

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, February 9, 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
Jennifer Rockwell, designated alternate for Ana J. Matosantos, Director of Finance

Staff Present: Katrina Johantgen, Executive Director

The Chair declared a quorum present.

Approval of Minutes

The minutes of the November 10, 2010 Authority meeting were adopted as submitted.

Executive Director's Report

Ms. Johantgen confirmed the seventh round of the State Charter School Facilities Incentive Grants Program has commenced. Notices were sent by email to more than 900 charter schools based on a current list of active charter schools recently provided by the California Department of Education. The final filing date for receiving applications is Tuesday, March 1, 2011.

Ms. Johantgen advised she is working with the California Charter Schools Association on a legislative proposal to 1) provide greater flexibility in the definition of working capital and the associated expenses that can be captured, and 2) to expand the Intercept Mechanism to capture revenue through both the general purpose fund and categorical block grants.

Steven Theuring, CSFA analyst, stated the current balance in the Conduit Financing fund is \$141,003.86. Through CSFP, \$877,500,000 has been awarded to 65 schools. Through the State Charter School Facilities Incentive Grants Program, \$56,848,197.30 has been awarded to 165 schools. Under the Working capital conduit financing program and QSCBs, \$73,920,000 has been allocated; \$25,500,000 has been issued to date; and \$68,011,000 is still available under QSCBs.

Ms. Johantgen reported that a contract with Governmental Financial Strategies to serve as financial advisor on conduit bond financings was under review at the Department of General Services. It is anticipated that the contract will be approved by DGS within the next two weeks. Additionally the contract with First Southwest Company to support analytical review on CSFP files is in place for two years.

Resolution 11-01 – Approving Financially Sound Determinations for the Charter School Facilities Program (CSFP) Applications Received for the December 2010 Lottery for Advanced Apportionment as listed In Exhibit A

Ms. Johantgen provided an update of the actions taken by the State Allocation Board and the Office of Public School Construction to release \$10 million through a lottery to current awardees requesting advance apportionments. Requests for 17 projects totaling \$47 million were received. Then, in December 2010, the SAB board adopted a resolution to fund \$47 million for all the requesting awardees, which will be presented over the next couple of months to the Authority members for determinations of continued financial soundness.

Reports of financial soundness were provided for three of the 17 projects for advance and/or final apportionments, which will be in place for six months and assumes no financial, operational, or legal material findings within the six month period. Ms. Johantgen provided a brief summary of each school: including eligibility criteria; demographic information; projected debt service coverage and other financial factors; and student performance.

Aspire Centennial College Preparatory Academy, a Prop 55 awardee, requested an Advance Apportionment for site acquisition of its site in Los Angeles. This is a new construction project and the total cost is estimated to be \$20 million. Aspire has met all eligibility criteria and is in good standing with the chartering authorizer which is Los Angeles Unified School District. Centennial is not part of Aspire Public Schools' statewide benefit charter authorized by the State Board of Education and is, therefore, not part of the current lawsuit related to statewide benefit charters. Centennial College Preparatory Academy met their AYP criteria in each of the last three years. API scores are above 800, with 828 and 825 in the last two years. Staff recommended the school be found to be financially sound for purposes of an Advance Apportionment.

Today's Fresh Start Charter School, a Prop 55 awardee, requested an Advance Apportionment and also Final Apportionment if they meet all requirements for conversion to Final Apportionment within six months. This school is unique in that they have several campuses and are chartered by both the State Board of Education as well as Inglewood Unified School District. The CSFP-funded project is chartered by Inglewood Unified School District. The school is currently using portables on the site where they plan to build a permanent facility; and already have two private financings for the site they are occupying. This project received a prior CSFP Advance Apportionment fund release of \$1.3 million for design costs. This request is for an Advance Apportionment of \$6 million toward site acquisition. TFSCS was found financially sound in May 2009 pending completion of certain conditions, however, no funds were available at the time and no funds were released. The school has since achieved improved student performance scores and improved its standing with its chartering authority. As a result of this recent review, staff recommended the school be found financially sound for Advance Apportionment and that the members set the

condition that the Intercept Mechanism be required as part of the recommendation the school be found financially sound for Final Apportionment. The recommendation for Final Apportionment would be in place for six months and assumes no financial, operational, or legal material findings within this time period.

