

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 1D FUNDING ROUND
EMO SUMMARY AS OF MARCH 2010
GREEN DOT PUBLIC SCHOOLS (EMO FOR SEVEN PROP 1D APPLICANT SCHOOLS)**

Background: Green Dot Public Schools, as an education management organization (“Green Dot”, or the “EMO”) and co-borrower, has applied for CSFP Preliminary Apportionment under Proposition 1D (2009 Funding Round) for three schools -- Animo Leadership (\$15,628,994), Animo South Los Angeles (\$18,143,644), and Animo Pat Brown (\$20,570,634). Animo Pat Brown and Animo South Los Angeles previously received preliminary apportionment awards under Proposition 55, and Animo Leadership previously received a preliminary apportionment award under Proposition 47. Four other Green Dot schools, Animo Justice, Animo Jackie Robinson, Animo Venice, and Animo Oscar De La Hoya, also received preliminary apportionment awards under either Proposition 55 or Proposition 1D (2007 Funding Round). Although staff has also reviewed each of the three applicant schools on a stand-alone basis, the importance of Green Dot’s continued financial solvency and availability to serve as a co-borrower for the seven schools in the CSFP necessitates a review of Green Dot on an aggregate level.

Overview of Green Dot Public Schools: Green Dot (legal name Green Dot Educational Project, Inc.) is a 501(c)(3) nonprofit public benefit California Corporation, incorporated in 1999. Green Dot currently operates 17 charter high schools in the Los Angeles area, with 15 of charters approved by Los Angeles USD, and one each by Lennox ESD and the California SBE. Green Dot’s first charter school, Animo Leadership, opened in 2000-01 and was followed by 16 schools opened as follows: 2002-03 (1 school), 2003-04 (1 school), 2004-05 (2 schools), 2006-07 (5 schools), 2007-08 (2 schools), 2008-09 (4 schools) and 2009-10 (1 school). The five schools opened in 2008-09 and 2009-10 are independent, conversion charters of Alain LeRoy Locke High School while the balance of the schools are independent, start-up charters.

Enrollment Trends and Projections:

School	Opened	2008-09 Enrollment by Grade					2009-10 Budgeted Enrollment and Attend.		
		9th	10th	11th	12th	Total	Enrollment	Budget ADA	P-1 ADA
Animo Leadership	2000-01	168	140	139	127	574	570	545	574
Animo Inglewood	2002-03	145	142	127	117	531	525	499	519
Oscar De La Hoya Animo	2003-04	148	150	139	117	554	543	522	549
Animo South Los Angeles	2004-05	145	141	130	115	531	545	513	522
Animo Venice	2004-05	165	143	131	111	550	560	532	518
Animo Film & Theater Arts	2006-07	51	38	36	30	155	170	162	161
Animo Jackie Robinson	2006-07	143	138	130	-	411	527	501	532
Animo Justice	2006-07	162	132	102	-	396	510	469	459
Animo Pat Brown	2006-07	157	123	123	-	403	529	500	510
Animo Ralph Bunche	2006-07	160	136	112	-	408	533	499	512
Animo Watts	2007-08	158	155	-	-	313	420	382	385
Animo Locke Technology	2007-08	154	135	-	-	289	420	382	391
Animo Locke 1	2008-09	169	-	-	-	169	300	273	308
Animo Locke 2	2008-09	163	-	-	-	163	310	282	284
Animo Locke 3	2008-09	174	-	-	-	174	300	270	270
Animo Locke ACE Academy	2009-10	-	-	-	-	-	155	141	114
Alain LeRoy Locke Charter*	2008-09	11	617	685	487	1,800	1,355	1,207	1,129
Total		2,273	2,190	1,854	1,104	7,421	8,272	7,680	7,737
ADA Rate								92.8%	93.5%

* Charter awarded to Alain Leroy Locke Charter now operates as Animo Locke #4, Animo Launch to College Academy #1 and Animo Launch to College Academy #2

Green Dot’s ADA as a percent of enrollment averaged 94% in 2007-08 and 95% in 2008-09, excluding Alain LeRoy Locke Charter. Alain LeRoy Locke Charter represented a public school

“transformation” and therefore differs from the traditional Green Dot school model. Inclusive of Alain LeRoy Locke Charter, Green Dot achieved ADA rates of 93.5% system-wide as of the 2009-10 P-1 Report. These ADA figures provide support for Green Dot’s projected ADA of 93% for all schools’ combined financial forecasts. As an indicator of student enrollment demand, Animo Leadership, Inglewood, and Oscar De La Hoya, Green Dot’s oldest three schools, averaged a 9th grade waitlist of 222 students in 2008-09.

