

Minutes
CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board
Wednesday, May 14, 2008
11:30 a.m.
915 Capitol Mall, Room 110
Sacramento, California 95814

Deputy State Treasurer Bettina Redway, serving as chair, called the meeting to order.

Roll Call

Members Present: Bettina Redway, designated alternate for Bill Lockyer, State Treasurer
Kathleen Moore, designated alternate for Jack O'Connell, Superintendent
of Public Instruction
Molly Arnold, designated alternate for Michael Genest, Director of
Finance

Staff Present: Katrina Johantgen, Executive Director

With a quorum present, Bettina Redway, Chair, called the meeting to order.

Approval of Minutes

The minutes of the May 6, 2008 Authority meeting were adopted as submitted.

Executive Director's Report

State Charter School Facilities Incentive Grant: Ms. Johantgen informed the members that CSFA is continuing to process applications for the fourth funding round. CSFA staff is reviewing applicant's eligibility. Awarding of funds to sub grantees is scheduled for June 30, 2008.

Other Program Updates: Ms. Johantgen informed the members that CSFA has made significant progress in reviewing the preliminary structure for Animo and other charter operators for the working capital program.

CSFA is serving as a conduit on behalf of the Green Dot Public Schools, on refunding of an existing high-interest loan for the Animo Inglewood. The structure has been approved, there is a rating in place and at next week's Board Meeting members will be reviewing a preliminary structure of financing and approving bond documents. CSFA will be holding a TEFRA hearing prior to the next board meeting scheduled for May 20, 2008. At the next Authority meetings, members will be briefed on details of the structure.

Item 4 – Resolution No. 08-06 Approving Financial Sound Determinations for the Charter School Facilities Program (CSFP) Applications received Under the Proposition 1D Funding Round as listed in Exhibit A

The reports for the following charter schools were presented to the members for approval of staff's findings. It was noted that the resolution is structured so that schools may come for an advanced apportionment within six months from preliminary apportionment, to commence design and site work on their projects. Staff also noted that the resolution should reflect that Vaughn Next Century Learning Center may come in for an advance or final apportionment given the school's previous award through Proposition 55.

1. Animo Film and Theater Arts Charter High
2. California Aerospace Academy
3. Charter Academy High School
4. Charter Academy Middle School
5. Frederick Douglas Academy High School
6. Frederick Douglas Academy Middle School
7. Futures High School (New Construction)
8. Futures High School (Rehabilitation)
9. Grant Community Outreach Expansion Phase I (7-12)
10. Grant Community Outreach Expansion Phase I (K-6)
11. Higher Learning Academy (7-12)
12. Higher Learning Academy (K-6)
13. Ivy Academia-Oso Avenue Campus
14. Leadership High School (Richmond)
15. Leadership High School (San Francisco)
16. New Designs Charter School
17. Phoenix Rising Charter Academy (K-6)
18. Phoenix Rising Charter Academy (7-12)

A summary of each applicant was provided including eligibility criteria, demographic information, projected debt service coverage, student performance and other contributing operational and financial factors.

Ms. Moore posed a question as to how Grant schools financial soundness determination might be impacted given that they are changing chartering entities as of July 1, 2008. She was particularly interested in whether the attendance at the Grant charters would be affected. Mr. Ernie Silva, representing Grant Community Charters, made an attempt at explaining the situation and stated that the change over would not impact the schools. Grant is not expecting to lose enrollment. Mr. Silva stated that Grant is serving the entire community both the high school district and K-12. Grant is also working with the county and is expecting a smooth transition to the new authorizer. Ms. Moore asked if CSFA had

checked with the county on the Grant Charters and Ms. Johantgen stated that CSFA has letters from Grant Union that the charters are in good standing and in compliance with newly-renewed charter agreements. Ms. Johantgen stated that before they get their apportionments that CSFA should get compliance letters from the new authorizer, Twin Rivers Unified School District, that the charters are in good standing. The resolution was changed to reflect that Authority staff needs to verify the Grant Community Charter schools' standing with their new authorizer, Twin Rivers Unified School District, after July 1, 2008. The resolution was amended to also reflect that the Grant Community Charter schools that were found financially sound at the meeting would need to return to the Authority after July 1, 2008 and after the schools' standing is confirmed. Until such findings are brought to the Authority, no funds will be released to the Grant Community Charter schools.

Ms. Moore stated that she would like to hear from the chartering representative because it is an extraordinary situation and there are a lot of interests involved and it behooves us to be careful with final review. Mr. Silva stated he understands that all the charters have been approved by Grant, and are under contract for five years. It is his understanding that the new district will be responsible for those contracts for at least five years.

Ms. Arnold asked about the difference in the charters for Higher Learning Academy and the Aerospace Academy. Mr. Silva stated that they were both approved at the same time and should have the same terms.

Ms. Johantgen stated that staff had prepared a memo regarding Ivy Academia Charter School's financial soundness, and that the applicant asked that the item be held over to the next board meeting. CSFA staff had received, early on, the compliance and good standing letter from the Los Angeles Unified School District stating that Ivy is not in compliance, nor in good standing, and that an investigation by the District's Office of the Inspector General was underway. The investigation has been going on for approximately one year. CSFA staff presented these facts in a memo, and stated that we do not typically commence a financial soundness review of schools that are not in good standing with their chartering authority nor in compliance with their charter. CSFA staff notified Ivy of the good standing letter reply from the District back in August 2007. Since that time, CSFA staff has been working with a representative of the District and Ivy's counsel to resolve the matter.

As of May 13, 2008, CSFA staff was notified that the District is now recommending that, at their board meeting on May 15th, staff of the District's charter division will recommend that Ivy's charter be renewed for five years, and that the District board will vote on the charter renewal as early as May 27th. CSFA staff is seeking information from the OIG report to ensure that there are no findings that could impact Ivy's financial soundness. Given the recent turn of events, CSFA staff intends to commence work on our financial soundness review of Ivy and bring the report to our board at its May 22nd or May 27th board meeting. Staff noted that it will amend the Exhibit of the Resolution to reflect that this item was held over.

New Designs Charter School is asking to be held over for the next meeting, as they would like the opportunity to work with OPSC to reduce their project costs again. The school's original cost was approximately \$52 million, reduced to \$30 million, and they would like to reduce their project cost again to meet our soundness criteria. Ms. Moore stated that she

would not support that kind of reduction again and requested the board move forward to find them not financially sound. Ms. Moore reiterated the Department's concerns regarding the reduction of project costs and the impact such reductions may have on project viability as well as the impact that such reductions may have on the educational site adequacy of projects funded through the CSFP. After much discussion, staff has recommended that the board go ahead with their initial findings of the school being found not financially sound. Staff noted that they will keep New Designs on the agenda for the next meeting in the event the school wants to ask the board to reconsider its decision. The resolution will reflect recommendations and changes from Exhibit A.

It was moved, seconded and passed to approve Resolution No. 08-06, for purposes of Preliminary, Advance, and/or Final Apportionment, as specifically provided in each respective report.

The motion was approved unanimously.

Public Comment: None

Meeting Adjourned.

Respectfully submitted,

Katrina Johantgen
Executive Director