



CALIFORNIA SCHOOL FINANCE AUTHORITY

915 Capitol Mall, Suite 101
Sacramento, CA 95814
p (916) 651-7710
f (916) 651-7709

300 S. Spring St. Suite 8500
Los Angeles, CA 90013
p (213) 620-4467
f (213) 620-6309

CSFA@treasurer.ca.gov
www.treasurer.ca.gov/CSFA

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EXECUTIVE DIRECTOR
Katrina M. Johantgen

March 21, 2016

Caty Ecklund, Chief Business Officer
Orange County Conservation Corps Charter
1548 East Walnut Ave.
Fullerton, CA 92831

RE: 2014-15 SB740 Program Eligibility Determination

Ms. Ecklund,

As you are aware, the California School Finance Authority (CSFA) has been working with Orange County Conservation Corps Charter (CDS 26102640126698) (OCCC Charter) in an effort to establish that the school has complied with all Charter School Facility Grant Program (SB740 Program) regulations concerning conflicts of interest and specifically "related parties" transactions.

We appreciate your responsiveness to these efforts, and recognize your attempts to comply with program regulations. As you are aware, Katharyn M. Bandoni is Agent of Service for both the Orange County Conservation Corps (Lessor) and OCCC Charter. Mike Worley and Henry Barbosa are also Board Members of both OCCC Charter and the Lessor. As these members have roles in both entities they are "Related Parties" as defined by Program Regulations Section 10170.14(a)(3). Further as described in the Lessor's 2014 Form 990, the organization provides services beyond managing and supporting OCCC Charter.

SB740 Program regulations, Section 10170.14(c), provide that SB740 Program funds may not be used to pay for any lease with a Related Party, unless all of the following conditions listed below are satisfied:

- 10170.14(c)(1)(2) The Related Party abstains from voting, or participating in the discussion regarding approval of the lease and SB740 Application submission.
- 10170.14(c)(3) The Related Party discloses interest.
- 10170.14(c)(4) Must provide evidence that the lease payment is at or below market rate.
- 10170.14(c)(5) The lease or rental agreement is not signed by the Related Party.

To date OCCC Charter has been unable to provide documentation establishing that the Related Parties disclosed their interest or abstained from voting, or participating in the discussion regarding approval of the relevant lease and SB740 Application submission. Based on the factors discussed above, program regulations require CSFA to find OCCC Charter ineligible for an award of grant funds under the 2014-15 SB740 funding round. Education Code Section

47614.5(d)(3) requires the charter school to reimburse grant funds already disbursed to the grantee. Once CSFA notifies the school of the change in its eligibility, the charter school is required to return the funds within 60 days.

OCCC Charter has until May 20, 2016 to return the 2014-15 program funds. Absent a return of the funds, CSFA will pursue all available remedies to obtain reimbursement from OCCC Charter. Please mail a check payable to CSFA in the amount of \$46,017.00 to the following address:

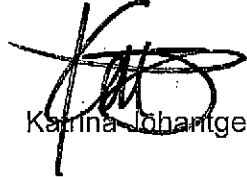
California School Finance Authority
915 Capital Mall, Suite 101
Sacramento CA, 95814

Pursuant to SB740 Program Regulations Section 10170.10(d) the applicant may appeal the Staff's determination, by submitting a letter of appeal within 30 calendar days of this notice to the above address.

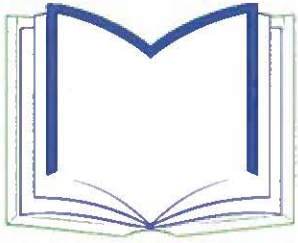
Pursuant to section 10170.3(e) of the Program regulations until the Authority receives these funds, OCCC Charter will be ineligible for funds under the 2015-16 funding round of the Program. In addition, while these funds are due and owing, OCCC Charter will be ineligible for funds under State Charter School Facilities Incentive Grants Program and Charter School Revolving Loan Fund.

Should you have any questions or need additional information, please feel free to contact Ian Davis or Anne Osborne at (916) 651-7710.

Sincerely,



Karina Johantgen



April 13, 2016

Dear Board,

I wish for you to reconsider the penalty that has been issued to the Orange County Conservation Corps Charter School (OCCCCS) for the award funds received through the SB740 grant program for the 2014-2015 school year. This penalty will cause a budget shortfall of \$46,017 for the school and result in a severe cut to programs and services the school provides to this special population of students. This appeal is requested based upon the following points:


1. SB 740 funds have been granted to the Orange County Conservation Corps Charter School for the same lease relationship that existed in 2013-14 and 2014-2015. Your approval of these years and now disapproval for 2014-15, without any formal appeal process, is arbitrary and capricious.
2. The majority (99%) of the charter schools that are supported by the SB740 grant program are K – 12 regular education charter schools, authorized by a school district and are in the sole purpose of providing education. Due to Education Codes 47605 and 47612, less than one percent of SB 740 schools that you fund provide education along with job skills to a student population which is 16-24 years old in age and are authorized on a statewide basis. Orange County Conservation Corps Charter School is a part of this other 1% of charter schools that do not fit the “normal” charter school model and, therefore, do not fit neatly within the SB 740 guidelines.
3. The Orange County Conservation Corps whose primary mission is to create jobs for young adults (mainly high school dropouts) through recycling programs, graffiti removal, energy efficiency evaluations, and other similar contracted projects. To perform these activities, the Conservation Corps leases a number of sites throughout Orange County.
4. In 2011, the Orange County Conservation Corps approached my office to run a concurrent educational program to complement their work program since most of their student body did not have a high school diploma. A charter was applied for and received to provide high school educational programs beginning in the 2012-2013 school year.

