

**MORGAN HILL UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION MINUTES**

Special Board Meeting

January 16, 2019, 10:00 AM

MHUSD Board Room

Attendance Taken at 10:01 AM:

Present:

Carol Gittens

John Horner

Heather Orosco

Mary Patterson

Absent:

Teresa Murillo

Wendy Sullivan

Vanessa Sutter

Update Attendance:

Wendy Sullivan 10:21 AM

A. CALL TO ORDER

President Patterson called the meeting to order at 10:01 AM

B. PLEDGE OF ALLEGIANCE

President Patterson lead the Pledge of Allegiance

C. INTRODUCTION OF BOARD MEMBERS AND STAFF

Board Members and staff seated around the dais introduced themselves

D. ADOPTION OF AGENDA

Motion Passed: Passed with a motion by Carol Gittens and a second by Heather Orosco.

Yes Carol Gittens

Yes John Horner

Absent Teresa Murillo

Yes Heather Orosco

Yes Mary Patterson

Absent Wendy Sullivan

Absent Vanessa Sutter

E. PUBLIC COMMENT / COMMUNICATIONS

The following individual addressed the Board:

Kirstin Carr, Charter School Morgan Hill Board Member, thanked the Board for the opportunity to speak regarding the Prop 51 agreement. Ms. Carr expressed how these funds will provide much needed improvements to the Charter School Morgan Hill campus which both Charter and MHUSD teams worked through compromise and collaboration. Ms. Carr looks forward to hearing about how Charter and the District progress towards the lease agreement. Ms. Carr requests both Charter and MHUSD Boards work to establish a much needed mutual relationship.

F. GENERAL BUSINESS -PUBLIC SESSION ITEMS FOR BOARD DISCUSSION

F.1. Approve three-party Memorandum of Understanding and the Facilities Use Agreement for Proposition 51

Background Proposition 51

The State-funded Charter School Facilities Program (CSFP) is jointly administered by the California School Finance Authority (CSFA) and the Office of Public School Construction (OPSC). CSFA directs the financial soundness review process and provides certification for purposes of Preliminary, Advance, and Final Apportionments. OPSC administers the application process and provides project approval and oversight.

As a result of the passage of Proposition 51 in November 2016, \$500 million in additional bond authority has been made available to CSFP for use by charter schools for the construction of new facilities or rehabilitation of existing facilities. For both new construction and rehabilitation projects, the charter school must provide a 50% matching contribution which can come from the charter school's own resources or can be borrowed from the State, provided the charter school requested the loan during the preliminary apportionment phase. Loans are repaid over a period of 30 years starting one year from the date of occupancy. To qualify for funding, a charter school must be deemed financially sound by CSFA who is the financier of the long-term debt. The underwriting terms for the loan are set by the State, not the capital markets, and typically provide more favorable lending terms and conditions than capital markets.

Background Charter School of Morgan Hill's Application

On March 31, 2017 Charter School of Morgan Hill (CSMH) notified the District of its intent to seek a preliminary application for Proposition 51 funds. CSMH application identified projects totaling \$11,577,416 and sought funding (50% grant and 50% loan) for the rehabilitation of the Encinal campus. In accordance with the CSFP requirements, the 50% match (\$5,788,708) would be achieved through a loan from CSFA.

In accordance with Regulation 1859.163.4(d), at the Morgan Hill Unified School District's Board meeting on May 16, 2017 by a vote of 5-2, a majority of Trustees voted to "support the Charter School of Morgan Hill's application for Proposition 51 funding with the Office of Public School Construction for the rehabilitation of the Encinal School site."

On September 21, 2017 the District, as the charter authorizer, received a request from CSFA to provide information related to CSMH status and determination of "good standing." The MHUSD administrative team determined that CSMH is not in good standing because it had not met the stipulations and conditions under which the charter was renewed. On December 5, 2017, the Board of Education deemed CSMH be in "good standing and in compliance with its charter for purposes of Prop. 51 funding." Based on the Board's December 2017 resolution, on January 17, 2018 CSFA determined CSMH was financially sound for the purposes of Charter School Facilities Program.

On February 28, 2018 the State Allocation Board took action to provide a \$13,799,424 (50% grant and 50% loan) unfunded Preliminary Charter School Apportionment. In order to be able to receive potential proceeds from the next round of State bond sales (i.e. convert from an unfunded to a funded application), CSMH and the District must execute a three-party Memorandum of Understanding with the State and provide a Facilities Use Agreement that complies with the Proposition 51 requirements.

