

Minutes
CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board
Monday, February 25, 2008
10:00 a.m.
915 Capitol Mall, Room 110
Sacramento, California 95814

Deputy State Treasurer Patricia Wynne, serving as chair, called the meeting to order.

Roll Call

Members Present: Patricia Wynne designated alternate for Bill Lockyer, State Treasurer
Kathleen Moore designated alternate for Jack O'Connell, Superintendent of
Public Instruction
Anne Sheehan designated alternate for Michael C. Genest, Director of Finance

Staff Present: Katrina Johantgen, Executive Director

The chair declared a quorum present.

Approval of Minutes

The minutes of the October 18, 2007, Authority meeting were adopted as submitted.

Executive Director's Report

California School Facilities Program (CSFP): Ms. Johantgen provided an update on the \$500 million Prop 1D funding round. Staff is working to complete the reports and evaluating the applicants' financial soundness. There have been some recent recalculations and adjustments to many of the project costs as a result of the 2008 inflator factor used by the Office of Public School Construction. Additionally, staff is allowing applicants to review their specific reports for comment during the recalculation for any potential discrepancies, omitted data, and additional information. Ms Johantgen advised that some applicants had reviewed portions of their reports without the financial sections in place, noting that additional time may be needed to accommodate all applicant requests to review their financial model revisions once completed.

Additionally, due to the timing of the fiscal year, applicants have been requested to submit copies of their 2006-07 financial audits, their 2007-08 first interim (P1) report generated by the school district for the California Department of Education (CDE), and verification of the school's enrollment (by grade) for the 2007-08 school year. In conclusion, there were 93 applications, of which five projects have dropped out or the projects were ineligible. Currently, the good standing and other legal issues are being reviewed with legal counsel to determine whether there are any concerns that could affect a school's eligibility. Right now, it looks like the applications will be presented to the board members in March or April.

State Charter School Facilities Incentive Grant: Ms. Johantgen advised that an A133 audit is currently in process by KPMG, an accounting firm. The Request for Proposal process had been initiated to find an accounting firm to conduct the federally required audit. The response to the RFP was minimal, and we received an offer for assistance by the Bureau of State Audits (BSA). We were able to be included in a contract BSA has with KPMG. So far, the audit has been proceeding smoothly, with minimal issues. We will be implementing some new procedures, such as checking an Excluded Persons List recommended by the U.S. Department of Education.

The fourth funding round will begin about March 24, 2008, when the amendments to the regulations are approved, with applications due a month later. The board meeting to determine the grant awards is being planned for Monday, June 30, 2008. Subgrantees to the first three funding rounds are still current subgrantees and are not eligible to apply for the fourth funding round.

Working Capital Program: Ms Johantgen provided an update to the members regarding the approved regulations and staff's work last year with the financing team to develop bond documents for the Working Capitol Program. The program did not receive much interest at that time, therefore, staff recently conducted a survey of charter schools and is now in the process of working with our financing team and bond counsel to structure a program for the 2008 year.

Agenda Item 4: Resolution No. 08-01 - Ánimo Venice Charter High School

Ánimo Venice Charter High School is requesting conversion to final apportionment of approximately \$15,639,480, which includes a reallocation of rescinded Proposition 55 funds. The school was awarded a preliminary apportionment of \$12,328,892 by the State Allocation Board in February 2005, and received an advance apportionment of \$830,957 for design costs.

The project has final Department of State Architect and California Department of Education approval for the design and architectural package submitted for the 41,263 square foot, 26 classroom permanent school facility located on the Broadway Elementary School campus within the Los Angeles Unified School District. Green Dot Public Schools, the educational management organization for the Ánimo schools, has a ground lease and a use agreement in place for the school to cohabitate on the LAUSD site. The school is planning to begin construction within a month or two and will complete construction by September 2009.

Ms. Johantgen reported that the school has strong credit on its own. Assuming a rate of 4.75% and 30-year repayment period, Animo Venice's annual CSFP lease payments will be \$494,281 beginning August 2009. Animo Venice's projected FY 2009-10 net revenues of \$888,816 would provide debt service coverage of 180% in its first year of occupancy. For FY 2010-11, projected debt service coverage is 193%. Accounting for Green Dot Public School's agreement, if necessary, for subordination of its management fee to payment of the CSFP lease, the projected debt service coverage levels for FY 2009-10 and FY 2010-11 would then increase to 235% and 249%, respectively. Staff for the Authority and the Office of Public School Construction (OPSC) are working with Green Dot Public School's legal counsel to execute the Program agreements and the guarantee agreement with Green Dot Public School as co-borrower

Ánimo Venice Charter High School received a base API score of 691 for 2004-05 and a growth score of 700 for 2005-06. The increase of nine points exceeds the growth target of five points, and the growth base of 700 exceeds the 610 median score for similar schools. In 2006-07, Animo Venice achieved an API score of 703, and met 14 of 14 AYP criteria.

Ms. Johantgen recommended the members find that Ánimo Venice Charter High School has maintained a financially sound status.

It was moved, seconded and passed to approve Resolution 08-01, determining that Ánimo Venice Charter High School has maintained a financially sound status for purposes of conversion to final apportionment under the Charter School Facilities Program, with the release of funds being contingent upon execution of the Program agreements.

Agenda Item 5: Resolution No. 08-02 - Oscar De La Hoya Ánimo Charter High School

Oscar De La Hoya Ánimo Charter High School is requesting conversion to final apportionment of approximately \$19,255,392, which includes a reallocation of rescinded Proposition 55 funds. The school was awarded a preliminary apportionment of \$11,816,346 by the State Allocation Board in February 2005, and received an advance apportionment of \$842,421 for design costs.

The California Department of Education reports final plan approval for the Animo De La Hoya project, located in the Boyle Heights area of Los Angeles, was issued on October 26, 2007 and includes a total of 24 teaching stations in a 58,840 square feet area. The site approval was issued on March 20, 2007 for .81 gross (.79 Net) acres. The charter term is expiring within 12 months and the school has submitted charter renewal documents to the district. LAUSD has reported to Authority staff that the school is in good standing, which is a good indicator that the charter will be renewed.

Financial performance for this school is not as strong as that of Ánimo Venice Charter High School's credit. Oscar De La Hoya Ánimo Charter High School has debt service credit of 1.35 times in the first year of project occupancy and 1.39 times in the second year of occupancy. This calculation is before inclusion of Green Dot Public School's agreement, if necessary, for subordination of their management fees. If we request that the fees be subordinated, it would improve debt service to 1.8 times in the first year and 1.87 times in the second year.

Student performance decreased this year after increasing in the two prior years. The API Base Statewide Rank rose from 3 (out of 10) in 2004-05 to 6 in 2005-06, then falling to 5 in 2006-07. Their Similar School Rank increased from 9 in 2004-05 to 10 in 2005-06 and 2006-07. API targets were met in two of the past three years. In the last four years, AYP requirements were met in only the last two. Staff will monitor student performance and watch to ensure the school is continuing to meet its enrollment targets.

Ms. Johantgen recommended that the members find that Oscar De La Hoya Ánimo Charter High School has maintained a financially sound status.

It was moved, seconded and passed to approve Resolution 08-02, determining that Oscar De La Hoya Ánimo Charter High School has maintained a financially sound status for purposes of conversion to final apportionment under the Charter School Facilities Program.

Comment

There were no public comments.

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

Respectfully submitted,

Katrina Johantgen
Executive Director