Organization and Management: Green Dot’s home office is responsible for developing new schools, back-office management, fundraising, and advocacy initiatives. Green Dot’s home office management costs are paid through fundraising and through a management fee of 6% of individual school revenues. Green Dot has stated that the management fees paid by its schools in the CSFP will be subordinate to the CSFP lease payments.

Green Dot is governed by a 16 member board of directors, and led by Mr. Steve Barr, Founder and Chair Emeritus. Mr. Barr has managed Green Dot since its inception in 1999 and is a State Board of Education appointee to the Advisory Commission on Charter Schools. Mr. Marco Petruzzi, President and Chief Executive Officer, originally joined Green Dot as President and Chief Operating Officer in January 2007, and was promoted to CEO in October 2008, succeeding Steve Barr. Mr. Petruzzi previously founded an organization providing management and administrative services to charter school management organizations, following fifteen years in management consulting. Mr. Ken Zeff, Chief Operating Officer, previously served as Chief Operating Officer of ICEF Public Schools, a charter management organization that serves disadvantaged students in south Los Angeles. Ms. Sabrina Ayala, Chief Financial Officer, is responsible for managing all financial aspects, including financial strategy, budgets, cash management, accounts receivables, accounts payable, facility financing and purchasing. She brings to Green Dot ten years of Wall Street experience.

School Model: Green Dot’s high schools typically follow the organization’s standard model in which each school opens with a ninth grade of approximately 140 students, adds a new grade in each year, and reaches a maximum of approximately 575 students in grades 9-12 in the fourth year of operations. Green Dot targets individual school self-sufficiency from State revenues by the fifth year, requiring an estimated \$1 million per school of fundraising revenue through that point. Green Dot identifies the following as key sensitivities in this unit model: (a) State apportionment revenues per average daily attendance (ADA); (b) ADA as a percent of total enrollment; (c) teacher salaries; and (d) facility costs.

Academic Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school’s financial position. Schools with improving student performance trends, especially if those trends exceed threshold goals set by the school or the California Department of Education (CDE), are viewed favorably. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by the CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of federal Title I funds.

Staff evaluated API data for Green Dot schools starting in 2004-05 through 2008-09. Over this period, Green Dots schools have demonstrated respectable academic performance to date compared to similar schools. Performance compared to state averages is weaker; however the large traditional public high schools, against which Green Dot compares itself, have uniformly

performed worse than Green Dot's schools on a statewide API basis. Only two of the EMO's thirteen schools for which data was available met API growth targets in 2008-09.

API Growth Score/Met API?					
<u>School</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Animo Leadership	638 / Yes	662 / No	712 / Yes	715 / No	688 / No
Animo Inglewood	686 / No	739 / Yes	687 / No	724 / Yes	703 / No
Oscar De La Hoya Animo	697 / Yes	708 / Yes	662 / No	726 / Yes	710 / No
Animo South L.A.	645 / na	711 / Yes	677 / No	705 / No	692 / No
Animo Venice	691 / na	700 / No	703 / Yes	725 / Yes	729 / No
Animo Film & Theater Arts			701 / na	705 / No	707 / No
Animo Jackie Robinson			552 / na	597 / Yes	634 / Yes
Animo Justice			620 / na	569 / No	556 / No
Animo Pat Brown			671 / na	749 / Yes	753 / No
Animo Ralph Bunche			599 / na	636 / Yes	629 / No
Animo Watts				614 / na	534 / No
Animo Locke Tech				582 / na	588 / No
Animo Locke #1					480 / na
Animo Locke #2					572 / na
Animo Locke #3					504 / na
Alain LeRoy Locke Charter					539 / Yes

API Base Rank (10=Best): Similar Schools/Statewide					
<u>School</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Animo Leadership	9 / 3	7 / 3	7 / 3	10 / 6	10 / 5
Animo Inglewood	10 / 7	10 / 5	10 / 6	8 / 5	9 / 6
Oscar De La Hoya Animo	9 / 3	10 / 6	10 / 5	9 / 3	10 / 6
Animo South L.A.		9 / 3	10 / 6	9 / 4	10 / 5
Animo Venice		10 / 5	9 / 5	9 / 5	10 / 6
Animo Film & Theater Arts				na / 5	9 / 5
Animo Jackie Robinson				4 / 1	6 / 1
Animo Justice				9 / 2	2 / 1
Animo Pat Brown				10 / 4	10 / 7
Animo Ralph Bunche				6 / 2	8 / 2
Animo Watts					na / 2
Animo Locke Tech					na / 1
Animo Locke #1					na
Animo Locke #2					na
Animo Locke #3					na
Alain LeRoy Locke Charter					2 / 1

Green Dot schools' AYP performance has been weak as of late. The vast majority of Green Dot schools did not meet all AYP criteria in 2008-09 (13 out of 16). This overall poor performance does not appear to have affected student demand.

