

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, May 11, 2011
11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Tricia Wynne, serving as chair, called the meeting to order.

Roll Call

Members Present: Tricia Wynne, designated alternate for Bill Lockyer, State Treasurer
Kathleen Moore, designated alternate for Tom Torlakson,
Superintendent of Public Instruction
Pedro Reyes, designated alternate for Ana Matosantos, Director of
Finance

Staff Present: Katrina Johantgen, Executive Director

The Chair declared a quorum present.

Approval of Minutes

The minutes of the April 13, 2011 Authority meeting were adopted as submitted.

Executive Director's Report

Ms. Johantgen reported to the members that Authority staff is processing applications received under Round Seven of the State Charter School Facilities Incentive Grant Program. Applications have been reviewed for eligibility and preference point letters will be sent within the next couple of weeks. Issues related to incomplete free and reduced price meal data are continuing to be resolved as applicants are notified to contact the California Department of Education to ensure eligible data is received and processed. Ms. Johantgen stated that the reviews will be finalized and applicant information will be presented to the board members for award determinations at the June meeting.

Ms. Johantgen advised she is working with the California Charter Schools Association and other charter school stakeholders on amendments to the Education Code related to the CSFA Act that will provide greater flexibility in financings for charter schools. Additionally, staff is working on refining other statutory language as it relates to those revenues that may be intercepted for repayment of debt.

Steven Theuring, Analyst, provided an update of program fund balances. The current remaining QSCB balance is \$11.2 million with \$36.5 million issued by CSFA to date.

Resolution No. 11-25 – Approving Financially Sound Determinations for the Charter School Facilities Program (CSFP) Applications Received for the February 2011 Lottery for Advanced (and/or Final) Apportionments

Ms. Johantgen discussed and highlighted three schools applying for Advance Apportionments under the February 2011 Lottery.

- Leadership Public Schools – Richmond (LPSR)
- Our Community School (OCS)
- Voices College-Bound Language Academy (VCBLA)

Leadership Public Schools – Richmond (LPSR) requested an advance apportionment of nearly \$2.5 million for design costs for its rehabilitation project located at 157 9th Street, Richmond, California. The West Contra Costa Unified School District will hold title to the rehabilitation project and has submitted a commitment letter to provide a lump sum payment of nearly \$9.4 million toward the local matching share.

Although LPSR met API growth targets for each year from 2006-07 through 2008-09; it did not meet the 2009-10 target. The school missed meeting all AYP criteria during 2008-09 and 2009-10, resulting in its being placed on “Program Improvement” status per the No child Left Behind Act of 2001. In response to questions from the board members, Ms. Johantgen advised staff has discussed this with school representatives and staff would closely watch available data regarding both testing outcomes and enrollment.

The projected CSFP lease payments represent 3.2% and 3.1% of total revenues in 2014-15 and 2015-16, respectively, which are well below the 10-15% recommended thresholds. LPSR’s projected debt service coverage for 2014-15 and 2015-16 (the first two years of CSFP payments) is 123.3% and 127.8, respectively.

Our Community School (OCS) requested an Advance Apportionment of \$631,993 for design costs to renovate an elementary school facility built by the Los Angeles Unified School District (LAUSD) in 1961 on 6.62 acres at 10045 Jumilla Avenue, Chatsworth.

OCS met its API growth targets for all of the past four years, and met all AYP criteria for the first three of the past four years. In the most recent reported year, 2009-10, the school met 16 of 17 AYP criteria. Based on its 2009-10 API base score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools.

Projected ratios of CSFP payments to total revenues are 5.5% and 5.3 % for 2014-15 and 2015-16, respectively, which is within the preferred maximum range of 10-15%. OCS’ projected debt service coverage meets the minimum Program requirement of 100.0% with 118.1% in 2014-15 and 106.9% in 2015-16.

Voices College-Bound Language Academy (VCBLA) requested Advance Apportionment funding related to the new construction of a school facility on an existing site to eventually accommodate 380 students (grades K-8), located at 725 Hellyer Avenue, San Jose, California. The project consists of two kindergarten and 15 multi-grade classrooms, an administration building, and a multi-use building. VCBLA expects to complete the facility in time for occupancy by the start of the 2012-13 school year.

Projected debt service coverage for the first two years of CSFP payments is 232.5% and 240.3% for 2013-14 and 2014-15, respectively. VCBLA will be able to meet Program requirements for debt service coverage without contributions as projections are 210.9% and 218.8% for these same years, respectively.

VCBLA does not yet have valid API growth information due to the low number of students included in testing each year. However, AYP criteria is reported and all AYP criteria were met in both 2007-08 and 2008-09; VCBLA met only 4 of 5 AYP criteria during 2009-10.

Staff recommended the board members determine the three schools identified have each maintained their financial soundness for purposes of Advance Apportionments, but not for purposes of Final Apportionments.

It was moved, seconded, and passed unanimously to adopt Resolution 11-25, finding Leadership Public Schools – Richmond (LPSR), Our Community School (OCS), and Voices College-Bound Language Academy (VCBLA) are each financially sound for purposes of Advance Apportionments, but not for Final Apportionments, under the Program.

Resolution No. 11-26 – Authorizing the Allocation of Qualified School Construction Bond Borrowing Authority to the Perris Union High School District on behalf of California Military Institute located in San Bernardino, California in an Amount not to Exceed \$2,000,000

Ms. Johantgen provided an update to the members regarding the California Military Institute. At the October 23, 2009 CSFA Board Meeting, \$3 million was allocated to Perris Union High School District (District) on behalf of the California Military Institute to finance the construction of two school sites. The QSCB allocation granted at the October 2009 board meeting expired on March 31, 2010.

The District recently submitted a new application for QSCB borrowing authority. The proceeds of the financing will be used for California Military Institute's construction of a 20,000 square foot building that will provide nine new teaching stations along with educational support facilities. The new teaching stations will accommodate science, technology, health/physical education, and core curriculum subject areas.

Ms. Johantgen related that during the review, the District disclosed a current legal dispute with the California Department of Education regarding funding levels paid to another District charter school. An audit finding for 2005-06 disallowed all ADA funding (\$1.2 million) based on the other school's independent study policies and contracts. Depending on the outcome of the on-going litigation, the District could potentially be challenged on four other years of audit exceptions, which totals \$5.7 million. Staff will continue to monitor this issue and assess any risks that could impact the District's financial viability and ability to issue bonds.

In consideration of the District's potential credit implications as noted, staff recommended a conditional allocation of QSCB borrowing authority to Perris Union High School District on behalf of California Military Institute so that the financing must either be: 1) structured as a financing that achieves an "A" rating and is sold through a publically offered negotiated bond

sale; or 2) placed privately with a single investor (most likely a financial institution) that agrees to hold all of the unrated bonds until maturity.

Staff recommended the members adopt Resolution 11-26, containing the condition described above, and approving the allocation of \$2.1 million of QSCB borrowing authority to Perris Union High School District on behalf of the California Military Institute located in Perris, California.

It was moved, seconded, and passed unanimously to adopt Resolution 11-26 authorizing the conditional allocation of Qualified School Construction Bond borrowing authority to the Perris Union High School District on behalf of California Military Institute.

Resolution No. 11-27 – Approving the Memorandum of Understanding and Agreed Upon Procedures among the Controller of the State of California, California Department of Education, and the California School Finance Authority Related to the Intercept of Charter School Funds Pursuant to Education Code 17199.4

This item was held over for a future board meeting.

Public Comment

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen
Executive Director