

Minutes
CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board
Monday, November 17, 2008
1:00 PM

915 Capitol Mall, Conference Room 587
Sacramento, California 95814

Alternate Location for Teleconference Participation

State Treasurer's Office
304 S. Broadway, Suite 550
Los Angeles, CA 90013

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

Jeannie Oropeza, designated alternate for Michael Genest, Director of
Finance

Staff Present: Katrina Johantgen, Executive Director

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

Approval of Minutes

It was moved, seconded, and passed to approve the October 23, 2008 meeting minutes as submitted, with two aye votes and one abstention (Ms. Oropeza).

Executive Director's Report

Charter School Facilities Program (CSFP): Ms. Johantgen provided an update to the board members of the recent activity regarding schools that have requested advance apportionments under the Prop 1D funding round. Ms. Johantgen advised that staff is working with the schools and with the Office of Public School Construction (OPSC) to ensure the program agreements are in place and funds will be released in a timely manner. She noted an increase in the number of schools coming in to receive their advance apportionments through this funding round, which is good news for the program.

Legislation: Ms Johantgen informed the board members that she was uncertain whether any CSFA-sponsored legislative changes would make it on this Legislative calendar. She discussed possible amendments to the program regulations for the CSFP in terms of clarifying issues surrounding the program agreements.

Ms. Oropeza inquired about the CSFP program agreements in terms of ultimate liability and whether CSFA has experienced problems relating to the funding agreements.

Ms. Johantgen reported no problems and described the program agreements: 1) the Memorandum of Understanding is signed by the all three parties: the district, the charter school, and the State; 2) the funding agreements are signed by two parties: the charter school and the State; and 3) the use agreements are signed by two parties: the charter school and the district, and is then reviewed by the State and attached as an exhibit to the MOU.

Ms. Oropeza inquired about the final outcome if a charter school is not able to make payments. Ms. Johantgen explained the succession provisions included in the Education Code and the MOU regarding a charter school's non-use of a facility, and that a school district can assume responsibility and dispose of a facility under the Government Code.

Resolution 08-20 – Approving amendments to the regulations for the State Charter School Facilities Incentive Grants Program and authorizing the rulemaking process

Staff proposed changes to the regulations that guide the State Charter School Facilities Incentive Grants Program. The changes to the regulations were presented in response to issues raised by board members, staff of the United States Department of Education, and the charter school community.

Ms. Johantgen and Terri Kizer outlined the proposed changes to the regulations and the rationale for the amendments.

One significant proposed change is in response to notification by the United States Department of Education (US ED) that all grant program funds must be liquidated no later than September 2012. To ensure subgrantees receive all grant funds as awarded, semi-annual verification of continued eligibility will be requested on a set schedule. Therefore, each February and August, all subgrantees will be required to submit updated documents including current leases and charters, verification of continued eligibility, and certification of continued compliance with the grant requirements. Subgrantees will no longer have the option of stretching out the three-year grant award period for late submission and/or processing of the semi-annual documentation and could potentially lose out on a portion of the award for late submission. Staff will work closely with the subgrantees to ensure award funds are disbursed appropriately and unspent funds are not returned to the US ED.

Another significant proposed change to the regulations will expand the overcrowded preference point data used to allow two options for assigning preference points in this category. The higher of the two calculations will be assigned to applicants based on whether the school is identified as an overcrowded school site as determined by the California Department of Education's Overcrowded Relief Grant program, or as being located in an overcrowded school district as determined by the Office of Public School Construction's New Construction Eligibility program (using data from the SAB Form 50-01).

Staff recommended the members adopt Resolution No. 08-20 authorizing the proposed amendments to the regulations. If approved, the Executive Director will initiate the

rulemaking file for processing by the Office of Administrative Law, and will distribute the proposed changes to interested parties for public comment.

It was moved, seconded, and passed to approve Resolution No. 08-20. Approving amendments to the regulations for the State Charter School Facilities incentive Grants program and authorizing the rulemaking process.

Resolution 08-21 - Approving determination of Ánimo Leadership Charter High School's financial soundness for purposes of a final apportionment under the Proposition 47 funding round of the Charter School Facilities Program.

Prior to the board meeting it was determined that there was no need for this item to come back to the board. Therefore, this item was withdrawn and no action was taken.

Resolution 08-22 - Approving determination of University High School's financial soundness for purposes of an advance/final apportionment under the Prop 55 funding round of the Charter School Facilities Program.

University High School (UHS) was found to be financially sound in December 2004 and received a preliminary apportionment in February 2005 in the amount of \$11,603,850. In May 2005, UHS received an advance apportionment in the amount of \$1,160,385 for project design costs. UHS is currently located on the campus of California State University at Fresno. This Program project is for the construction of a two-story facility to replace portable and modular structures. Project occupancy is targeted for the beginning of the 2009-10 school year.

UHS is in compliance with the terms of its charter and in good standing with its chartering authority, the Fresno Unified School District. UHS has met Program eligibility criteria in regards to demographic information, debt service coverage, and student performance.