Conclusion

Staff from the District and CSMH have spent the past several months negotiating a Facilities Use Agreement which provides for the following major provisions:

Total term of 40 years (four 10 year terms) commencing July 1, 2019

Since Proposition 51 improvements have not been designed provides for two potential options: 1) Renovation of existing portables in the current location or 2) construction of a new classroom building on the grass field

MHUSD will serve as the Lead Agency for California Environmental Quality Act (CEQA) and CSMH will indemnify the District with respect to any claims made under CEQA

All improvements require District pre-approval and will conform to the District's specifications and requirements

Staff recommends approval of the three-party Memorandum of Understanding and the Facilities Use Agreement for Proposition 51 which was approved by CSMH's Board of Directors on January 15, 2019. A Proposition 39 Agreement ("in-lieu" agreement) for all of the non-Proposition 51 facilities must still be negotiated.

Paige Cisewski, Charter School Morgan Hill, thanked the Board for being here and the District staff for their efforts to this agreement. Ms. Cisewski feels positive progress has been made and looks forward to the improvements to Charter School Morgan Hill.

Superintendent Betando, clarified District staff is not recommending a long term agreement. This agenda item is for improvements to the construction area and not an extension to the campus. Superintendent Betando spoke about the prior Boards approval to support Prop 51 and declared that Charter School was fiscally solvent for the purpose of the Prop 51 application Superintendent Betando expressed the District Staff does not support the Prop 51 proposal because District staff does not feel this proposal is a fit for the circumstances of Charter School. Superintendent Betando would not recommend a Charter School be attached to the District because of the nature of liability of Charter School, as well as other circumstances. Superintendent Betando stated the District is recommending approval of this agreement but that a long term agreement through Prop 39 is not the Districts recommendation. This is not a blending agreement between Prop 51 and Prop 39.

Assistant Superintendent Business Services, Kirsten Perez, updated the Board on the history of these agreements explaining the year and half process to get to this point. Assistant Superintendent Perez explained the agreements requesting approval today and the time sensitivity for approval. Assistant Superintendent Perez answered clarifying questions from Board members.

District Legal Representative, John Yeh, answered questions from the Board specific to Charter operations within District boundaries.

Paige Cisewski, Charter School Morgan Hill, answered budget questions from Board Members specific to Charter School Morgan Hill.

Superintendent Betando, spoke about questions that have come up over the years regarding Charter School Morgan Hill meeting their targeted demographic. Superintendent Betando explained that Charter has expressed issues with their location being a concern for targeted demographic families. Superintendent Betando states the Prop 51 structure seems to lock Charter into staying at the current location which brings the targeted demographic issue back up. Trustee Horner brought up the lack of alternate location options in response to the Superintendent's statement. Ms. Cisewski believes Charter School Morgan Hill would continue to stay in their current location and work to make improvements with the understanding they will be in the facility long term. Superintendent Betando states the question still stands about what to do with the targeted demographic. Trustee Gittens asked if there is an expected or anticipated impact on capacity of enrollment or student demographics as a result of this project. Ms. Cisewski does not believe capacity would change. President Patterson feels it is important to reach parity on this matter and would like to see the community come together so the district does not continue to receive backlash on the location of Charter School Morgan Hill.

Assistant Superintendent Perez, added that Charter has an opportunity to acquire land and construct facilities on their own through Prop 51. The District would hold title but this would allow Charter to solve the issue of their targeted demographic issue. Trustee Horner brought up the question of cost to acquire their own land. Assistant Superintendent Perez explained creative options to make use of funds to acquire land and construct their own facilities. Ms. Cisewski explained Charter has already applied for the rehabilitation funds and would have to change the application in order to do the acquire land and construction option.

Assistant Superintendent Perez, expressed this process has been lengthy and at times difficult. Both parties left things on the table that were important to them, as well as conceptual differences which were hard to mediate. Next steps are coming to an agreement on in the in lieu facilities which has a deadline of June 2020.

Superintendent Betando, recommends approval of this item.

President Patterson, thanked all parties for working together to serve students despite the conceptual differences. President Patterson warned the Board there is a difficult path ahead.

Motion Passed: Passed with a motion by John Horner and a second by Mary Patterson.

Yes Carol Gittens

Yes John Horner

Absent Teresa Murillo

Yes Heather Orosco

Yes Mary Patterson

Yes Wendy Sullivan

Absent Vanessa Sutter

G. ADJOURNMENT

The meeting was adjourned at 11:07 AM

Superintendent