

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, June 8, 2011
11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Tricia Wynne, serving as Chair, called the meeting to order.

Roll Call

Members Present: Tricia Wynne, designated alternate for Bill Lockyer, State Treasurer
Kathleen Moore, designated alternate for Tom Torlakson,
Superintendent of Public Instruction
Pedro Reyes, designated alternate for Ana Matosantos, Director of
Finance

Staff Present: Katrina Johantgen, Executive Director

The Chair declared a quorum present.

Approval of Minutes

The minutes of the May 11, 2011 Authority meeting were adopted as submitted.

Executive Director's Report

State Charter School Facilities Incentive Grants Program: Ms. Johantgen informed the members that the funding recommendations for the Federal Grant awards will be presented later in the meeting.

Charter School Facilities Program: Ms. Johantgen also stated that she is working with staff, counsel, and OPSC to finalize the program agreements for the schools currently requesting Advance Apportionments through the 2011 Lottery as these agreements must be fully executed by all parties and submitted to the Office of Public School Construction (OPSC) by July 6, 2011. Additionally, staff is working with the Public Finance Division to identify the source of funding for CSFP project funds to ensure compliance with requirements related to the use of tax-exempt bond proceeds. When a project is funded with tax-exempt bond proceeds, there are restrictions related to the use of the facility, among other compliance issues. Consequently, CSFA is adding provisions to the current program agreements and will be preparing addendums to agreements that have already been executed. CSFP recipients have been advised of the need for the addendums and advised that their governing boards may need to adopt the provisions.

Statutory Changes: Ms. Johantgen advised she is continuing to work with the California Charter Schools Association and other charter school stakeholders on amendments to the

Education Code related to the CSFA Act that will provide greater flexibility in financings for charter schools. Additionally, staff is working on refining other statutory language as it relates to those revenues that may be intercepted for repayment of debt.

Resolution No. 11-28 – Approving Financially Sound Determinations for the Charter School Facilities Program (CSFP) Applications Received for the February 2011 Lottery for Advanced (and/or Final) Apportionments as listed in Exhibit A

Ms. Johantgen discussed and highlighted six schools applying for Advance Apportionments under the February 2011 Lottery.

- Language Academy of Sacramento (New Construction and Rehab)
- Monsenor Oscar Romero Charter Middle (New Construction and Rehab)
- New Jerusalem Charter
- Oakland Military Institute
- Oakland Unity High
- Para Los Niños

Language Academy of Sacramento requested an Advance Apportionment of design costs. The school's debt service coverage ratios are projected to be 98.5% during 2013-14, the first year after project occupancy, and 119.8%, 163.7% during 2014-15 and 2015-16, respectively. CSFP payments represent 6.3% of revenues, on average, for 2013-14, 2014-15, and 2015-16. CSFP payments are projected to represent 6.3% of revenues, on average, for 2013-14, 2014-15, and 2015-16. Staff's recommendation of financial soundness is contingent upon the establishment of a restricted reserve account of \$10,000 to meet debt service coverage in the first year of debt service payments.

Monsenor Oscar Romero requested a Proposition 1D Advance Apportionment of \$1,346,496 for design costs for its new construction project and an Advance Apportionment of \$88,278 for design costs related to its rehabilitation project. The school has projected debt service coverage ratios of 129.4% in 2014-15 and 131.9% in 2015-16, the first two years of CSFP payments. Staff noted that the school is not reliant on contributions and that CSFP payments are projected to be 11.5% and 11.3% during the first two years of project occupancy.

New Jerusalem requested an Advance Apportionment of \$301,349 for design costs. The school's chartering authorizer, New Jerusalem Elementary School District, is the financial obligor for this project and has provided a guarantee to meet the local matching share through a lump sum payment of \$1,506,746 obtained through Qualified School Construction Bond proceeds. Staff recommended the school be found to have maintained its financial soundness based on the District having cash on hand to meet its local matching share.

Oakland Military Institute requested an Advance Apportionment of \$313,184 for design costs. The school is reliant on contributions from private sources to operate on a break-even basis. The CSFP payment is projected to represent 1.4% of revenues during the first two years of payments, which is less than the preferred maximum range of 10-15 percent. Staff recommended the school be found financially sound contingent upon OMI's execution of an Implementation Agreement with CSFA, the State Controller's Office, and CDE, whereby

OMI's state-aid portion of its General Purpose Block Grant will be intercepted at regular intervals to satisfy the payment requirements of its CSFP obligations.

