

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, April 25, 2012
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: Patricia Wynne, designee for Bill Lockyer, State Treasurer
Pedro Reyes, designee for Ana Matosantos, Director of Finance
Kathleen Moore, designee for Tom Torlakson, Superintendent of Public
Instruction

Staff Present: Katrina Johantgen, Executive Director
Terri Kizer, Program Analyst
Steven Theuring, Program Analyst

The Chair declared a quorum present.

Approval of Minutes

The minutes for the April 5, 2012 Authority Board meeting were approved as submitted.

Executive Director's Report

CSFA Fund Balances: Ms. Johantgen informed the members that the Livermore Valley transaction approved at a previous meeting is undergoing changes to the financing structure and will need to be brought back to the members for approval of the new structure. She introduced Mr. Eugene Clark-Herrera, bond counsel with Orrick, Harrington and Sutcliffe. Mr. Clark-Herrera is working with the investor to restructure the transaction and plans to return with this transaction in the near future to seek the board's approval of the new structure. This transaction will utilize the same QSCB allocation.

Ms. Johantgen reported that staff is still vetting the application from the Alliance for College Ready Public Schools. This is still in a pending category as staff is working to see how the applicant's CSFP and QSCB allocation funding will fare without violating the intent of the two programs.

The original amount of the QSCBs funding was set at \$141 million of which \$126 million has been allocated. This includes the allocation for High Tech High which is being presented in today's meeting. Ms. Johantgen informed the members that staff is still vetting a couple of underwriting and private placement issues with the Public Finance Division. Depending on the outcome of those discussions, another applicant may be coming in for consideration, resulting in the Alliance for College Ready Public Schools and another applicant competing for an allocation.

Ms. Wynne inquired about deadlines for QSCB allocations. Ms. Johantgen responded that each individual allocation has a deadline, but globally no deadline exists for this program as a whole.

Credit Enhancement: Lastly, Ms. Johantgen reported that she and staff analysts, David Weinberg and Jose Franco, are working through the credit enhancement grant with the State Treasurer's accounting department. They are vetting the issue of appropriation. An email notice will be sent this summer to all charter schools explaining the criteria required to apply for the \$8.3 million in funding.

Resolution No. 12-17 – Approving the Allocation of Qualified School Construction Bond (QSCB) Borrowing Authority to Alliance College-Ready Public Charter Schools in an Amount Not to Exceed \$15,000,000 under the Charter School QSCB Program and Authorizing the Taking of Necessary Actions in Connection Therewith.

This item was held over until a future meeting.

Resolution No. 12-18 – Approving the Allocation of Qualified School Construction Bond (QSCB) Borrowing Authority to High Tech High North County in an Amount Not to Exceed \$6,500,000 under the Charter School QSCB Program and Authorizing the Taking of Necessary Actions in Connection Therewith.

Ms. Johantgen recommended approval of this QSCB allocation of \$6.5 million to the High Tech High North County project located in San Marcos, California. This QSCB financing is expected to be coupled with \$8.2 million in private equity funds and a \$3.8 new market tax credit allocation.

At the November 10, 2010 Board Meeting, the members approved the issuance of \$5 million in QSCB's to High Tech High North County to finance the construction of a new school site for their middle and high school students. At that time the school received an AAA credit rating. This new project is for a new elementary school on the same campus as the middle and high schools. The projected opening date for the new facility is set for August 2013.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-18 approving the allocation of \$6.5 million of QSCB borrowing authority to High Tech High North County.

Resolution No. 12-19 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Ánimo Pat Brown Charter School Located in Los Angeles County, California.

Mr. Theuring described the request by Green Dot Public Schools and Ánimo Pat Brown (APB) for Advance Apportionments of \$1,018,881 for planning and design, and \$7,081,416 for site acquisition. Mr. Theuring provided updated information regarding the school's student enrollment and projections, the school's debt service, student academic performance, and AYP and API scores.

Debt service coverage from school revenues is projected to be 212.9% in 2015-16 and 213.7% in 2016-17. Ánimo Pat Brown has four years of reported API results and four years of reported AYP results. The school met all AYP criteria for the past three of four years. In addition, the school met its API growth targets in three of the past four years.

Staff recommended the members determine that Green Dot Public Schools on behalf of Ánimo Pat Brown Charter High School is financially sound for the purposes of the Charter School Facilities Program Advance Apportionment and/or Final Apportionment.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-19, determining Green Dot Public Schools and Ánimo Pat Brown Charter School are Financially Sound for purposes of an Advance and/or Final Apportionment under the Charter School Facilities Program.

Resolution No. 12-20 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Lou Dantzler Preparatory Charter Middle School Located in Los Angeles County, California.

Ms. Johantgen introduced Mr. Parker Hudnut, CEO, of Inner City Education Foundation Public Schools (ICEF), Ms. Erin Cuneen, of the Office of Public School Construction, and Mr. Michael Kremer, of First Southwest Company.

