

Minutes
CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board
Tuesday, May 19, 2009
1:00 p.m.
915 Capitol Mall, Conference Room 587
Sacramento, California 95814

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
Jeannie Oropeza, 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 April 22, 2009 Authority meeting were adopted as submitted.

Executive Director's Report

State Charter School Facilities Incentive Grants Program: Ms. Johantgen reported that the U.S Department of Educaiton has opened a second funding round for this program and an application requesting another federal grant award will be submtited. Staff is working with the California Department of Education (CDE) and the Charter Schools Association to identify potential programs such as CDE's Charter School Facilities program (SB 740) that will meet the criteria that the State provides a matching share of funds for charter school facilities.

Ms. Johantgen confirmed the fifth and final funding round of the grant program is in process. There are 102 applications, with most applicants requesting funds for lease or debt service and eight applicants requesting funds for facility acquisition, construction, or renovation. Staff's recommendations for the top ranked applications will be presented to the members for action at the meeting planned for June 30, 2009.

Resolution No. 09-01 – Approving determination of Today's Fresh Start Charter School's financial soundness for purposes of an advance apportionment under the Charter School Facilities Program.

Ms. Johantgen advised of the updated status of the request by representatives of Today's Fresh Start Charter School (TFSCS) for an advance apportionment of \$6,006,662 for site acquisition. TFSCS was found to be financially sound in December 2004 and received a preliminary apportionment of \$12,605,650 in February 2005, under the Proposition 55 funding round. In April 2006, TFSCS received an advance apportionment of \$1,319,797 for project design costs. TFSCS obtained two short-term loans during 2007-08 totaling \$6,197,071 for purposes of site acquisition for the CSFP-funded project, with the intent of discharging the

loans upon receipt of the advance apportionment. TFSCS requested an advance apportionment of \$6,006,662 for site acquisition costs at the April 22, 2009 Authority meeting. Staff had identified several areas of concern related to the school's ability to maintain its financial soundness.

In response to concerns expressed at the April 22, 2009 Authority meeting, Ms. Johantgen provided updated information to the members that structured two different scenarios with one review based on the charter authorized by Los Angeles County Office of Education (LACOE) and the other review based on the new charter authorized by the Inglewood Unified School district (IUSD).

Dr. Clark Parker spoke in support of the school and requested approval for the advance apportionment. Dr. Parker described the school's improving debt service ratio and student retention. Dr. Parker explained TFSCS is recruiting and maintaining students who live in the immediate areas surrounding the school. Dr. Parker also advised that the school has demonstrated that it is able to improve children by bringing their students up from the bottom levels, as recognized by the increase in the rankings from 1 to 4 as identified by the State Department of Education. Dr. Parker added that the school is fiscally sound.

Ms. Johantgen advised the members of several pending issues related to the uncertain status of TFSCS' charter, the planned use of the CSFP-funded facility, the school's student performance, and student retention rates. Staff recommended that board action be delayed until this summer when 2008-09 Academic Performance Index (API) data is available and confirmation is received of the appropriate charter authorizer for the CSFP-funded facility before determining TFSCS has maintained its financial soundness for the advance apportionment.

Ms. Johantgen noted that if the Board elected to vote today, staff's recommendation is to find TFSCS not financially sound for purposes of the advance apportionment. However, if the Board members elected to find TFSCS financially sound for purposes of the advance apportionment then staff recommended the condition that the following four criteria are met prior to any fund release:

1. Verification no materials changes have occurred that would impact TFSCS' finances or operations.
2. Verification from IUSD that TFSCS is in good standing with it as the charter authorizer and is in compliance with the terms of its charter.
3. Establishment by TFSCS of a loss reserve fund in the amount of approximately \$650,000 (equal to two annual CSFP payments).
4. Intercept at the State level of TFSCS' annual payment pursuant to sections 17078.57(1) (A) and 17199.4 of the Education Code.

The members discussed the status of the two charters, the affect on the school's operations if a loss reserve fund is established, and the potential impact on the board's decision of financial soundness if the decision is deferred until October including the potential of allowing an applicant to move toward the beginning of the project list when funds are available for disbursement.

Ms. Wynne expressed her concerns regarding the school's test scores, student retention rates, their on-going charting authorizer conflict, and the confusion of the new charter. She

also mentioned concerns related to the school's Program Improvement status and the fact that TFSCS does not have verification of good standing from their charter authorizer on file. Ms. Wynne stated that she could not support a decision to vote in the affirmative regarding TFSCS' financial soundness for purposes of an advance apportionment for site acquisition.

