

**Minutes**  
**CALIFORNIA SCHOOL FINANCE AUTHORITY**

**Meeting of the Board**  
**Wednesday, May 10, 2006**  
**10:30 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 Michael C. Genest, Director of Finance

Staff Present: Katrina Johantgen, Executive Director

**Approval of Minutes**

The minutes of the February 15, 2006 meeting were adopted.

**Executive Director's Report**

**Charter School Facilities Program:** Ms. Johantgen provided an update regarding the lease agreement that is required prior to the release of funds for site acquisition or construction costs. In response to feedback from school districts and charter schools regarding the format of the tri-party lease agreement between the State, the school district in which the project is located, and the awardee charter school, the single tri-party agreement is being restructured into three separate agreements.

Working together with staff and counsel from the Office of Public School Construction, and representatives from some of the charter schools and school districts, including Los Angeles Unified School District, staff is moving forward with the concept of three separate agreements, including a funding agreement between the State and the charter school, a facility use agreement between the charter school and the school district in which the project is located, and a memorandum of understanding or tying agreement that identifies the respective roles and responsibilities of all three parties and includes the first two agreements as exhibits. Award recipients may need to enter into two funding agreements, with the first being required at the time of an advance apportionment for site acquisition costs and a second funding agreement at the time of final apportionment.

While the change in format still complies with the requirements as cited in statute, it will require a change in the Authority's regulations. The proposed funding and tying agreements as well as the proposed amendments to the regulations will be presented to the members at the next Authority meeting planned for late-June.

State Charter School Facilities Incentive Grants Program:

Round One: Executed grant agreements have been received for 27 of the 31 charter schools that received awards in the first funding round of the grant program, and the four remaining schools have provided justification for the delay in providing the grant agreement. Staff has been working with the accounting unit and the State Controller's Office to process the disbursements.

Round Two: Applications were received from 73 schools by the March 1 deadline for the second funding round. Preference points will be assigned and the applications will be presented to the members for award determinations at a meeting prior to the close of the 2005-06 budget year on June 30, 2006.

Legislation:

Assembly Bill 2171 (Walters): Ms. Johantgen reported on the status of AB 2717, which will amend Authority statutes to include charter schools in the current definition of a participating district to allow charter schools to issue debt through the Authority. The bill went before the Assembly Education Committee on April 26, 2006 and passed with eight votes in favor.

Assembly Bill 127 (Nuñez and Perata): This bill would enact the Kindergarten-University Public Education Facilities Bond Act of 2006, and would establish about \$500 million toward the third funding round of the Charter Schools Facilities Program. The bond act would become operative only if approved by voters on November 7, 2006.

**Resolution No. 06-09 Approving That California Montessori Project – Elk Grove Campus Has Maintained a Financially Sound Status for Purposes of an Advance Apportionment**

California Montessori Project (CMP) – Elk Grove Campus has requested an advance apportionment of \$538,692 for design costs and \$3,223,681 for site acquisition costs. The school was awarded a preliminary apportionment of \$11,834,282 by the State Allocation Board in February 2005.

The financial soundness for CMP, which received two preliminary apportionments of funds under Proposition 55 for campuses in Elk Grove and in Shingle Springs, was reviewed as a single organization and includes information for both campuses. Initially chartered in January 2001 by the Wheatland Elementary School District, CMP has five campuses located in four different school districts. Due to changes in State law, CMP is in the process of securing new charters with the school districts in which the five campuses are located (Buckeye Union Elementary School District, Elk Grove Unified School District, Sacramento City Unified School District, and San Juan Unified School District).

CMP's total enrollment increased at an average annual rate of 18.5 percent for the last three years, and projects to increase at an average annual rate of 5.6 percent for the next three years. Average Daily Attendance is currently 95 percent and both of the Elk Grove and Shingle Springs campuses have waiting lists. CMP's combined Academic Performance Index (API) has increased from a 2002 Base of 687 to a 2005 Base of 779. Financially, the organization has a

healthy debt service coverage and is not very reliant on fund raising or donations. On the financial side, conservative financial projections, excluding any revenues from fund-raising or federal grants, indicate CMP will be able to afford the estimated annual lease payments for both projects.

Gary Bowman, Executive Director/Superintendent for CMP, spoke in support of the organization. Mr. Bowman confirmed that the financial compensation for the teaching staff has been below market levels in the past, but that there is an extremely high rate of teacher satisfaction with the teaching methodology to the extent that CMP has been approached for jobs by interested teachers in the districts where the campuses are located.

Staff recommended that the members find that California Montessori Project – Elk Grove Project has maintained a financially sound status for purposes of an advance apportionment.

It was moved, seconded and passed to approve Resolution 06-09, determining that California Montessori Project – Elk Grove Campus has maintained a financially sound status for purposes of an advance apportionment.

**Resolution No. 06-10 Approving That Environmental Charter High School Has Maintained a Financially Sound Status for Purposes of an Advance Apportionment**

Environmental Charter High School (ECHS) has requested an advance apportionment of \$1,282,938 for design costs and \$542,500 for site acquisition costs. The school was awarded a preliminary apportionment of \$13,914,378 by the State Allocation Board in February 2005.

One of the legal issues reported in ECHS' initial financial analysis in December 2004 concerned the school's ongoing negotiations with and a lawsuit against Centinela Valley Union High School District to obtain facilities under Proposition 39. Since then, a petition for review was denied in the California Supreme Court, and the lawsuit has been dropped by ECHS. The other ongoing concern reported in the December 2004 financial analysis related to ECHS' reliance on contributions and potential inability to make lease payments based on annual operations. Current projections anticipate operating surpluses in 2006-07 and 2009-10. The oscillation between positive and negative operational surpluses appears to be due to one-time expenditures and a 2005-06 mismatch between employee hiring and student enrollment increases. Ms. Johantgen confirmed that although not at a level to be problematic, the school's reliance on fund raising to offset their operating expenses will continue to be monitored by staff.

ECHS' founder and Chief Education Officer, Alison Suffet-Diaz, has transitioned to the school's Board of Directors and has been replaced by Joanna Paul (title changed to Principal). Ms. Paul is also currently serving as acting Executive Director until a replacement is found for John Lock who left to work for another nonprofit firm. The status of ECHS' management team will continue to be monitored.

Staff recommended that the members find that Environmental Charter High School has maintained a financially sound status for purposes of an advance apportionment.

California School Finance Authority Meeting

Minutes of May 10, 2006

Page 4 of 4

It was moved, seconded and passed to approve Resolution 06-10, determining that Environmental Charter High School has maintained a financially sound status for purposes of an advance apportionment.

**Public Comment**

There were no public comments.

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

Respectfully submitted,

Katrina Johantgen