

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 1D 2009 FUNDING ROUND
STAFF SUMMARY REPORT – APRIL 2012**

Applicant:	Roseland Charter School
Project School:	Roseland Charter School
CDS (County-District-School) Code:	49-70904-0101923
Proposed Project Location:	1934 Biwana Drive, Santa Rosa, CA 95407
Type of Project:	New Construction
County:	Sonoma County
School District Where Located:	Roseland Elementary School District
Chartering Entity:	Roseland Elementary School District
OPSC Project Cost:	\$13,920,182
Total State Apportionment:	\$6,960,091
Lump Sum Contribution:	\$450,000
Total CSFP Lease Amount:	\$6,510,091
Length Of CSFP Lease Payments:	30 years
Assumed Interest Rate On Obligation:	3.00%
Estimated Annual CSFP Lease Payment:	\$332,140
First Year Of Occupancy Of New Project:	2013-14

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Roseland Charter School (Roseland) is financially sound for purposes of the Charter School Facilities Program (CSFP) Advance and Final Apportionments. This recommendation is contingent upon Roseland electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. It also is contingent upon the subordination of Roseland's oversight fee to the Roseland Elementary School District. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.

Background: Roseland is requesting Advance Apportionments of \$1,235,176 for design and \$1,370,720 for site acquisition for construction of a new facility for its high school program, Roseland University Prep (RUP).

On June 27, 2011, the Authority determined that Roseland was financially sound for a Preliminary Apportionment of \$13,470,182 through the Proposition 1D funding round of the Charter School Facilities Program, and at its July 12, 2011 meeting, the State Allocation Board (SAB) awarded Roseland a Preliminary Apportionment in this amount. Pursuant to the Authority's Resolution 11-33, the Authority's determination of financial soundness was valid for six months. Staff has conducted a reassessment of Roseland's financial soundness based on updated information that Roseland submitted on February 1, 2012 as well as information available through California Department of Education's website, including, but not limited to the following: (1) financial information for the organization; (2) current charter and

verification of the charter’s expiration date; (3) academic performance results (from CDE’s website); (4) the Legal Status Questionnaire; (5) current and projected enrollment, as well as retention rates; (6) management and Board of Directors information; and (7) disclosure of any information that may have an impact on Roseland’s financial condition. In addition, staff requested confirmation of Roseland’s compliance with the terms of its charter and good standing with its chartering authority, Roseland Elementary School District (District).

Application Highlights: Highlighted below are key criteria that were evaluated when conducting the financial soundness review of Roseland Charter School. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Roseland has met all Program eligibility criteria: 1) a charter is in place and effective through June 30, 2013; 2) Roseland has at least two years of instructional operations; and 3) Roseland is in compliance with the terms of its charter and in good standing with its chartering authorizer.
Demographic Information	Roseland currently serves 702 students in grades 7-12 and projects having 770 students in grades 7-12 in 2012-13 and thereafter will reach a capacity of 830 students in grades 7-12.
Debt Service Coverage	<ul style="list-style-type: none"> Without the subordination of district fees, Roseland’s projected debt service coverage for 2014-15 and 2015-16 (first two years of CSFP payments) is 84.5% and 80.8%, respectively. With the subordination of \$64,000 in district fees, Roseland’s projected debt service coverage for 2014-15 and 2015-16 (first two years of CSFP payments) is 103.8% and 100.1%, respectively.
Other Financial Factors	<ul style="list-style-type: none"> As of June 30, 2011, Roseland had total net assets of \$2,183,769, cash-on-hand of \$975,812, and net working capital of \$1,945,809, representing 36.9% of expenses. Roseland has committed to making a \$450,000 lump-sum payment toward the local matching share for the CSFP project during 2013-14, the first year of project occupancy. Roseland projects year-end net assets of \$1,598,985 for 2012-13, which is more than sufficient to make the lump-sum payment. Roseland has an outstanding loan obligation with Roseland Elementary School District in the amount of \$228,703, which Roseland projects paying off by 2012-13. As a result of Roseland’s payments on this debt, Roseland projects a net deficit of \$184,835 for the current 2011-12 budget year and \$99,949 for 2012-13. With the subordination of \$64,000 in district fees, CSFP lease payments are projected to represent 5.6% and 5.5% of total revenues for 2014-15 and 2015-16, respectively, which is well below the 10-15% recommended threshold levels.
Student Performance	<ul style="list-style-type: none"> In three of the past four years (all years except 2008-09), Roseland failed to meet all of its AYP criteria. Roseland is in its first year on “Program Improvement” status per the No Child Left Behind Act of 2001. Based on its API base scores, Roseland’s statewide rankings were “6” and “5” for 2009-10 and 2010-11, respectively, and Roseland’s similar-schools rankings were “10” and “8,” respectively (“10” = best).