Yuba River Charter School, a Prop 1D awardee, requested an Advance Apportionment for site acquisition of two project sites in Grass Valley, Nevada County. The school received a Preliminary Apportionment of \$8.5 million in 2008. Yuba River has met all Program eligibility requirements; has a charter in place through May 2012; and is in good standing with its chartering authority and in compliance with the terms of its charter. Debt service coverage exceeds the Program's one time coverage with a healthy margin. One area of concern is student performance. While test scores have improved, they did not meet CDE's targets. The school provided a statement that AYP scores were affected by a disproportionate number of new students entering through the special education program. Yuba River stated they have confidence that student performance will improve and AYP targets will be met. Staff will continue to monitor the school's student performance.

Ms. Johantgen recommended the members adopt Resolution No. 11-01 finding the three schools presented financially sound for purposes of Advance Apportionment and, in one case for Final Apportionment, as noted below.

Applicant Charter School	Board Action
Aspire Centennial College Preparatory Academy	Financially Sound for Advance Apportionment.
Today's Fresh Start Charter School	Financially Sound for Advance and Final Apportionment with the condition the Intercept Mechanism be required for Final Apportionment.
Yuba River Charter School	Financially Sound for Advance Apportionment

Ms. Wynne asked if there were any public comments, being none, it was moved, seconded, and passed to approve Resolution 11-01, approving the noted determinations related to financial soundness. These determinations of financial soundness are in place for six months and assume no financial, operational, or legal material findings within this time period.

Resolution 11-02 – Authorizing the Allocation of Qualified School Construction Bond Borrowing Authority to the Oak Grove Union Elementary School District on behalf of Oak Grove Elementary / Willowside Middle Charter School located in Sonoma County, California in an Amount not to exceed \$2,300,000

Ms. Johantgen advised the Oak Grove Union Elementary School District, on behalf of Oak Grove Elementary/ Willowside Middle Charter School, submitted a request for an allocation of QSCB bonding authority for a charter school project for an amount not to exceed \$2,300,000. This request is subsequent to a request received previously. At that time, the CSFA members took action to approve an allocation and it was anticipated a very quick

closing in December 2010, which did not happen for a number of various reasons. That allocation expired December 31, 2010. This financing is ready to go to market and the Official Statement is scheduled to be printed as soon as the board meeting is over. This deal has an A+ rating. Staff is recommending that the board approve Resolution No. 11-02.

Ms. Wynne asked if there were any public comment, being none, it was moved, seconded, and passed to adopt Resolution No. 11-02, authorizing the allocation of QSCB borrowing authority to the Oak Grove Union Elementary School District on behalf of Oak Grove Elementary / Willowside Middle Charter School located in Sonoma County, California in an Amount not to exceed \$2,300,000

Resolution 11-03 – Authorizing the Allocation of Qualified School Construction Bond Borrowing Authority to the New Jerusalem Union Elementary School District on behalf of New Jerusalem Elementary (K), New Jerusalem Elementary (K-8), and Delta Charter (K-12) located in San Joaquin County, California in an Amount not to exceed \$6,120,000

Ms. Johantgen advised New Jerusalem Union Elementary School District, on behalf of New Jerusalem Elementary (K), New Jerusalem (Charter) (K-8), and Delta Charter (K-12), submitted a request for an allocation of QSCB bonding authority for a charter school project in an amount not to exceed \$6,120,000. This financing is expected to be completed timely. New Jerusalem has also received an award under CSFP and plans to use the QSCB proceeds to meet their local match and to fund another project. Staff recommended the board approve Resolution No. 11-03.

Ms. Wynne asked if there were any public comments, being none, it was moved, seconded, and passed to adopt Resolution No. 11-03, authorizing the allocation of QSCB borrowing authority to the New Jerusalem Union Elementary School District on behalf of New Jerusalem Elementary (K), New Jerusalem (Charter) (K-8), and Delta Charter (K-12) located in San Joaquin County, California in an amount not to exceed \$6,120,000.

Public Comment

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

Respectfully submitted,

Katrina Johantgen
Executive Director