

## CALIFORNIA SCHOOL FINANCE AUTHORITY

**Meeting of the Board  
Tuesday, June 30, 2009  
11:00 a.m.  
915 Capitol Mall, Conference 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  
Kathleen Moore, designated alternate for Jack O'Connell, Superintendent of Public Instruction  
Tom Sheehy, 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**

The minutes of the May 19, 2009 Authority meeting were adopted as submitted.

### **Executive Director's Report**

**State Charter School Facilities Incentive Grants Program:** Ms. Johantgen provided an update to the members regarding a new funding round offered by the U.S. Department of Education for this grant program, and stated that an application would be submitted by July 1, 2009. Another award of this grant would provide five additional years of funding, although the possible grant award amount is unknown at this time. Given California's current per-pupil facilities aid programs (SB 740 and CSFP) California is eligible to apply for an award. If granted an award of this grant, staff would develop new competitive priorities (or preference point categories), subject to board approval and charter school community feedback. Changes to the program may include: 1) creating a new preference point category which would award points to charter schools offering quality school choice, and 2) reducing the non-profit points.

**Charter School Facilities Program:** Ms. Johantgen provided an update on the technical roadshows staff had participated in with staff from the Office of Public School Construction (OPSC) in Los Angeles and San Diego. The roadshows have been well attended and much interest generated in the upcoming funding round of this State-funded program. Approximately \$50 million in Prop 47 and Prop 1D funds are available and could fund 2-3 projects. The applications for this round are due on September 28, 2009. The Authority will

conduct its financial soundness analysis; successful applications will then proceed to the State Allocation Board for funding consideration.

**Qualified School Construction Bond Program:** Ms. Johantgen updated the members on QSCBs, a program through the America Reinvestment and Recovery Act of 2009, which has allocated approximately \$73 million dollars in federally subsidized tax credit bonds for new construction or renovation of charter school facilities. Staff is working with the State to carve out a reserve of this funding for charter school facilities.

**Other Items:** Ms. Johantgen informed the board members that Ben Taylor, a new analyst, will start on July 1. Mr. Taylor will be based in the Sacramento office and will be assigned to work on CSFP projects.

Lastly, Ms. Johantgen updated the board members on the status of Today's Fresh Start Charter School (TFSCS) and the actions taken at the May 19, 2009 Authority meeting. Ms. Johantgen stated that after the meeting, the California Department of Education posted TFSCS' new API (Academic Performance Index) rankings, similar school rankings, and state wide ranking. It was found that TFSCS' rankings went down. Ms. Johantgen informed the members that the change in the school's rankings identified by CDE resulted in a material change which conflicts with a condition set forth in Resolution No. 09-01 and that staff and legal counsel would be working with TFSCS to resolve and adjust/correct any issues.

This information item led to discussion by Ms. Moore, Ms. Johantgen, and Ms. Kristin Smith, legal counsel for the Authority, regarding the definition of a material change, and under what circumstances would a charter school need to notify the board.

Another factor being considered is the length of time a determination of financial soundness is current. It was explained that it could be several months before the State has funds to release due to the status of the California budget.

Ms. Moore expressed her concerns regarding the re-determination of a school's financial soundness after a preliminary apportionment has been awarded. She expressed that determinations of continued financial soundness should be set for a reasonable time limit and that the board should look into a flexible definition of a current determination of continued financial soundness.

It was suggested that staff should work with OPSC and the State Allocation Board to develop benchmarks or guidelines to define current as the term is used when addressing a school's "current" financial soundness.

**Resolution No. 09-05 - Approving awards and authorizing the disbursement of funds under the Fifth Funding Round of the State Charter School Facilities Incentive Grants Program.**

Ms. Johantgen provided a summary of the fifth funding round of the State Charter School Facilities Incentive Grants Program. A total of 102 applications were received, requesting funds in excess of \$32.3 million. Of the 102 applications received, four schools with less

than one year of operations were ineligible, five were ineligible for not being in compliance with their charter, nine schools were not site-based and were deemed ineligible, one Round 4 alternate applied, and eight applications were submitted after the deadline.

