United States Department of Education and Authority counsel.

It was moved, seconded and passed to approve Resolution No. 06-07, approving the form of the grant agreements, in substantially these forms, and authorizing the Executive Director to execute

the agreements and to release funds as appropriate for the State Charter School Facilities Incentive Grants Program.

Resolution No. 06-08 Approving Awards and Disbursement of Funds Under the State Charter School Facilities Incentive Grants Program

Ms. Johantgen provided a description of the methodology used in evaluating applications and notifying each applicant of their assigned preference points.

It was noted that some schools, wanting to appeal their assigned low-income preference points, were advised to contact the California Department of Education (CDE) directly. In a few cases, there were corrections to the number of students eligible for free and reduced price meals, and the schools received an amended preference point in that category.

Ms. Johantgen advised that the overcrowding preference points were not as easy to calculate as had been anticipated. Authority staff worked with Office of Public School Construction (OPSC) staff to identify the school districts where the applicant charter schools were located, and whether the districts had current information on file. Those school districts without current data at OPSC were contacted by letter and telephone calls requesting updated enrollment information. There were a handful of districts that were unable to provide current enrollment data, delaying the awards since the applicant charter schools in those districts could not be assigned their preference points in the overcrowding category. The proposed permanent regulations include a fix for the next round. Staff recognizes that there is not a perfect solution for assigning preference points when current enrollment data is not provided by the school districts, however in those situations, the charter school will receive zero points in this category.

It was moved, seconded and passed to approve Resolution No. 06-08, approving the award and disbursement of grant funds to the 28 applicant charter schools assigned the highest preference points as ranked for the first funding round of the State Charter School facilities Incentive Grants Program.

Resolution No. 06-09 Adopting the Permanent Regulations for the State Charter School Facilities Incentive Grants Program

An update of the status of the regulations for the State Charter School Facilities Incentive Grants Program was provided to the members by Terri Kizer, Program Analyst. The emergency regulations were approved on June 27, 2005. The proposed permanent regulations were distributed for a 45-day public comment period that began on September 23, 2005. The one comment received was to request that the eligibility requirements be expanded to allow charter schools that had previously received an award through our Charter School Facilities Program also be eligible to apply for these grant funds. Based on comments and questions from applicants during the first funding round, some additional amendments have been added that would improve the process for the next four funding rounds. Upon approval by the members, the proposed permanent regulations will be submitted to the Office of Administrative Law and staff will work with OAL to complete the rulemaking file process and implement the permanent regulations prior to beginning the second funding round.

Ms. Oropeza abstained from voting on the permanent regulations.

It was moved, seconded and passed to approve Resolution No. 06-09, adopting the Permanent Regulations for the State Charter School Facilities Incentive Grants Program.

Public Comment

There was one public comment provided by Mike Barr, representing Aspire Public Schools, concerning the process of requesting advance apportionments and requesting sufficient notice when responding to requests for documentation from the Authority.

Without any further business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen