




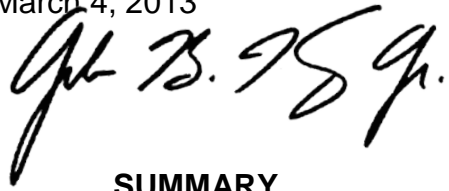
THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

TO: The Honorable the Members of the Board of Regents

FROM: Ken Slentz 

SUBJECT: Revisions to Charters Authorized by the Board of Regents: Riverhead Charter School and Discovery Charter School

DATE: March 4, 2013

AUTHORIZATION(S): 

SUMMARY

Issue for Decision (Consent)

Should the Regents approve the proposed revisions to the charters for Riverhead Charter School and Discovery Charter School?

Reason(s) for Consideration

Required by state statute.

Proposed Handling

This issue will be before the Full Board for action at the March 2013 meeting of the Board of Regents.

Background Information

Riverhead Charter School requests to change the material terms of its charter to add grades 7 and 8 to grades served, and to increase its maximum enrollment to 400 students. Discovery Charter School requests to change the material terms of its charter to re-locate from East Irondequoit to Greece.

Riverhead Charter School

Name of Charter School	Riverhead Charter School
Applicant	Deborah Rutigliano, BoT President
Management Company	N/A (formerly Edison Schools, Inc.)
Other Partner(s)	N/A
District of Location	Riverhead School District
Facility	Three separate private facilities
School Opened For Instruction	September 2001
Current Charter Term	July 1, 2009, through June 30, 2014
Current Grade Levels/ Number of Students	Kindergarten through grade6; 280 students
Proposed Revision	Add grades 7 and 8 and increase maximum enrollment to 400

Discovery Charter School

Name of Proposed Charter School	Discovery Charter School
Applicant	David Vigren, BoT President
Management Company	N/A
Other Partner(s)	Expeditionary Learning Schools
District of Location	Currently located in East Irondequoit School District
Facility	125 Kings Highway South, East Irondequoit (former Catholic School)
School Opened for Instruction	August 2011
Current Charter Term	July 1, 2011 through June 30, 2016
Current Grade Levels/ Number of Students	160 students in Kindergarten through Grade 3 in 2012-2013 (to expand to 280 students in Kindergarten through Grade 3 by the end of its current charter term)
Proposed Revision	Change the district of location to the Greece Central School District and to commence instruction at that address for the 2013-2014 school year.

Riverhead Charter School

The Board of Regents approved and chartered the Riverhead Charter School ("School") located in the Riverhead Central School District in December 2000. Under the management of Edison Schools, Inc., the School opened for instruction in September 2001 serving 250 students in grades K through 5 and revised its charter in 2003 to add Grade 6. The Board of Regents granted the School a first renewal charter for two years and five months on November 30, 2005; and a second renewal charter for

one year on May 9, 2008. At the end of 2008, the School's Board of Trustees severed its relationship with Edison Schools, Inc. and has successfully managed the School on its own since that time. The Board of Regents granted the School a third renewal charter for five years through June 30, 2014.

The School's Board of Trustees requests that the Regents approve a material revision to its charter to allow the School, which currently serves 280 students in grades K through 6, to increase total enrollment to a maximum of 400 students and to expand its grade configuration to include grades 7 and 8. The School intends to enroll only new students at the lower grades, and fill the new middle school classrooms with currently enrolled students as they "grow" to grades 7 and 8. For example, currently enrolled Grade 6 students who move to Grade 7 at the end of the current school year will fill the Grade 7 classrooms beginning September 2013. These students will move up to fill the Grade 8 classrooms beginning September 2014.

Students, teachers, and administrators are currently housed in three small buildings which are near capacity and lack a cafeteria, gymnasium, auditorium, and adequate space for a school library. The charter school plans to construct a new facility which will accommodate all grades (K-8) in one building including a needed science laboratory for the new middle school. The total project of \$21 million (which includes approximately \$16.5 million for new construction costs and a refinancing of the School's existing debt of \$4.5 million to Edison, Inc.) will be financed with a combination of \$16 million in taxable revenue bonds and \$5 million in Taxable Qualified School Construction Bonds (QSCB).

The School has hired Capital Market Advisors as its financial advisor to help bring these bonds to market; selected Roosevelt & Cross to underwrite the bonds; and selected the Riverhead LDC to act as the bond conduit for the School. If the proposed revision is approved, the School intends to begin construction in the spring 2013 for completion by the end of August 2013. Should there be a delay in construction preventing use of the building in the 2013-2014 school year, the School has sufficient space to accommodate the additional enrollment of new students at the lower grades and the grade level expansion to include Grade 7 as proposed.

Riverhead Charter School is a school "In Good Standing", and has never been identified for improvement under the federal Elementary and Secondary Education Act (ESEA), also known as the No Child Left Behind (NCLB) Act. The School has outperformed the Riverhead Central School District as the district of location on the State English Language Arts and Mathematics Tests.

