Minutes CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board Tuesday, October 26, 2004 3:15 p.m. 915 Capitol Mall, Room 587 Sacramento, California 95814

1. Roll Call

Deputy State Treasurer Carrie Cornwell, serving as chairperson, called the meeting to order.

Members

Present: Carrie Cornwell for Phil Angelides, State Treasurer

Bob Campbell for Michael Genest, Interim Director of Finance

William Ellerbee for Jack O'Connell, Superintendent of Public Instruction

Staff: Katrina Johantgen, Executive Director

2. Approval of Minutes

The minutes of June 23, 2004 were adopted as submitted.

3. Executive Director's Report

Ms. Johantgen gave an update of the Prop 47 awardees and the request for bridge financing that could be used for site acquisition and design costs.

CSFA plans to move forward with the proposal to seek an author to carry a bill amending the CSFA statutes, adding "Charter School" to the definition of participating districts.

Ms. Johantgen updated the board on the filing of an application for a grant from the U.S. Department of Education for the State Charter School Facilities Incentive Grants Program. California was awarded approximately \$49 million. CSFA will be the project director of the award and staff is working with OPSC to craft a program that will fit into the existing CSFP program and will enhance existing or new charter school facilities that are being constructed through CSFP.

4. <u>Update on 2003 Charter School Facilities Program Awardees</u>

Ms. Johantgen gave an update on Orange County High School of the Arts (OCHSA), a Prop 47 awardee that had a guarantor. The guarantor is a third party providing a guarantee that OCHSA will make their lease payments. The school and the guarantor are working out a commitment letter that is acceptable to CSFA and OPSC, due to provisions about the renovation of the facility

for a school. CSFA has received updated financial information but has not yet received a commitment letter to present to the board.

Aspire's Oakland campus is seeking an amendment from the Oakland Unified School District to accommodate their expansion using the Prop 47 funds. They have advised that the amended charter will be provided within 60 days.

5. Update on 2004 Charter School Facilities Program Applications

Applications for the Prop 55 round were due July 29th. CSFP and OPSC have received 49 applications. Through program eligibility and threshold requirements, a few have been revoked, some have withdrawn from the program, and one of the applications was split into two projects. There are 40 applications being reviewed.

The total requested project costs are over \$485 million for the \$300 million that is available. Financially sound recommendations will be presented to the board on December 22nd. The applicants who are determined to be financially sound will be evaluated by the OPSC and the SAB at their meeting scheduled for January 27.

6. <u>Resolution No. 04-03 Adopting Permanent Rulemaking File for Charter School</u> Facilities

Program

Ms. Johantgen explained that CSFA's emergency regulations are in the process of being converted to permanent regulations, and will be submitted to the Office of Administrative Law by the November 25, 2004 deadline.

The first change, to Section 10155(a)(2), will remove the words "all written" to clarify that applicants only need to submit reports that specifically demonstrate oversight by the chartering authority. Based on a recommendation by Dr. Ellerbee, when the regulations are next amended, the request for reports will be expanded to require reports and correspondence.

The second change is to Section 10160(d)(3). Previously, the prescribed debt service coverage calculation did not allow CSFA to determine debt service coverage using alternate formulas or considering other factors such as the type of accounting method employed by the charter school or the utilization of reserve funds or fund balances to meet the debt service coverage requirement. The amended section will still mandate that charter schools must maintain debt service coverage of 1.0x, however, the prescribed calculation for determining debt service coverage will be eliminated from Section 10160(d)(3). The section will read:

"(3) it has a minimum debt service coverage ration determined by the authority to be sufficient, but in no event less than 1.0x."

Dr. Ellerbee moved to approve the permanent rulemaking file, and his suggestion that the words "and correspondence" be added when the regulations are next amended. Mr. Campbell seconded the motion and it was approved as amended.

Without any public comment, Ms. Cornwell adjourned the meeting.