Ms. Johantgen stated that after final review, staff did not find that ICEF and Lou Dantzler Preparatory Charter Middle School had met all requirements needed at this time to be found financially sound for purposes of an Advance Apportionment. She also stated that this determination does not affect the school's eligibility to continue in the Program and apply for an Advance Apportionment at a later time. Ms. Johantgen described how the school had experienced a financial crisis 3-4 years ago, and that through new administrative management and philanthropic support, the school is in the process of financial recovery and is moving forward. Ms. Johantgen advised that two letters supporting the school were received this week from Los Angeles Mayor Antonio Villaraigosa, and former Los Angeles Mayor Richard Riordan.

Mr. Parker Hudnut addressed the members in support of approving this financial determination and described that after a change in financial management, ICEF is in the process of moving forward to correct past problems and toward a more financially sound position.

Mr. Hudnut confirmed ICEF's change in financial practices currently focus on operating at a net profit before accounting for funds from philanthropy and contributions. ICEF provided several strategies for achieving future fiscal strength. Mr. Hudnut explained that the ExEd business services provider had come aboard to manage ICEF's budgets. He described how quickly and effectively ICEF has been able to move forward through implementing various structural and fundamental changes. Lastly, Mr. Hudnut stated that his organization is able to thrive from private donations and aggressive fund raising. Those of which have greatly contributed to the school's positive financial fund flow.

Mr. Kremer, a consultant for the Authority, addressed the members and agreed with Mr. Hudnut regarding their improved financial condition. However, based on program requirements, he felt that it was still too early to make a determination of financial soundness and would like to wait until the end of the 2012/13 fiscal year and staff has reviewed the audit findings.

The board members discussed the requirements in regulations for making a determination of financial soundness.

Staff recommended the members re-evaluate the school's financial soundness after the completion of the 2011-12 financial audit. Additionally, staff recommended the members find that ICEF and Lou Dantzler Charter Middle School have not met all requirements needed to be found financially sound at this time.

After much discussion, the board members commended Mr. Hudnut for the exemplary job his organization has done in restructuring and correcting this financially challenging situation. Ms. Wynne explained that the board is not in a position to approve this request for an Advance Apportionment due to regulations stipulating a 24 month period of financial stability. The members concurred and discussed options based on potential actions by the State Allocation Board and the reservation of funds available for Advance Apportionments in the future.

No action taken on this item at this time. Mr. Hudnut agreed to resubmit his request for an Advance Apportionment after the 2011-12 financial audit is available.

Resolution No. 12-21 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Roseland Charter School Located in Sonoma County, California.

Ms. Johantgen advised Roseland Charter School is requesting Advance Apportionments of \$1,235,176 for design and \$1,370,720 for site acquisition for its high school program.

Ms. Johantgen provided an update of the school's financial soundness and recommended the school be found sound contingent upon payment of the lump-sum amount of \$450,000 toward the local matching share and the potential subordination of Roseland's oversight fees to the Roseland Elementary School District, as needed. With the subordination of the district fees, the CSFP lease payments are projected to represent 5.6% of total revenues for 2014-15 and 5.5% of total revenues for 2015-16, which is well below the recommended threshold levels.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-21 determining Roseland Charter School is financially sound for purposes of an Advance Apportionment, contingent upon the lump-sum payment and the potential subordination of the district's fees.

Resolution No. 12-22 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Higher Learning Academy Located in Sacramento County, California.

Ms. Johantgen advised Gateway Community Charters (GCC) and Higher Learning Academy (HLA) has requested Advance Apportionments for the K-6 and 7-12 projects for combined design and site acquisition in the amounts of \$2,286,195.60 and \$10,757,500.

HLA has met all eligibility criteria. HLA is in good standing with its chartering authority, and in compliance with the terms of its charter. HLA did not meet all AYP criteria in 2007-08, 2008-09, and 2010-11, but met all criteria in 2009-10. For 2008-09 through 2010-11, HLA achieved API growth scores of 532, 673, and 676, respectively, and met its API growth target in 2009-10 but not in 2010-11.

Ms. Johantgen introduced Ms. Cindy Peterson and Mr. Jim Bush, both representing the Gateway Community Charter organization. Ms. Peterson gave a brief synopsis of the various schools served by the GCC organization. One school in particular, California Aerospace Academy, will most likely close at the end of the current academic school year. Gateway's vision ultimately did not match the demographics and location of the population.

Mr. Bush reported to the members that he has been working with GCC for two years on site acquisition, having finally located a property four months ago and how timing had worked out favorably for site acquisition. In response to a question regarding a sister school with a CSFP award, Mr. Bush briefly spoke about a school project affecting Futures High School, which is a Twin Rivers School District project. The school has been working through the Use Agreement with the District and has encountered some issues. Ms. Peterson added that the issues will be resolved in the near future.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-22 determining that Gateway Community Charters and Higher Learning Academy are financially sound for purposes of Advance Apportionments under the Charter School Facilities Program.

Public Comment

Mr. Bush spoke in support of the earlier discussion and encouraged the members to recommend the State Allocation Board approve additional reservations of funds for charter schools.

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

Respectfully submitted,

Katrina Johantgen
Executive Director