A review of the Financial Statements and Independent Audit reports submitted to the State show that the Riverhead Charter School has consistently operated in a fiscally sound and responsible manner. The most recent audit report (October 2012) reported no findings of deficiencies in internal financial controls or reporting. Over the past five years, the Board of Trustees has built a strong financial base for the School while paying down its debt to Edison Schools, Inc., its former management company. Using

conservative financial management practices, the School has built a strong liquidity ratio and an adequate cash reserve to insure the School's sustainability and to prepare for the building construction project. Additionally, the Department's Office of Audit Services has compiled the School's financial data for the last three years and determined a composite score of 2.30 in 2010, 2.50 in 2011, and 2.90 in 2012 indicating that the School demonstrates good overall financial health and stability.

Although the charter school is located in the Riverhead CSD, only 43% of the Schools' students come from the Riverhead CSD. Therefore, the projected fiscal impact of the proposed grade expansion on the Riverhead CSD, assuming annual inflation of the charter tuition rate based on past data and 5.78% annual growth of district budget, is less than 4.00% over the next 5 years. The projected fiscal impact upon the largest four of the 15 other sending districts over the next 5 years is less than 2.00% for each district.

The Riverhead Central School District held a required public hearing regarding the proposed charter revision on Tuesday, November 13, 2012. Eight members of the community spoke and all did so in favor of the School. No one spoke or presented written comments opposing the proposed revision. The Riverhead CSD and surrounding district schools were invited to comment. No comments were received from Riverhead Central School District or any of the surrounding and sending districts.

Discovery Charter School

The Board of Regents approved and chartered the Discovery Charter School ("School") located in the East Irondequoit Central School District in December 2010. The School opened for instruction in August 2011 serving 120 students in grades K-2. The School added Grade 3 in the 2012-2013 school year, increasing enrollment to 160 students.

The School's Board of Trustees requests that the Regents approve a material revision to its charter to allow the School to change the district of location to the Greece Central School District; specifically to move the school from 125 Kings Highway South in the East Irondequoit Central School District, to 133 Hoover Drive in the Greece Central School District. The School requests to commence instruction at the new location starting in the 2013-2014 school year.

Discovery Charter School believes it is in the best interests of the school and its students to relocate because the property it currently leases may not continue to be available to the school over a long term commitment. The owner, Christian Brothers' Institute, leases to Bishop Kearney High School, which in turn subleases to the charter school. Although the leases in effect at the moment do not expire until June 30, 2015, the Christian Brothers' Institute has filed for protection under Chapter 11 in the Bankruptcy Court for the Southern District of New York. The School's Board of Trustees has pro-actively identified an alternate facility to mitigate against the potential impact that the Chapter 11 Bankruptcy may have on its current lease situation.

The building the Board has identified as most appropriate for its needs operated as a public school until June of 2012. The Hoover Drive property is under contract for purchase by a third-party private buyer and the new owner has created a draft lease for the charter school.

The School reports that it anticipates minimal disruption and impact on families and the host districts during the transition. The East Irondequoit Central School District only sends one student to the School, so there is minimal impact from a site re-location on that district. Greece Central School District, which currently has six students who attend Discovery, has been welcoming, assuring the Board of Trustees of cooperation and a willingness to provide whatever the law requires. The Rochester City School District likewise is willing to accommodate the transportation and other needs of the charter school as it did prior to the anticipated move. The vast majority of students who attend Discovery Charter School come from the Rochester City School District (164 students).

Because the proposed revision for Discovery Charter School involves moving from one school district to another, the Charter School statute requires that both school districts conduct public hearings about the proposed revision. Both school districts have scheduled the required public hearings which will be conducted after the date this item was prepared but prior to the March Regents meeting. Information about the public hearings will be provided to the Regents at the March P-12 Education Committee meeting, if applicable.

Recommendation

VOTED: That the Board of Regents finds that the proposed revised charter: (1) meets the requirements set out in Article 56 of the Education Law, and all other applicable laws, rules and regulations; (2) will operate in an educationally and fiscally sound manner; (3) is likely to improve student learning and achievement and materially further the purposes set out in subdivision two of section twenty-eight hundred fifty of Article 56 of the Education Law; and (4) will have a significant educational benefit to the students expected to attend the charter school, and the Board of Regents therefore approves the charter revision for Riverhead Charter School and amends the provisional charter accordingly.

VOTED: That the Board of Regents finds that the proposed revised charter: (1) meets the requirements set out in Article 56 of the Education Law, and all other applicable laws, rules and regulations; (2) will operate in an educationally and fiscally sound manner; (3) is likely to improve student learning and achievement and materially further the purposes set out in subdivision two of section twenty-eight hundred fifty of Article 56 of the Education Law; and (4) will have a significant educational benefit to the students expected to attend the charter school, and the Board of Regents therefore approves the charter revision for Discovery Charter School and amends the provisional charter accordingly.

Timetable for Implementation

The Regents actions for Riverhead Charter School and Discovery Charter School will become effective immediately.