

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

**Meeting of the Board**  
**Wednesday, March 21, 2007**  
**3:00 p.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 Genest, Director of Finance

Members Absent: None

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 February 9, 2007 Authority meeting were adopted as submitted.

**Executive Director's Report**

Charter School Facilities Program: Ms. Johantgen provided an update on the forms of the CSFP memorandum of understanding, funding agreement and use agreement that were reviewed and approved by the members last year. Members of the State Allocation Board also have approved the forms. To date, executed agreements have been received for the Maria Montessori Charter Academy project. Staff is presently in discussion with representatives of the Los Angeles Unified School District to incorporate an addendum related to the district's responsibilities as presented at the recent State Allocation Board meeting.

The members were advised that the last of the technical workshops regarding the current CSFP funding round under Prop 1D have been completed, as of this morning. The workshops were held in several cities around California and were presented by representatives of the Authority, the Office of Public School Construction, the California Department of Education, and the Department of the State Architect. Ms. Johantgen confirmed that there was a good turnout for the workshops, with a nice balance of representatives from various charter schools, school districts, and other interested organizations. At the Los Angeles workshop on March 16, there were 35 to 40 people, and about 20 to 25 people were at this morning's workshop in Fresno

State Charter School Facilities Incentive Grants Program (Federal Grant): The rulemaking file was submitted to the Office of Administrative law earlier this month for their final review. The newest amendments include the total points adjustment to the preference point matrix and the

addition of a qualitative factor for student performance. Two comments were received, however, neither were related to the addition of the qualitative factor. Based on OAL's timeline, the third funding round should begin about April 19, with funds being awarded prior to the end of this fiscal year on June 30. The anticipated dates have been posted on the Authority's web site.

Pooled Charter School Financing Program: Effective January 1, 2007, CSFA is authorized to serve as a conduit issuer for California charter schools. Staff has determined that the most immediate need for charter schools is a capital program to accommodate growth and has been working to craft such a program. Proposed regulations have been drafted and will be discussed later in this meeting, under agenda item 7. Additionally, staff has been working with staff in the Public Finance Division within the State Treasurer's Office to distribute and process requests for proposals for underwriter and bond counsel services. Awards are expected to be made in the next week or so.

**Resolution No. 07-02 – Animo Venice Charter High School and Resolution No. 07-03 – Oscar De La Hoya Animo Charter High School**

Ms. Johantgen confirmed that these two items have been removed from the agenda. Under Propositions 47 and 55, a handful of schools have formally rescinded their preliminary apportionments of program funds for various reasons. The funds have reverted back to the respective 2002 or 2004 Charter Schools Facilities accounts. The Office of Public School Construction has been working out the best use of these funds. Last Thursday, OPSC conducted a working meeting with representatives of the charter community and introduced a recommendation to distribute the rescinded funds toward cost overruns on some of the current CSFP projects. Representatives of Green Dot/Animo participated in that meeting, and have requested that the Venice and Oscar De La Hoya projects be removed from the Authority's agenda until a decision is made by the SAB regarding the distribution of the rescinded funds.

**Resolution No. 07-05 – Aspire Public Schools – Rosa Parks Academy, Stockton Campus**

Aspire Public Schools (Aspire) has requested a final apportionment of approximately \$10.5 million for its Stockton Campus (Rosa Parks Academy). The school was awarded a preliminary apportionment of \$20,811,386 by the State Allocation Board in July 2003 to construct a Kindergarten through fifth grade elementary school in Stockton. Ms. Johantgen reported that Aspire's financial evaluation was based on the entire organization as a single entity. Aspire has been in operation since 1998, and now has 17 schools in California. Aspire is the first school with an apportionment under Proposition 47 to convert to a final apportionment. The school has advanced through the planning and design stages and the final apportionment is expected to be about \$10.5 million to \$10.7 million due to a redesign of the project to modular buildings. The organization has ample coverage for the debt service threshold. Student performance for all Aspire has been doing well, with API improving at most campuses in the past year; after 2005 and 2006 when two out of the 13 eligible schools failed to meet the AYP criteria. Staff will continue monitoring Aspire's AYP progress for all campuses. Student retention rates at all 17 campuses were reviewed as well as the aggregate level of retention. Aspire has a retention rate of 93%, 88% and 86% over the last three years, which would generally be noted as a weakness, however, Aspire has provided a detailed explanation for contributing circumstances at certain

campuses. Aspire explained that turnover had been high at relatively new campuses as some new students weren't ready for the rigorous academic programs and had chosen to leave. Staff also noted as a mitigant that enrollment was going up and was at full capacity at most campuses.

Ms. Johantgen advised that debt service ratios for Aspire were at a comfortable 1.2 and 1.5, depending on the exact amount of the final apportionment. She also highlighted the double digit percentage growth in enrollment and that the release of funds is contingent upon the program agreements being executed. Staff recommended that Aspire Public Schools – Rosa Parks Academy, Stockton Campus be found financially sound for purposes of a final apportionment.

It was moved, seconded and passed to approve Resolution 07-05, determining that Aspire Public Schools has maintained a financially sound status purposes of a final apportionment for the Rosa Parks Academy, Stockton Campus under the Charter School Facilities Program.

#### **Resolution No. 07-06 – Rulemaking Process for the Working Capitol Program**

Ms. Johantgen provided an update and presented proposed draft regulations for the Charter School Working Capital Program. As a result of the recently amended statute enabling charter schools to access financing through the Authority (Walters, statutes of 2006), the program is being developed to provide California charter schools with access to relatively low cost financing to relieve temporary cash flow deficits, generally attributable to enrollment growth, in advance of the receipt of certain state and local funding.

The members were advised that one issue that cannot be addressed at this time is the potential credit rating. For this reason, it is anticipated that applicants to the program will be required to provide authority from their respective governing boards to elect a payment intercept mechanism at the state level. If the members agree with the draft regulations as proposed, then staff will initiate the rulemaking process and distribute the draft regulations to interested parties for the 45-day public comment period.

It was moved, seconded and passed to approve Resolution 07-06, authorizing initiation of the rulemaking process for the financing program and distribution of the proposed draft regulations for public comment.

#### **Public Comment**

There were no public comments.

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

Respectfully submitted,

Katrina Johantgen  
Executive Director