5. The Conservation Corps with their sufficient financial means and ability to find a suitable location, near their corps operations, assisted the new school with finding and securing a lease for an off campus facility from a third party which has no interest in the school nor in the corps. This was a suitable business transaction at the time and SB740 funds were applied for and received.

6. The Charter School has always been a completely separate entity from the Orange County Conservation Corps. Monthly the school reimburses the Corps for rent who in turn pays the school's third party landlord. Since this has been the case for years and approved by your agency in the past, the practice continued. We are fine with renegotiating the lease directly with the landlord and having the appropriate lease forwarded to your agency in order to correct what you envision as a wrong.

The penalty of having to return funding awarded to the school in the 14-15 year would likely result in detrimental impacts to programs and services to students in the 2016-2017 school year. We respectfully ask that the Board reconsider this penalty and given the OCCCS the opportunity to correct the situation at hand.

Respectfully,

A handwritten signature in black ink, appearing to read "Stacey Adler", with a long horizontal flourish extending to the right.

Dr. Stacey Adler
Mono County Superintendent of Schools

CC: Tom Torlakson, State Superintendent of Public Instruction
Terry McAteer, Charter School Consultant
Ian Davis, School Finance Authority Board



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EXECUTIVE DIRECTOR
Katrina M. Johantgen

May 17, 2016

Caty Ecklund, Chief Business Officer
Orange County Conservation Corps Charter
3127 Jefferson Street
San Diego, CA 92110

RE: 2014-15 SB740 Appeal Response

Ms. Ecklund,

Conflict of interest requirements set forth under Charter School Facility Grant Program (SB740 Program) Regulation Section 10170.14 were approved by the California School Finance Authority (CSFA) Board in October of 2013. Section 10170.14(c) of the regulations states: "beginning with the 2014-15 funding round, grant funds may not be used by an Applicant or Charter School to pay for any lease or rental agreement with a Related Party." CSFA provided schools with ample notice to cure any related party issues that might exist between the school and its lessor.

Since September 2015, CSFA has been working with Orange County Conservation Corps Charter (CDS 26102640126698) (OCCCC) in an effort to establish that the school has complied with all SB740 Program regulations as they relate to conflict of interest issues. SB740 Program regulations Section 10170.14(c) state funds may not be used to pay for any lease with a Related Party, unless all of the following conditions have been are satisfied:

- 10170.14(c)(1)(2) Abstains from voting, or participating in the discussion regarding approval of the lease and SB740 Application submission.
- 10170.14(c)(3) Related Party discloses interest.
- 10170.14(c)(4) Must provide evidence that the lease payment is at or below market rate.
- 10170.14(c)(5) The lease or rental agreement is not signed by the Related Party.

To date, OCCCC has been unable to submit documentation establishing that the related parties recused themselves from participation in the decision to enter into the relevant lease. As noted in the letter sent to OCCCC on March 21, 2016, Mike Worley and Henry Barbosa were Board Members of both OCCCC and Orange County Conservation Corps (Lessor). Given their roles at the school and with the lessor, Mr. Worley and Mr. Barbosa were Related Parties, as defined by Program Regulations Section 10170.14(a)(3).

Based on the factors discussed above, program regulations require CSFA to find OCCCC ineligible for an award of grant funds under the 2014-15 funding round. Education Code Section 47614.5(d)(3) requires the charter school to reimburse grant funds already disbursed to the grantee. Once CSFA notifies the school of the change in its eligibility, the charter school is required to return the funds within 60 days.

OCCCC has until July 18, 2016 to return the 2014-15 program funds. Absent a return of the funds, CSFA will pursue all available remedies to obtain reimbursement from OCCCC. Please mail a check payable to CSFA in the amount of \$46,017.00 to the following address:

California School Finance Authority
915 Capital Mall, Suite 101
Sacramento CA, 95814

Pursuant to Section 10170.3(e) of the Program regulations, until the CSFA receives these funds, OCCCC will be ineligible for funds under the 2015-16 funding round of the SB740 Program. In addition, while these funds are due and owing, OCCCC will be ineligible for funds under State Charter School Facilities Incentive Grants Program and Charter School Revolving Loan Fund, if applicable.

Pursuant to SB740 Program Regulations Section 10170.10(d), the applicant may appeal the matter to CSFA Board, by submitting a letter of appeal within 30 calendar days of this notice to the above address. Should you have any questions or need additional information, please feel free to contact Ian Davis or Anne Osborne at (916) 651-7710.

Sincerely,



Katrina Johantgen



ORANGE COUNTY
CONSERVATION CORPS

California School Finance Authority

June 14, 2016

915 Capital Mall, Suite 101

Sacramento CA 95814

Dear CSFA Board:

In response to the previous letter dated May 17, 2016 we want to put forth a formal appeal to the finding of receiving ineligible funds. We would incur a major financial burden that would negatively impact programs for our students. Thank you for your consideration in this matter.

Sincerely yours,

A handwritten signature in blue ink that reads "Frank Zepeda".

Frank Zepeda

Director of Education

Orange County Conservation Corps Charter School