

Minutes
CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board
Wednesday, August 25, 2005
10:00 a.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
Anne Sheehan for Tom Campbell, Director of Finance

Staff Present: Katrina Johantgen, Executive Director

Approval of Minutes

The minutes of the June 22, 2005 meeting were adopted as submitted.

Executive Director's Report

Ms. Johantgen introduced Maria Rosas, CSFA's student intern, and Donna Ferebee, staff counsel for the State Treasurer's Office, who will be working with CSFA.

Ms. Johantgen advised the members of the status of the State Charter School Facilities Incentive Grants Program. Applications were due by August 1, 2005. There were 111 applications received representing requests for funding of \$25 million. With only \$9.7 million available for this first funding round, the program is significantly oversubscribed. Staff is planning to present the members with the recommendations for funding in September. However, there may be a delay in obtaining the current-year overcrowded percentages for the school districts where the charter schools are housed. Staff will be working with the Office of Public School Construction and the California Department of Education to contact the school districts and request current enrollment data.

Receipt and Acceptance of Due Diligence Reports for Proposition 47 Charter School Facilities Program Awardees

Ms. Johantgen provided due diligence reports for the charter schools that received awards in the first funding round (Proposition 47) for the Charter School Facilities Program (CSFP).

Animo Leadership Charter High School Animo Leadership requested that their report be held until the next Authority meeting in order to allow school representatives additional time to submit the documentation required to complete our review. Therefore, Animo will not be included in today's report.

Academy for Career Education ACE is a unique program that focuses on meeting the needs of at-risk high school students. Therefore, ADA and enrollment fluctuates quite a bit, and the school's test

scores have not shown improvement. ACE is a dependent charter of its charting entity, Wheatland Union High School District. When ACE initially applied for a preliminary apportionment through the CSFP two years ago, the district had indicated a willingness to serve as a guarantor or co-borrower. Last year, staff noted in its report to members that ACE had ended the year with an operating deficit. This year, staff requested a commitment letter (to serve as guarantor) from Wheatland Union High School District, to be provided by October 31, 2005. Staff will then review the district's financial soundness to determine whether it will be eligible to serve as a guarantor for ACE. If the district is unable or unwilling to serve as a guarantor, ACE may need to find another guarantor in order to remain eligible for CSFP.

Ms. Johantgen confirmed that should ACE, or any other awardee, become ineligible for the program, the funds associated with those projects would revert to the 2002 Charter School Facilities Account. Based on information received from OPSC, their regulations specify that the funds are to be held until all the facilities have been constructed in the event of project cost overruns.

Aspire Public Schools The combined report for both Aspire projects, Aspire-Oakland and Aspire-Stockton, reviews the organization of Aspire Public Schools as a whole. Ms. Johantgen reported that Aspire has a new chief financial officer and that Aspire has been responsive to all of CSFA's requests for information. Aspire is a large organization and reported that it plans to grow to twenty charter schools. According to staff's analysis, the organization is financially sound and is able to meet debt service coverage in 2007 and 2008. Aspire relies heavily on contributions, with contributions representing 15 percent of expenditures, which is still within CSFA's standards.

Montague Street Elementary Charter Academy In the last year, Montague turned around its financial position and began showing a positive operating trend. Montague reported they have been granted a site from the Los Angeles Unified School District, which is expected to reduce their project costs by about \$4 million. They also reported that they anticipated an award of \$3 million from either Proposition K or Measure R, which are LAUSD funds for renovation and construction. Even without the anticipated \$3 million award, Montague will be able to meet its debt service coverage.

Orange County High School of the Arts OCHSA has been working with a potential guarantor to develop a commitment letter that would be acceptable to the State. In the last six months, it became apparent that a commitment letter would not be executed with that guarantor. Staff then reviewed OCHSA's financial status on a stand-alone basis and determined that a guarantor will be required for OCHSA to maintain its financial soundness for purposes of CSFP. Staff requested that a commitment letter from a new guarantor be provided by October 31, 2005. Staff will then review the new guarantor's financial soundness to determine whether it will be eligible to serve as a guarantor.