Oakland Unity High School requested an Advance Apportionment of \$1,323,642 for design costs. The school's projected debt service coverage ratios meet the minimum requirement of 100.0% at 104.8% in 2014-15 and 101.4% in 2015-16. Staff recommended the school be found financially sound contingent upon its execution of an Implementation Agreement with CSFA, the State Controller's Office, and CDE, whereby the state-aid portion of its General Purpose Block Grant will be intercepted at regular intervals to satisfy the payment requirements of its CSFP obligations. The school also agreed to subordinate a portion of its Consultant Services fee to ARC Associates in order to meet debt service coverage ratios, if needed.

Para Los Niños requested an Advance Apportionment for design costs of its rehabilitation project located at 820 Towne Avenue in Los Angeles. The project will replace an elementary school that will continue to be operated by the Los Angeles Unified School District. CSFP payments are projected to account for 0.3% of the Para Los Niños' revenues in 2014-15 and 2015-16. Staff's recommendation of financial soundness is contingent upon a contribution of \$4 million from the Los Angeles Unified School District toward the costs of the project.

Ms. Johantgen recommended that each of the six schools identified be found to have maintained financial soundness for purposes of Advance Apportionments with the conditions as identified.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-28, finding the six schools listed above to be financially sound for purposes of Advance Apportionments with the conditions identified, but not for Final Apportionments, under the Program.

Resolution No. 11-29 – Awards and Authorizing the Disbursement of Funds under the Seventh Funding Round of the State Charter School Facilities Incentive Grants Program

Ms. Johantgen provided a summary of the seventh funding round of the State Charter School Facilities Incentive Grants Program. In all, 157 applications were received for Round 7 with approximately \$10.1 million available for funding. After close review, 137 applications were found to be eligible. Twenty of the applications were deemed ineligible and each applicant has been advised of the reasons such as: the application being submitted late, being submitted by a current recipient under a previous round, the school having less than one full year of instructional operations, non-compliance issues, or not being in good standing with its charter authorizer.

The methodology used in evaluating and processing applications for this funding round included the same methodology as used previously. Staff evaluated basic eligibility criteria including: number of years in operation, any civil or criminal matters facing the school or its management, charter compliance and its standing with the chartering entity. Once program eligibility was established, preference points were assigned and all eligible applicants were advised of the preference points assigned. Regarding the over-crowding category, Ms. Johantgen stated that the over-crowding relief grant program list provided by the California Department of Education (CDE) was extremely beneficial in evaluating each applicant's eligibility for overcrowding points at the school level.

A funding list was provided to the members of all eligible applicants in rank order with those applicants with the highest number of points being listed first. Ms. Johantgen recommended the 23 top ranked charter schools receive grant awards toward facility costs for purchase, renovation, rent, lease or debt service costs. Approval of this recommendation also includes approval of funding for alternate applicants listed in rank order in the event that grant funds become available prior to the start of the next funding round.

CSFA staff analysts, Steven Theuring and Terri Kizer explained the methodology implemented in determining the awards. They highlighted the report and spreadsheet which were provided. This included all data used to determine eligibility criteria in evaluating and assigning preference points to the awardees.

After much discussion it was determined that awards be granted to the schools listed pending verification of eligible project costs and authorization for the executive director to award funds to alternates should any applicants or projects be found to be ineligible.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-29, with the amendment to Section A to confirm the award of grant funds as shown on Attachment A pending confirmation of program eligibility and costs eligibility

Resolution No. 11-30 – Approving Financially Sound Determinations for the Charter School Facilities Program Applications for Preliminary and/or Advance Apportionments for Charter Schools Listed in Exhibit B.

This item was held over until a future meeting.

Resolution No. 11-31 – Approving Financially Sound Determinations for the Charter School Facilities Program Applications for Final Apportionment for KIPP King Collegiate located in Alameda County, California .

This item was held over until a future meeting.

Public Comment

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

Respectfully submitted,

Katrina Johantgen
Executive Director