

Minutes
CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board
Thursday, February 9, 2007
1:00 p.m.
915 Capitol Mall, Room 587
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
Vince Brown designated alternate for Michael Genest, Director of Finance

Members Absent: Jack O'Connell, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director

With a quorum present, Patricia Wynne, Chair, called the meeting to order.

Approval of Minutes

The minutes of the December 14, 2006 Authority meeting were adopted as submitted.

Executive Director's Report

Charter School Facilities Program: The filing period for the new funding round authorized under Proposition 1D, began February 5, and will end on June 5, 2007. Staff, in conjunction with staff from the Office of Public School Construction, California Department of Education, the Department of State Architect, and the Department of Toxic Substance Control, has invited charter schools, school districts, consultants, charter advocates, and other stakeholders to technical workshops. These technical workshops are intended to provide detail and clarification regarding Program eligibility, timelines, application requirements and scope of facility and funding criteria. The first workshop was held this morning in Sacramento, with two more scheduled this month in San Diego and Oakland. Two additional workshops in Los Angeles and Fresno are planned for March.

The forms of the Program agreements, approved by the Authority members in June 2006, were recently approved by the members of the State Allocation Board. Several Program recipients are close to beginning construction of their project facilities and have been working with staff to execute the Program agreements prior to disbursement of funds.

Amendments to the Program regulations are being proposed that will affect this third funding round, and staff is planning to submit another emergency rulemaking file to the Office of Administrative Law. Ms. Wynne asked whether comments to proposed Program amendments have been received during previous public comment periods. Ms. Johantgen confirmed that comments have been received under both of the Authority's programs, the Charter School Facilities Program as well as the State Charter School Facilities Incentive Grants Program.

State Charter School Facilities Incentive Grants Program (Federal Grant): Notice of the proposed amendments to the regulations for the Federal Grant, as approved by the members in December 2006, was posted in the California Regulatory Notice Register and the 45-day public comment period will end in March. Any substantive comments received will be brought to the members at the next meeting. If no substantive comments are received, the rulemaking file is expected to be completed and submitted to OAL by the end of March. The application period for the third funding round is planned for March 22 through May 3, 2007, with the funding recommendations being presented to the members at a regularly scheduled board meeting in late June 2007.

Pooled Charter School Financing Program: Effective January 1, 2007, the Authority is able to include charter schools, along with school districts and community college districts, as approved entities for which the Authority may issue debt. Staff is developing a cash flow borrowing program for charter schools, and is working to retain underwriter and bond counsel services through a competitive process.

Resolution No. 07-01 - Maria Montessori Charter Academy

Maria Montessori Charter Academy (MMCA) has requested an advance apportionment of up to \$1,572,480 for site acquisition costs. The school was awarded a preliminary apportionment of \$5,560,948 by the State Allocation Board in February 2005, and had recently been determined financially sound by the Authority for an advance apportionment of \$398,847 for design costs.

Several financial and operational factors were considered when reviewing MMCA's financial soundness. It was noted that the school's student performance has improved over the last three years and all AYP criteria are being met pursuant to the No Child Left Behind Act. MMCA's management has been very stable and very committed to completing the construction project, and this is one of the first projects through the Proposition 55 funding round to secure a new site. The site for the project facility will be located in the Rocklin Unified School District, and Staff has had conversations with the district staff to answer their questions regarding the Program agreements and the district's obligations under the Program.

On the financial side, a preliminary review of MMCA indicates that they can still meet the minimum debt service coverage ratio of 100% (or one times coverage) with a 10% cushion in 2007-08. This determination was based on an increased interest rate of 5.5% from the rate of 4.5% used at the time of the preliminary apportionment (in late 2004). The increase resulted in a potential annual payment of \$190,000 for the Program. It should be noted that the Pooled Money Investment Account rate was over 5% at the end of December.

MMCA does not have any long-term liabilities outside of the anticipated Program payments, having repaid the balance of its Charter School Revolving Loan from the California Department of Education as of June 30, 2006.

Staff is recommending that Maria Montessori Charter Academy be financially sound for purposes of drawing down the funds allowed for site acquisition. This will require that the Program agreements be executed prior to the funds being released by the State Allocation Board. Ms. Johantgen and the Executive Officer for the State Allocation Board have executing authority

to enter into these agreements on behalf of the State, so it is anticipated that the agreements may be executed prior to the next board meeting.

It was moved, seconded and passed to approve Resolution 07-01, determining that Maria Montessori Charter Academy has maintained a financially sound status purposes of an advance apportionment under the Charter School Facilities Program.

Public Comment

There were no public comments.

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

Respectfully submitted,

Katrina Johantgen
Executive Director