

WORKSHOP MINUTES

CITY COMMISSION

CHARTER SCHOOLS

March 8, 2001

A **WORKSHOP** of the Winter Garden City Commission was convened at 7:42 p.m. after the regular City Commission meeting was adjourned.

PRESENT: Mayor Jack Quesinberry, Commissioners John Rees, Theo Graham, Howard Marbury and John Harriman; City Attorney Dykes Everett, City Planner Mark Cechman, City Clerk Kathy Montoya, and John Maloney of The West Orange Times

Mr. Reuven Oded with Konover Group, Boca Raton, Florida gave the presentation.

Charter Schools have been approved for the past 10 years and have grown to over 2,000 nationwide of which, there are 200 in Florida. It is estimated that within the next decade, Charter Schools will represent 8-12% of K-12 grades throughout the United States (5-7 Million children). The purpose of the Charter School Legislation is to provide for the "Choice Concept" and to force the public school system to create a more streamlined and efficient school system. The legislation has allowed, for the first time in 200 years, for private enterprises such as Konover Group and private Education Management Organizations (EMO's), to participate in the school business.

Charter Schools are public schools that are funded publicly and must adhere to the parameters set for public schools. The funding is by full-time equivalency (FTE) of \$4,000 per student, per year. Because Charter Schools do not have capital funding, they are provided with Charter Capital Funding with a portion of the revenue, per student, going towards the retirement of the debt or lease payments of the real estate. There are some Charter Schools that have done very well and some less well and the later was the result of the early stages not including a lot of screening on curriculum, roster of teachers, training, quality control management, etc., which has since been implemented. Proof of being able to run the Charter School on an ongoing basis, has been under the scrutiny of the local School Boards. There are two area Charter Schools. One is sponsored by the City of Kissimmee, which is up and running and another was created under a three County School Board consortium for joint use between Osceola, Polk and Lake Counties.

The reason Konover Group is coming to Winter Garden is because they have had discussions with M/I Homes about a site of 18 acres almost contiguous with the development, on the northeast corner of Roper and Daniels Road. The demographics have indicated explosive future growth projections and they feel it would be an excellent location for a K-5 and Middle 6-8 school (2 buildings of 45,000 square feet each). They have looked at being able to fill the school and the revenue supporting the school.

He apologized for Chancellor Academies not being able to attend this meeting, because they would be who would answer any questions regarding education.

There are two components to a Charter School:

- 1) Site selection, acquisition, site work, architectural and engineering design, construction and financing, leasing and asset management, and

2) The educational component with a Education Management Company such as Chancellor Academies, who are charged with budgeting and administration, program design, teaching design, learning assessment, professional development, and technology management.

The proposed facilities would accommodate 1200 students, with 600 student stations in each campus. The initial Charter term would be 15 years and a lease term of 30 years. They propose that the City of Winter Garden would have a purchase option provision so that at the end of the lease the real estate would revert back to the Charter holding entity, such as the City or a non-profit entity. The benefits of a Charter School is that the Charter holding entity could obtain State Charter funding without waiting for the local school board to budget and plan for the future.

Mr. Oded stated that they are proposing that the City would not incur any up-front costs nor be required to make any capital outlays. There would, however, be credit enhancements required by means of a tax-exempt issuance. They are working on a K-5 Charter School in Oakland in this same manner. The last issue for the Charter School is that it becomes a self-sustaining model.

Mr. John Rinehart gave a brief overview of the growth in the area that far exceeds the existing school facilities ability to adequately house students. A detailed information package was distributed. He noted that the Stoneybrook development alone would be contributing 2350 housing units (1630 family units and 720 apartments) to the area as well as the M/I Homes development. The Orange County School Board has not yet committed to what their plans are for housing these new students.

Commissioner Harriman asked what Ocoee was looking at. Mr. Oded stated Ocoee is looking at K-5 and Oakland's was approved three weeks ago. Commissioner Harriman asked who would pay for student transportation? Mr. Oded stated that transportation is funded through the capital budget under the EMO.