AYP Performance - Met AYP Targets					
<u>School</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Animo Leadership	Yes	Yes	Yes	Yes	No
Animo Inglewood	Yes	Yes	Yes	Yes	Yes
Oscar De La Hoya Animo	No	Yes	Yes	Yes	No
Animo South L.A.	No	No	Yes	No	No
Animo Venice	No	No	Yes	Yes	No
Animo Film & Theater Arts			No	Yes	Yes
Animo Jackie Robinson			No	No	No
Animo Justice			No	No	No
Animo Pat Brown			No	Yes	Yes
Animo Ralph Bunche			No	No	No
Animo Watts				No	No
Animo Locke Tech				No	No
Animo Locke #1					No
Animo Locke #2					No
Animo Locke #3					No
Alain LeRoy Locke Charter					No

Fundraising and Contribution Revenue: Green Dot has funded its rapid growth to date in part through successful fundraising from private donors. Green Dot raised \$43.65 million in private contributions and grants over the 2003-04 through 2008-09 period, with \$13.64 million reported for 2008-09. These figures include major philanthropy from the Broad Foundation, the Wasserman Foundation, the Bill & Melinda Gates Foundation, and the Michael & Susan Dell Foundation. Green Dot's financial projections include additional contributions and fundraising which average \$14.49 million per year from 2009-10 through 2014-15. While staff believes that Green Dot is likely to raise these funds based on past performance, it is important to note that these funds are necessary in order to result in balanced budgets.

Financial Performance: Staff's review of Green Dot's financial performance is based on audited financial statements for 2003-04 through 2008-09 (draft) financial statements, 2009-10 budget projections, and financial projections from 2010-11 through 2014-15, as provided by Green Dot for all schools and the home office. Highlighted in this section are financial data and credit indicators used to evaluate Green Dot's ability to meet its potential CSFP obligations as a co-borrower to seven Green Dot schools. Please note that the revenue, expenditure and changes to net assets recorded in financial audits and provided in financial projections have been modified by staff, where necessary, to include capital outlays, operating leases and repayment of debt and other significant obligations, and to exclude non-cash items such as depreciation. Below we have highlighted selected financial data and credit indicators to evaluate Green Dot's ability to meet its potential aggregate CSFP obligations as a co-borrower to seven schools.