Staff recommended that the members determine that UHS is financially sound for purposes of the Charter School Facilities Program final apportionment. Staff further recommends that the Board members direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding the determination.

It was moved, seconded, and passed with all members voting aye to approve Resolution No. 08-22, determining that University High School is financially sound for purposes of a final apportionment under the Proposition 55 funding round of the Charter School Facilities Program.

Resolution 08-23 - Approving determination of College Ready Academy High #8's financial soundness for purposes of an advance apportionment under the Prop 1D funding round of the Charter School Facilities Program.

College Ready Academy High #8 (CRAH8) was found to be financially sound in April 2008 and received a preliminary apportionment in May 2008 in the amount of \$33,050,312. CRAH8 is requesting an advance apportionment of \$3,009,255 for

design costs and \$2,957,758 for site acquisition for a total advance apportionment of \$5,967,013.

CRAH8 is an independent charter school developed and managed by the Alliance for College-Ready Public Schools, an education management organization and non-profit corporation. CRAH8 representatives reported that there have not been any material changes since April 2008 evaluation. The MOU and the use agreements have been signed by Los Angeles Unified School District. Project occupancy is targeted for the beginning of the 2009-10 school year.

CRAH8 is in compliance with the terms of its charter and in good standing with its chartering authority. CRAH8 has met Program eligibility criteria.

Staff recommended that the members determine that CRAH8 is financially sound for purposes of the Charter School Facilities Program final apportionment. Staff further recommended that the Board members direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding the determination.

It was moved, seconded, and passed with all members voting aye to approve Resolution No. 08-23, determining that College Ready Academy High #8 is financially sound for purposes of an advance apportionment under the Prop 1D funding round of the Charter School Facilities Program.

Resolution 08-24 - Approving determination of College Ready Academy High #9's financial soundness for purposes of an advance apportionment under the Proposition 1D funding round of the Charter School Facilities Program.

College Ready Academy High #9 (CRAH9) was found to be financially sound in April 2008 and received a preliminary apportionment in May 2008 in the amount of \$34,172,028. CRAH9 is requesting an advance apportionment of \$3,009,255 for design costs and \$4,079,474 for site acquisition for a total advance apportionment of \$7,088,729.

Representatives of CRAH9 reported that there have not been any material changes since the recent financial soundness determination for the Prop 1D preliminary apportionment in April 2008. CRAH9 is in compliance with the terms of its charter and in good standing with its chartering authority. CRAH9 has met Program eligibility criteria.

Staff recommended that the members determine that CRAH9 is financially sound for purposes of the Charter School Facilities Program final apportionment. Staff further recommended that the Board members direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding the determination.

It was moved, seconded, and passed with all members voting aye to approve Resolution No. 08-24, determining that College Ready Academy High #9 is financially sound for purposes of an advance apportionment under the Prop 1D funding round of the Charter School Facilities Program.

Resolution 08-25 - Approving determination of Stella Middle Charter Academy's financial soundness for purposes of an advance apportionment under the Proposition 1D funding round of the Charter School Facilities Program.

Stella Middle Charter Academy (SMCA) requested release of funds for advance apportionment in the amount of approximately \$1,676,414 for design costs and \$7,162,395 for site purchase, for a total amount of \$8,838,809. Ms. Johantgen noted for the record that SMCA's charter had been renewed in June 2008 for an additional five years until 2013.

Bright Star Schools is a non-profit corporation which provides charter school management services to SMCA and Bright Star Secondary Charter Academy. As part of the financial soundness evaluation conducted prior to SMCA's award of a Prop 1D preliminary apportionment in the amount of \$24,426,544, it was determined that the annual management fee to Bright Star Schools will be subordinate to the Program lease payment.

SMCA is in compliance with the terms of its charter and in good standing with its chartering authority. Additionally, SMCA has met Program criteria in regard to demographic information, debt service coverage, and student performance.

Staff recommended that the members determine that SMCA is financially sound for purposes of the Charter School Facilities Program advance apportionment. Staff further recommended the Board members direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding the determination.

It was moved, seconded, and passed with all members voting aye to approve Resolution No. 08-25, determining that Stella Middle Charter Academy is financially sound for purposes of an advance apportionment under the Prop 1D funding round of the Charter School Facilities Program.

Public Comment

Mr. Juan Mireles, Office of Public School Construction, informed the board members of an appeal of the Prop 1D preliminary apportionment awards has been received by the Office of Public School Construction. Representatives of Monsenor Oscar Romero Charter Middle School are requesting the State Allocation Board to consider their appeal based on the data for the Free and Reduced Lunch Program. The 2006 data had been used by the OPSC for all schools applying to CSFP, and the school representatives are requesting that 2007 data be used. Mr. Mireles stated that OPSC would likely be bringing this issue to their December 2008 board meeting.

With no other public comments, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen,
Executive Director