City Manager Holden stated that he has attended two meetings about Charter Schools and what is interesting is how the one group builds the school and the one group deals with the education and how the school should function. There are people responsible for building the school in the cheapest most efficient way possible and there are people who know how to educate children if you give them a proper facility. He has positive thoughts about this approach, but is trying to figure out where the pitfalls are located.

City Commissioner Rees asked if there is any guaranteed State funding for the initial 15-year lease? Mr. Oded stated that part of the financial analysis includes both components of FTE and Capital Charter Funding. As in the Oakland model, that City chose to be the Charter holding entity for 15 years and they are working on the purchase/reversion concept with a 30-year amortization reverting back to the public. The Capital Charter Funding today for elementary school children is approximately \$828 per student station, per year, and middle school is \$930 per student station, per year, which should suffice and allow them to pay the lender and make a fair return on their investment. Mr. Oded stated that Konover would be the borrower with the City underwriting the bond after looking at the credit worthiness of the borrower. The underwriter would need to look at keeping the structure (school) filled and it will return sufficient revenues from both FTE and Capital Charter Funding to service the debt, make lease payments and pay the teachers. In Oakland's case, they added an additional comfort level. They have secured an additional 1-year debt service that they put in the cost of the facility. Also, the EMO has provided a certain subordination of their fee with what they are projecting. For example if they say they can fill the school to 90% in the first year, they should be held to that standard, just as they should be held to how much they say they can build a school. In Oakland, the City is underwriting the school through a covenant to budget and appropriate non-advallorem revenues. This is deemed an "off-balance" sheet contingent liability that doesn't have to be reported in the financial statements. If things go south (bad), there is a covenant that as a last resort, the City would provide the stopgap.

City Attorney Everett clarified that the city, in essence, is the lessee and that the capital funding dollars from the State is based on the dollars annually appropriated by the legislature. Mr. Oded stated that he has previously addressed this question and has been told that there has not been a case where the legislative body has stopped funding retroactively. If they are in the 15-year cycle, there is a very very low probability that 500-600 schools in the next 4-5 years, with 500-700 per school would loose funding and have to send those students elsewhere when they over exceed the capacity now. Mr. Everett stated that if the EMO fails and the Charter is revoked by Orange County Schools, then the Charter holder would have to find a replacement to take over the school. Mr. Oded stated the Charter holder (City) must file an annual Charter application that is due in October, that tells the School Board why it wants the Charter School that will qualify its continuance.

Mr. Oded stated that student admittance is on a first come, first served basis. In contrast, public schools cannot regulate classroom sizes and are obligated to keep taking students. Charter Schools can create certain stipulations such as class size. Commissioner Rees stated he understands that Charter Schools are not made up of any particular neighborhood, but that anyone can attend. Mr. Oded stated the following caveats may be added: the students must be from the same County; an 80-20 rule to reserve 80% of the capacity for a certain radius from the school and the balance of 20% is first come, first served.

Commissioner Graham asked about item the design build of \$100 square foot versus \$130 and whether it is for just the construction of building or includes the land? Mr. Oded stated it is comprised of the hard-costs to build the building and the site work.

Mayor Quesinberry asked why a municipality would want a Charter School to revert back to the City in 15 years and not turn it over to the School Board? Mr. Oded stated that after 15 years the Charter School is not extended, it would be ran as a public school because of the incentive for public schools to have a school that has been amortized for 15-years and then purchase it for about 60 cents on the dollar at a time the cost to build a school would be significantly more.

Commissioner Harriman asked if the Orange County School Board welcomes Charter Schools?

In summary, City Manger Holden stated he has asked the School Board staff what they think of Charter Schools and they don't have any answers because they don't have a policy yet. Some staff have stated they think it will pass because it is a good idea, then the next time you ask them they will say the official position is not out yet because they are still evaluating it. The questions being asked tonight are about risk taking. The City is being forced to solve its problems because of the School Board's inability to do so. The City needs to recognize the problem, evaluate the extent of participating and how much risk the City will take to resolve the problem. Mr. Holden is not completely comfortable with the potential risks, at this time, and stated staff will be doing more research as a result of the questions asked.

Commissioner Marbury left at 8:52 p.m .

ADJOURNMENT: The workshop was adjourned at 8:54 p.m.