Green Dot Public Schools

Green Dot Public Schools	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Unaudited FY 2008-09	Budget FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
ENROLLMENT PROJECTIONS										
Enrollment	1,992	3,067	4,147	7,421	8,272	8,331	8,166	8,281	8,313	8,583
Average Daily Attendance	1,886	2,907	3,831	6,933	7,679	7,732	7,586	7,691	7,744	7,985
Average Daily Attendance (%)	95%	95%	92%	93%	93%	93%	93%	93%	93%	93%
FINANCIAL PROJECTIONS										
Total Revenues Available for CSFP Lease Payment	\$ 21,690,881	\$ 38,627,930	\$ 45,307,074	\$ 87,653,738	\$ 89,888,819	\$ 87,462,532	\$ 84,854,692	\$ 87,017,448	\$ 87,660,438	\$ 90,214,970
Total Expenses Paid Before CSFP Lease Payment	19,073,692	31,517,393	44,209,651	71,100,920	89,241,402	86,553,034	84,971,949	83,005,556	81,453,349	83,699,582
Accounting Adjustments	-	-	-	-	1,000	1,000	1,000	1,000	1,000	1,000
Net Revenues Available for CSFP Lease Payment	\$ 2,617,189	\$ 7,110,537	\$ 1,097,423	\$ 16,552,818	\$ 648,418	\$ 910,499	\$ (116,257)	\$ 4,012,892	\$ 6,208,088	\$ 6,516,388
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,608,318	\$ 5,100,364	\$ 5,100,364
Net Revenues After CSFP Lease Payment	\$ 2,617,189	\$ 7,110,537	\$ 1,097,423	\$ 16,552,818	\$ 648,418	\$ 910,499	\$ (116,257)	\$ 1,404,574	\$ 1,107,725	\$ 1,416,024
FINANCIAL INDICATORS										
Net Revenues Available for CSFP Lease Payment	\$ 2,617,189	\$ 7,110,537	\$ 1,097,423	\$ 16,552,818	\$ 648,418	\$ 910,499	\$ (116,257)	\$ 4,012,892	\$ 6,208,088	\$ 6,516,388
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	153.8%	121.7%	127.8%
Contributions	\$ 5,315,065	\$ 9,524,116	\$ 7,959,167	\$ 13,636,126	\$ 17,586,995	\$ 16,850,325	\$ 15,725,825	\$ 14,377,825	\$ 11,295,825	\$ 11,126,325
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-397.4%	-99.8%	-90.4%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.0%	5.8%	5.7%
Contributions / Revenues	24.5%	24.7%	17.6%	15.6%	19.6%	19.3%	18.5%	16.5%	12.9%	12.3%
Net Revenues After CSFP Lease Payment / Revenues	12.1%	18.4%	2.4%	18.9%	0.7%	1.0%	-0.1%	1.6%	1.3%	1.6%
Revenues / ADA	\$ 11,501	\$ 13,288	\$ 11,826	\$ 12,643	\$ 11,705	\$ 11,312	\$ 11,186	\$ 11,315	\$ 11,319	\$ 11,299
Expenses / ADA	\$ 10,113	\$ 10,842	\$ 11,540	\$ 10,255	\$ 11,621	\$ 11,195	\$ 11,201	\$ 10,793	\$ 10,518	\$ 10,483
Net Revenues After CSFP Lease Payment / ADA	\$ 1,388	\$ 2,446	\$ 286	\$ 2,388	\$ 84	\$ 118	\$ (15)	\$ 522	\$ 801	\$ 816
Net Working Capital	\$ 2,341,852	\$ 8,455,859	\$ 9,792,196	\$ 24,559,546						
Net Working Capital / Expenses	12.3%	26.8%	22.1%	34.5%						

Driven by student enrollment growth from 3,067 students in 2006-07 to 6,760 students in 2007-08 to 7,421 students in 2008-09, Green Dot has consistently increased its net assets in every year since 2003-04, and is budgeted to perform similarly in 2009-10. Of particular relevance to its potential liabilities as a co-borrower, the EMO's unrestricted cash and cash equivalents have increased annually from \$813,963 at June 30, 2006 to \$13.52 million at June 30, 2009. On a projected basis, Green Dot is expected to generate annual cash flow sufficient to subsidize all of its schools' CSFP lease obligations.

Regarding assumptions included in financial projections, the 2009-10 ADA funding rate of approximately \$6,000 (grades 9 to 12) were used as a base when determining projected future funding rates. Staff notes that this funding rate is conservative in comparison to the CDE funding rate of \$6,118 as of February 19, 2010. Green Dot assumed annual increases of 0% in years 2010-11 and 2011-12 to the general purpose block grant funding rates, and then anticipates funding levels growing at 4.7% in 2012-13 through 2014-15. Expenses are expected to be held static through 2012-13 but thereafter annual COLAs of 2%-3% are applied. Staff notes that Green Dot's operational and financial projections do not assume that any new charter schools above the present 17 schools are operated by Green Dot through 2014-15. The budgeted enrollment of 8,272 students for 2009-10 is projected to increase to 8,583 by 2014-15, which equates to a total increase of only 3.8% over the five year period. Green Dot has assumed an average ADA rate of 93.0% over the projection period, which is slightly below the 93.5% average ADA rate reported for the P-1 period of 2009-10.

Assets/Liabilities and Liquidity: Based on the EMO's audited financial statements, as of June 30, 2009, Green Dot had aggregate long-term liabilities of \$31.66 million (current portion included), which represents an increase from the \$15.27 million reported at June 30, 2008 and \$8.84 million reported at June 30, 2007. These liabilities at June 30, 2009 include \$19.38 million due under capital lease obligations for equipment and the CSFP facilities for Oscar De La Hoya Animo, Animo Venice and Amino Leadership plus loans payable of \$12.27 million. These loans include seven unsecured charter school revolving loans from CDE aggregating to \$1.35 million, one unsecured loan in the amount of \$1.00 million due by June 2012 and two construction loans in the total amount of \$9.92 million with bullet payments due by 2011 and 2015. (Our analysis assumes that these bullet payments are refinanced over the lives of the constructed assets and, therefore, do not have a material impact on the EMO's financial soundness.)

