# Minutes CALIFORNIA SCHOOL FINANCE AUTHORITY

## Meeting of the Board Monday, March 24, 2008 2:00 p.m. 915 Capitol Mall, Room 587 Sacramento, California 95814

Deputy State Treasurer Patricia Wynne, serving as chair, called the meeting to order.

## 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 February 25, 2008 Authority meeting were adopted as submitted.

#### **Executive Director's Report**

<u>State Charter School Facilities Incentive Grant</u>: Ms. Johantgen advised the members that the rulemaking file had been approved by the Office of Administrative Law and the application period for the fourth funding round of approximately \$9.8 million will commence this week [week of March 24, 2008]. A notice advising of the upcoming funding round had been distributed by e-mail to all California charter schools. With the approval by OAL, the application packet, the regulations, and a list of frequently asked questions will be distributed by e-mail to all charter schools and posted on CSFA's web site this week. Ms. Johantgen mentioned that, as in past rounds, current subgrantees' are not eligible to apply, and due to the timing of the first round, subgrantees under the first round are still current awardees and will not be eligible for this fourth funding round.

<u>Working Capitol Program</u>: The members were provided an update on the working capital program. Ms Johantgen advised that, in discussions with charter schools and their operators, there appears to be a real need for cash flow during the January/February [2009] timeframe therefore the financing team has some additional time to close the working capital financing program. Staff will continue to provide updates to members on the implementation of the program.

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## <u>Item 4 – Approving Financially Sound Determinations for the Charter School</u> <u>Facilities Program Under Proposition 1D.</u>

Ms. Johantgen confirmed that 93 applications have been received under the Proposition 1D funding round of the Charter School Facilities Program (Program), and presented the members with the first group of applications for a determination of financial soundness. The agenda had included an exhibit listing 29 potential applications that were being considered for review at this meeting, however, for various reasons; some were being held over to the next meeting and six were presented for action by the members at this meeting.

Ms. Johantgen noted that staff recognizes that once the State Allocation Board awards the Preliminary Apportionments, several applicants plan to immediately submit requests for an Advance Apportionment. Therefore, staff's recommendations for applicants' that are determined to be financially sound will be for purposes of the Preliminary and the Advance Apportionments, but not for purposes of the final Apportionment. Further, the determination as it relates to an Advance Apportionment will be in place for six months and assumes no changes to the applicant's financial, operational, or legal standing during this six-month period. Ms. Johantgen explained that this will allow applicants that receive a Preliminary Apportionment and are able to verify there have not been any material changes or any other issues, the opportunity to immediately request and receive an Advance Apportionment without having to be presented at another Authority board meeting. In six months, a new school year will be starting and the schools will have updated information to report, and staff will resume bringing all updated reports to the members for a determination that the schools have maintained their financial soundness prior to any request for an Advance Apportionment.

An overview of the review process and the information contained in the reports was outlined for the members. The project information presented to the members was verified to be consistent with information provided to the Office of Public School Construction (OPSC) and the State Allocation Board, including whether the type of project is for new construction or rehabilitation. It was noted that the Program does not place limiters or caps on the estimated project costs, however, some applicants may not be found financially sound if the estimated costs are too high and some have requested revisions to their projects to reduce the estimated costs.

Ms Johantgen reported that some schools had reported pending lawsuits or other issues on the legal status questionnaire, and that each of these issues has been reviewed with legal counsel. The board members confirmed that this information is necessary in conducting the financial soundness evaluations and discussed the level of reporting that was appropriate at public meetings in both open sessions and closed sessions. All issues are to continue to be reviewed with legal counsel, and issues regarding pending cases should be considered confidential and not be included in the written reports or in public sessions but could be discussed with the members, as necessary, in closed sessions. California School Finance Authority Minutes of the March 24, 2008 Meeting Page 3 of 4

Reports for the following charter schools were presented to the members.

- 1. Academy for Academic Excellence
- 2. Norton Space & Aeronautics Academy
- 3. Oakland Unity High School
- 4. Stella Middle Charter Academy
- 5. Vaughn Next Century Learning Center, Panda Academy High School
- 6. Westlake Charter High School

A brief summary of each applicant was provided including eligibility criteria, demographic information, projected debt service coverage and other financial factors, and student performance.

In response to a question regarding the estimated project costs for Oakland Unity High School (OUHS), Ms. Johantgen advised that OUHS' project costs were originally generated by the Office of Public School Construction at approximately \$36 million. At OUHS' request, the project scope was reduced and OPSC generated a new cost of \$19 million. The members requested additional information about the method for generating project costs and some background information about how much flexibility is built into the cost estimates, including any inflationary factors over the five year window for converting to final Apportionment. The process for determining a school's financial soundness sets the ceiling for the total funds that may be apportioned by the State Allocation Board and the members would like to ensure that the estimated funds will be sufficient to build a school facility. Ms. Johantgen confirmed that staff will work with OPSC staff and will provide background information on the cost estimates to the members at the next meeting.

The members agreed to delay taking action on Oakland Unity High School until information could be provided regarding the reduction in the scope of their project and the adjustment in the costs generated for the Preliminary Apportionment.

Ms. Johantgen recommended the members find 1) Academy for Academic Excellence; 2) Norton Space & Aeronautics Academy; 3) Stella Middle Charter Academy; 4) Vaughn Next Century Learning Center, Panda Academy High School; and 5) Westlake Charter High School be found financially sound for purposes of the Preliminary Apportionment and for the Advance Apportionment for a period of six months pending verification of any material changes to the information provided in the reports.

It was moved, seconded and passed to approved Resolution 08-03, determining that the five applicant charter schools listed on Exhibit A of Resolution 08-03 be found financially sound for purposes of Preliminary and Advance Apportionments, but not for purposes of Final Apportionment under the Program. This determination as it relates to an Advance Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period.

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## Comments:

Mr. Rick Piercy, of the High Desert Partnership in Academic Excellence Foundation, spoke on behalf of the Academy for Academic Excellence and Norton Space & Aeronautics Academy. Mr. Piercy came to the meeting to speak to members about the CSFP application process, and expressed his appreciation for the assistance his organization received from CSFA staff during the application process.

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

Respectfully submitted,

Katrina Johantgen Executive Director