Ms. Kathleen Moore expressed her concerns and highlighted the LACOE/TFSCS charter issues while recognizing that TFSCS is moving toward a solution with the Inglewood charter. She also noted that TFSCS is accepting of the proposed conditions. Ms. Moore stated she would support a vote in favor of finding TFSCS financially sound for an advance apportionment should TFSCS agree with the conditions.

Ms. Janice Isenberg, speaking on behalf of LACOE, addressed the confusion of two chartering authorizers (LACOE and IUSD) and issues with the certificates of occupancy. Ms. Isenberg stated that she was present on behalf of LACOE to recommend that the board members not approve TFSCS' request for advance apportionment until a definitive answer is provided determining which agency or district is the charter authorizer of the facilities in question.

Ms. Moore made a motion approving Resolution No. 09-01 finding TFSCS' has maintained its financial soundness for purposes of an advance apportionment with the condition that the school comply with the four criteria listed in the staff report. Ms. Jeannie Oropeza seconded the motion. The motion passed with a final vote of 2 to 1 (Aye votes: Moore, Oropeza; No votes: Wynne).

Resolution No. 09-02 – Approving determination of College Ready Academy High #8's financial soundness for purposes of an advance or final apportionment under the Charter School Facilities Program

This item was withdrawn prior to the meeting.

Resolution No. 09-03 – Approving determination of Oscar de la Hoya Ánimo Charter High School's financial soundness for purposes of an advance or final apportionment under the Charter School Facilities Program

Green Dot Public Schools, on behalf of Oscar De La Hoya Ánimo Charter School (ODLH), requested final apportionment of \$9.97 million under the Proposition 1D funding round of the Charter School Facilities Program. This apportionment is in addition to \$19,255,392 received under the Proposition 55 funding round in March 2006 and June 2008.

Ms. Johantgen advised that Green Dot Public Schools, an educational management organization, serves as co-borrower on eight CSFP projects. ODLH serves 554 students in grades 9 to 12 in Los Angeles. The school has met all eligibility criteria. The debt service coverage from school revenues is projected to be 88.7% in 2010-11, the first year of the CSFP lease payment, and 63.3% in 2011-12. By removing the school's management fee to Green Dot, which would be subordinated to lease payments, debt service coverage rises to 134.3% and 107.5% in 2010-11 and 2011-12, respectively.

Staff recommended the Authority members Board determine that ODLH is financially sound with the condition that Green Dot Public Schools enter into a co-borrower agreement to subordinate management fees to the CSFP lease payment if necessary.

It was moved, seconded, and passed to approve Resolution No. 09-03 determining that Oscar De La Hoya Ánimo Charter School has maintained its financial soundness for purposes of the Final Apportionment under the Proposition 1D funding round, with the condition that a co-borrower agreement be executed by Green Dot Public Schools prior to any funds being released.

Resolution No. 09-04 – Approving determination of Maria Montessori Charter Academy’s financial soundness for purposes of an advance or final apportionment under the Charter School Facilities Program

Ms. Johantgen informed the members of staff’s recommendation in consideration of Resolution No. 09-04, approving that Maria Montessori Charter Academy (MMCA) has maintained a financially sound status for purposes of a final apportionment of \$9,431,036 under the Proposition 55 funding round of the Charter School Facilities Program.

MMCA has met Program eligibility criteria, including being in compliance with its charter and in good standing with its chartering authority, Rocklin Unified School District. MMCA’s projected debt service coverage is 122.6% for 2010-11, the first year of CSFP payments, which exceeds the 100.0% minimum. MMCA achieved API base scores of 756, 767, 747, and 813 for 2004-05, 2005-06, 2006-07, and 2007-08, respectively, and met all AYP criteria for each of these years. Although MMCA did not meet its API growth targets for 2005-06 or 2007-08, MMCA’s most recent growth score is 783, and MMCA ranked 7 out of 10 statewide based on this score.

Staff recommended the Authority members determine that MMCA is financially sound for the final apportionment.

It was moved, seconded, and passed to approve Resolution No. 09-04 determining that Maria Montessori Charter Academy has maintained its financial soundness for purposes of the final apportionment under the Proposition 55 funding round.

Public Comment

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

Respectfully submitted,

Katrina Johantgen
Executive Director