Green Dot has informed staff that the organization may pursue additional borrowing for its non-CSFP-associated schools. Although Green Dot has listed itself as guarantor on all its schools' applications, Green Dot is formally a co-borrower rather than guarantor, since the organization is not legally separated from the school. In the event of lease default, the CSFA would have recourse first to the specific school assets, and then recourse on parity with other creditors to Green Dot as an EMO. Other creditors would have first recourse to schools with associated obligations under the Green Dot umbrella.

At June 30, 2009, Green Dot had unrestricted cash and cash equivalents of \$13.52 million and \$13.47 million of restricted cash for CSFP projects. Unrestricted cash increased from the \$5.48 million and \$4.78 million amounts reported at June 30, 2008 and June 30, 2007, respectively. Liquidity is also measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Green Dot's NWC at June 30, 2009 was \$24.56 million, or 34.5% of total expenses, which had increased markedly from the prior year's \$9.79 million, or 22.1% of total expenses, due to a \$16.71 million increase in accounts receivable caused by the State's deferred apportionments of per pupil funding. As staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient, Green Dot's most recent audited financials and cash balances indicate sufficient liquidity positions.

CSFP Applications: Green Dot has applied for CSFP Preliminary Apportionment under Proposition 1D (2009 Funding Round) for three schools -- Animo Leadership (\$15,628,994), Animo South Los Angeles (\$18,143,644), and Animo Pat Brown (\$20,570,634). Animo Pat Brown and Animo South Los Angeles previously received preliminary apportionment awards under Proposition 55, and Animo Leadership previously received a preliminary apportionment award under Proposition 47. Four other Green Dot schools, Animo Justice, Animo Jackie Robinson, Animo Venice, and Animo Oscar De La Hoya, also received preliminary apportionment awards under either Proposition 55 or Proposition 1D (2007 Funding Round).

Each school intends to fund its 50% match through a 30-year lease through the CSFP. Although lease payments will be made from the revenues of each school, Green Dot would serve as co-borrower on each of these leases in the event of a default by a particular school. The following table presents a summary of Green Dot's projected CSFP facility costs and estimated lease payments assuming a 30-year term and a 3.00% annual interest rate. Based on the expected repayment periods and annual lease payments presented below, Green Dot's aggregate potential co-borrower commitments would commence at \$2,608,318 in 2012-13 and \$5,100,364 in 2013-14.

School	Year Opened	Expected First FY of CSFP Repayment	Project Cost	CSFP Lease Amount	Projected Annual Lease Payment
Animo Leadership	2000-01	2013-14	\$ 34,376,072	\$ 17,188,036	\$ 876,921
Oscar De La Hoya Animo	2003-04	2012-13	30,080,904	15,040,452	767,353
Animo South Los Angeles	2004-05	2013-14	30,601,120	15,300,560	780,623
Animo Venice	2004-05	2012-13	16,400,169	8,200,085	418,362
Animo Jackie Robinson	2006-07	2012-13	27,883,656	13,941,828	711,302
Animo Justice	2006-07	2012-13	27,883,656	13,941,828	711,302
Animo Pat Brown	2006-07	2013-14	32,713,186	16,356,593	834,501
			\$ 199,938,763	\$ 99,969,382	\$ 5,100,364

Debt Service Coverage: Green Dot's projected 2012-13 net revenues of \$4.01 million would provide debt service coverage of 153.8% on the \$2.61 million in aggregate lease payments potential. Green Dot's projected net revenues of \$6.21 million in 2013-14 and \$6.52 million in 2014-15 would provide debt service coverage of 121.7% and 127.8%, respectively, on the \$5.10 million in aggregate lease payments. Because contributions are expected to average 16.5% of Green Dot's annual revenues from 2009-10 through 2014-15, which is slightly above the 15.0% threshold level used by staff, we have computed the percentage of projected contributions that must be received in order for Green Dot's projected debt service coverage ratios to be at least 100.0%. For 2012-13, Green Dot must receive at least 18.1% of the \$14.38 million in projected contributions to generate debt service coverage of at least 100.0%. For 2013-14 and 2014-15, an average of 45.5% of the \$11.2 million in projected contributions must be received.

Strengths, Weaknesses and Mitigants

- + Track record of strong growth, enrollment demand, and financial stability.
- + Proven fundraising ability to date.
- With seven potential CSFP projects, if necessary, Green Dot's contingent commitments would be a major component of the EMO's ongoing expenditures.
- Although ranked highly among similar schools, academic performance measured by API has been relatively poor compared to statewide averages.