It was moved and passed to accept the findings in the due diligence reports for the Proposition 47 CSFP awardees, as presented.

Resolution No. 05-09 Approving That City Arts & Technology High has Maintained a Financially Sound Status for Purposes of Advance Apportionment

City Arts & Technology High School, in San Francisco, requested an advance apportionment of \$1,287,518 for design costs. In the initial review it was noted that CAT was over reliant on contributions. Therefore, the school was asked for verification of their contributions and whether or not they are hitting their target. In response, CAT provided written verification of their contributions and confirmed that the expected contributions did materialize. Staff recommended that the members find CAT financially sound for purposes of an advance apportionment and to direct staff to notify OPSC of this determination.

It was moved, seconded and passed to approve Resolution No. 05-09, determining that City Arts & Technology High School has maintained a financially sound status for purposes of an advance apportionment for the CSFP.

Resolution No. 05-10 Approving That Crosswalk: Hesperia Experiential Learning Pathways has Maintained a Financially Sound Status for Purposes of Advance Apportionment

Crosswalk: Hesperia Experiential Learning Pathways requested an advance apportionment of \$250,721 for site acquisition costs. Last April, the members approved the school's request for an advance apportionment \$622,622 for design costs.

Crosswalk has provided updated budget information for review. It was noted that the school had projected 250 students for the 2005-06 school year, and currently has only 230 students. As a result, the school has cut their independent study program, to balance their decreased revenue with their expenses. Staff recommended that the members find Crosswalk financially sound for purposes of an advance apportionment and to direct staff to notify OPSC of the determination.

It was moved, seconded and passed to approve Resolution No. 05-10, determining that Crosswalk: Hesperia Experiential Learning Pathways has maintained a financially sound status for purposes of an advance apportionment for the CSFP.

Resolution No. 05-11 Approving That Vaughn Next Century Learning Center (High School) has Maintained a Financially Sound Status for Purposes of Final Apportionment

Vaughn Next Century Learning Center (High School) requested the final apportionment for their project. The school was awarded a preliminary apportionment of \$19,689,644, of which 50 percent was to be in the form of a grant and 50 percent was to be repaid to the State in lump-sum or lease payments. Vaughn, however, plans to satisfy their entire local matching share with cash they have on-hand and will not be required to enter into a lease agreement with the State for the lease payments.

Several bank statements have been provided to support Vaughn's ability to satisfy its local matching share. Ms. Johantgen requested the structure of a restricted account for purposes of the CSFP project to reduce project risk. Staff recommended that the members find Vaughn financially sound for purposes of the final apportionment and that staff be directed to work with representatives of Vaughn

to ensure that appropriate controls are in place so that the matching share funds are held in an account subject to approval of CSFA's Executive Director, and to notify OPSC of these determinations.

It was moved, seconded and passed to approve Resolution No. 05-11, determining that Vaughn Next Century Learning Center (High School) has maintained a financially sound status for purposes of an advance apportionment for the Charter School Facilities Program, pending verification of appropriate fund controls as approved by CSFA's Executive Director.

Resolution No. 05-12 Approving Pre-Notice Amendments to the Emergency Regulations for the State Charter School Facilities Incentive Grants Program

The emergency rulemaking file containing the regulations for the administration of the State Charter School Facilities Incentive Grants Program were approved by the Office of Administrative Law on June 27, 2005. With the implementation of the first funding round of the grant program, clarifying amendments to the regulations (and application packet) were presented to the members for review. As part of the permanent rulemaking process, the amended regulations are to be distributed for a 45-day public comment period. Staff recommends that the members approve the amendments to the regulations and direct staff to submit the permanent rulemaking file to the Office of Administrative Law and initiate the 45-day public comment period as required by the Administrative Procedure Act.

It was moved, seconded and passed to approve Resolution No. 05-12, approving the amendments to the regulations for the State Charter School Facilities Incentive Grants Program, and submission of the permanent rulemaking file to the Office of Administrative Law.

There were no public comments.

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

Respectfully submitted,

Katrina Johantgen