The overcrowding category was expanded for this funding round to provide a potential ten preference points for applicant schools located within three miles of a public school identified as eligible for funding under CDE's Overcrowding Relief Grant program. The methodology used in evaluating and processing applications for this funding round included the same high level of due diligence as used previously. Staff evaluated basic eligibility criteria including: number of years in operation, any civil or criminal matters facing the school or its management, charter compliance and its standing with the chartering entity. Once program eligibility was established, preference points were assigned.

Ms. Johantgen advised that since this is the final funding round, all funds would be awarded causing the last school recommended for an award to only receive a partial award. Any rescinded funds or unused balances that become available would be reappropriated to Round 5 alternates in rank order, beginning with the subgrantee that received a partial award.

Public comments were received from Mr. Michael Amir, legal counsel for TFSCS and Dr. Jeanette Parker, one of the founders of TFSCS. Both spoke to the board members supporting the school's charter status and addressing issues they have with the conditions set forth in the grant program. They spoke of the Superior Court order granted to them which reinstates their charter. They encouraged the board members to look to changing Program regulations to provide more flexibility in their decisions.

Kristin Smith, Counsel to the Authority, addressed the board members and described the requirements of the Grant program as it relates to TFSCS and pending issues that need to be corrected. Ms. Wynne asked about the status of the school's corrective action plan. Ms. Wynne acknowledged Mr. Amir and Dr. Parker's concerns and made a commitment to consider the concerns presented in future reviews of the regulations.

It was moved, seconded, and passed unanimously to adopt Resolution No. 09-05, approving the grant awards as recommended and authorizing the disbursement of funds under the fifth funding round of the State Charter School Facilities Incentive Grants Program.

**Resolutions 09-06 and 09-07 Approving determination of the financial soundness of California Montessori Project's Elk Grove Campus and the Shingle Springs campus for purposes of an advance or final apportionment under the Proposition 55 Funding Round of the State Charter School Facilities Program**

California Montessori Project requested advance apportionments of \$6,447,362 for site acquisition for its Elk Grove (CMP-EG) campus operating in Sacramento County and \$1,144,382 for site acquisition and design costs (\$681,454 and \$462,928, respectively) for its Shingle Springs (CMP-SS) campus operating in El Dorado County. These funds are in addition to the \$538,692 advance apportionment for design costs already disbursed for the Elk Grove campus.

Both CMP-EG and CMP-SS have met Program eligibility criteria: having charters in place, being in operation as charter schools for more than two years, being in compliance with their respective charters, and in good standing with their chartering authorities. CMP's projected debt service coverage for both the CMP-EG and CMP-SS projects combined is 170.2% and 150.9% for the first two years of CSFP payments, 2011-12 and 2012-13, respectively. Both schools have strong debt coverage, student performance is strong for both schools, and have met AYP and API criteria.

Staff recommended that the members find CMP has maintained its financial soundness for the purposes of advance apportionments for both the Shingle Springs project and the Elk Grove project, combined. This determination as it relates to the advance apportionments is in place for six months and assumes no financial, operational, or legal material findings within this time period. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

It was moved, seconded, and passed to approve Resolutions Nos. 09-06 and 09-07 determining that California Montessori Project - Shingle Springs and California Montessori Project - Elk Grove have maintained their financial soundness for purposes of advance apportionments under the Proposition 55 Funding Round of the Charter School Facilities Program.

**Resolution No. 09-08 - Approving determination of The CHIME Institute's financial soundness for purposes of an advance or final apportionment under the Proposition 55 Funding Round of the Charter School Facilities Program**

This item was withdrawn prior to the meeting.

**Resolution No. 09-09 - Approving determination of College Ready Academy High #8's financial soundness for purposes of an advance or final apportionment under the Proposition 1D Funding Round of the Charter School Facilities Program**

This item was withdrawn prior to the meeting.

**Resolution No. 09-10 - Approving determination of Oakland Unity High School's financial soundness for purposes of an advance or final apportionment under the Proposition 1D Funding Round of the Charter School Facilities Program**

This item was withdrawn prior to the meeting.

**Resolution No. 09-11 - Approving determination of Yuba River Charter School's financial soundness for purposes of an advance or final apportionment under the Proposition 1D Funding Round of the Charter School Facilities Program**

This item was withdrawn prior to the meeting.

**Public Comment**

There being no other public comments of any other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen  
Executive Director