

RESOLUTION NO. 13-03

RESOLUTION APPROVING A FINANCIALLY SOUND DETERMINATION FOR THE CHARTER SCHOOL FACILITIES PROGRAM APPLICATION FOR ADVANCE AND/OR FINAL APPORTIONMENT FOR CHIME CHARTER SCHOOL, LOCATED IN LOS ANGELES COUNTY, CALIFORNIA

JANUARY 9, 2013

WHEREAS, the California School Finance Authority (Authority) is authorized by Education Code section 17078.57 to determine whether applicants to the Charter School Facilities Program (Program) are financially sound for purposes of the Program at the time of preliminary, advance, and final apportionment;

WHEREAS, CHIME Charter Middle School was determined by the Authority to be financially sound for purposes of a preliminary apportionment at its December 2004 meeting; and;

WHEREAS, the State Allocation Board (Board), through the funding methodology established pursuant to Education Code section 17078.56, awarded CHIME Charter Middle School a preliminary apportionment of \$3,264,680; and

WHEREAS, the Office of Public School Construction released an Advance Apportionment for design to CHIME Middle School in the amount of \$326,468 on July 5, 2005; and

WHEREAS, CHIME Institute (CHIME), a 501(c)(3) non-profit public benefit corporation, is responsible for oversight of the instructional operations and budget for CHIME Charter Middle School and CHIME Institute's Schwarzenegger Community Charter School (CHIME Charter School); and

WHEREAS, CHIME is now requesting conversion to Final Apportionment under Proposition 55; and

WHEREAS, the Office of Public School Construction has reassessed CHIME's total project costs to \$7,658,864; and

WHEREAS, CHIME purchased property in 2006 in Chatsworth, California (Chatsworth property) for the purpose of housing students for CHIME Middle School, engaged in a long term loan with Local Initiatives Support Corporation (LISC) in the amount of \$2,054,582, and has since moved the housing for students in grades 6-8 to its campus at 19722 Collier St., Woodland Hills, California where, effective 2013-14, grades 6-8 will be part of CHIME Charter School; and

WHEREAS, CHIME's loan with LISC has a scheduled balloon payment of \$1,700,000 upon its maturity on July 1, 2013; and

WHEREAS, CHIME's annual Program payment towards its local matching share is \$195,375, and CHIME does not meet the debt service coverage requirement of at least 1x during its first year of payments pursuant to Section 10154(d)(8) of the Program regulations; and

WHEREAS, Section 10154(d)(8) of the Program regulations allows an applicant to use restricted fund reserves on a limited basis to meet Program payments on the local matching share; and

WHEREAS, Section 10155(c) of the Program regulations requires CHIME submit updated information to its preliminary application for purposes of the Authority's review of CHIME's financial status at the time of a request for final apportionment and determine whether CHIME has maintained a financially sound status; and

WHEREAS, this determination of financial soundness is contingent upon the following: (1) there being no material legal, financial, or operational changes since the Authority's determination of financial soundness; (2) CHIME restricting \$100,000 by June 30, 2013 and an additional \$95,375 by June 30, 2014 (to be illustrated in the 2012-13 and 2013-14 audits) for its payment towards its first year of debt service on its CSFP local matching share ; (3) CHIME's extending the LISC loan final maturity through at least July 1, 2015,; and (4) CHIME's fulfillment of its remaining local matching share obligation through an annual Program payment to the State to be intercepted by the State Controller's Office pursuant to Education Code Section 17199.4; and any other conditions contained in the staff summary presented to the board at its January 9, 2013 meeting.

NOW, THEREFORE, BE IT RESOLVED by the California School Finance Authority as follows:

Section 1. That CHIME, has maintained its financial soundness for purposes of the Program, specifically with regard to final apportionment.

Section 2. No Program funds be disbursed for CHIME Charter School until the following conditions are met:

- (a) CHIME restricts \$100,000 by June 30, 2013 and an additional \$95,375 by June 30, 2014 (to be illustrated in the 2012-13 and 2013-14 audits) for its payment towards its first year of debt service on its CSFP local matching share;
- (b) CHIME extends the final maturity date for its LISC loan through at least July 1, 2015;
- (c) CHIME elects to fulfill its local matching share obligation through the intercept process provided pursuant to Education Code section 17199.4; and
- (d) There are no material legal, financial, or operational changes affecting CHIME's financial soundness prior to disbursement.

Section 3. This determination as it relates to a final apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period.

Section 4. The Executive Director of the Authority is hereby authorized, for and on behalf of the Authority, to notify the Board, and provide supporting documentation,

that CHIME has maintained its financial soundness for purposes of the Program and for a final apportionment.

Section 5. The Executive Director of the Authority is hereby authorized, for and on behalf of the Authority, to execute the Program agreements between the State and CHIME prior to any release of funds.

Section 6. This resolution shall take effect immediately upon its approval.

PASSED AND ADOPTED by the California School Finance Authority.

Date of Adoption: January 9, 2013