Program Eligibility: On January 25, 2012, staff received verification from the Roseland Elementary School District (District) confirming that Roseland Charter School is currently (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. At its August 4, 2008 board meeting, Roseland Elementary School District approved a five-year renewal of the charter for Roseland Charter School for a term of July 1, 2008 through July 1, 2013.

Legal Status Questionnaire: Staff reviewed Roseland’s responses to the questions contained in the Legal Status Questionnaire (LSQ). The school answered “None” to each of the two questions, indicating that it has no material information to disclose relating to legal or regulatory proceedings, or legal action in which it or any of its affiliates is a named party.

Project Description: The CSFP-funded project involves construction of a 32,000 sq. ft. multi-story building on a small 1.896 acre site. The new facility for RUP high school will serve approximately 400 students in grades 9-12 in 20 classrooms, including specialty classrooms for media, nutrition and health, and performing arts. Athletic fields and the gymnasium will be shared with the adjacent public school, Sheppard Elementary, and its middle school program, Roseland Accelerated Middle School Program. Project completion and occupancy is anticipated in 2013-14.

Organizational Information: Roseland is an independent charter school and not-for-profit public benefit organization with a 501(c)(3) status, currently serving grades K and 7-12, and chartered for grades K-12. Roseland received its first charter from Santa Rosa City School District and transferred to the Roseland Elementary School District in 2003. Roseland began instructional operations as a middle school in 2003-04 with 186 students in grades 7 and 8. The high school program was established in 2004-05 with 78 students in grade 9.

Although Roseland operates as an independent charter school in which it manages its own budget and is subject to independent audits, the District provides business services as well as management support to Roseland, and the District Superintendent has direct involvement in day-to-day operations. In addition, Roseland’s certificated and classified staff is paid directly by the District, and Roseland reimburses the District for salaries and benefits that the District pays on behalf of Roseland.

Currently, Roseland is divided into two distinct major programs and facilities: its middle school program, Roseland Accelerated Middle School (RAMS), which started operations in September 2003 and serves grades 7-8, and whose facilities it shares with Sheppard Elementary School at 1777 West Avenue, Santa Rosa; and its high school program, Roseland University Prep, which started operations in September 2004 and serves students in grades 9-12, and whose facilities are located at 100 Sebastopol Road, Santa Rosa. Roseland is also planning to add a second middle school facility beginning in 2012-13 at 80 Ursuline Road, Santa Rosa, California. RAMS currently serves 306 students in grades 7-8 and RUP currently serves 396 students in grades 9-12.

As Roseland is chartered for grades K-12, beginning with the current year, Roseland has also begun an elementary school program with 44 kindergarteners on the same facility as RAMS. in anticipation of adding a new elementary school grade each year up to grade 6. It is noteworthy that Roseland’s elementary school program is budget neutral, in that the District is covering all operating expenses without Roseland bearing any financial risk.

Based on materials that Roseland submitted in its application, Roseland indicates that it has implemented a comprehensive approach to school reform designed to improve schooling for young people in at-risk communities. Centered on “The Accelerated Schools’ Powerful Learning” teaching methodology, a combination of small and large group instruction is used with one-on-one help available as needed. This methodology has five theoretical components which shape the delivery of instruction in every classroom: authentic, interactive, learner-centered, inclusive, and continuous. Roseland further describes that all teachers receive specialized and continuous training in how to implement this teaching methodology in their classrooms.

Based on the school’s current student population statistics, 82% fall below the federal poverty line; 75% are English Language Learners; 85% are Hispanic; and 80% of the student’s parents have not graduated from high school.

Educational Management Organization: Not applicable.

Management Experience: The school’s personnel and management team demonstrate professional, experienced, and qualified individuals serving in key capacities within the organization. Key staff for Roseland Charter School includes staff of the chartering authority, Roseland Elementary School District. District staff with key responsibilities for the charter school includes Gail Ahlas, District Superintendent; Rosie Greco, Business Manager; and Maria Lease, Personnel Services. Key staff for the school includes Aubin Giampaoli, Principal of RUP, and Jenny Young, Principal of RAMS.

Gail Ahlas, founder and director of the charter school, has nine years of experience from 1994 to 2003 as principal of both traditional public and charter schools and has served as the District’s Superintendent of Schools since 2003. Ms. Ahlas has a Master’s Degree in Education and Policy Analysis, and an Administrative Credential from Stanford University

Aubin Giampaoli has served as Principal of Roseland’s high school program, RUP, since July 2010. Prior to this position, Ms. Giampaoli served as Assistance Principal of RUP from 2008 to 2010 and as a teacher at RUP from 2004 to 2008. Ms. Giampaoli holds a B.A. from Christ College Medallion and a California Multiple Subjects Credential from Concordia University.

Rosie Greco has served as the district’s Business Manager since 2000, and her education includes the School Business Management Certificate Program at the University of Southern California Rossier School of Education and Chief Business Official Certification from the California Association of School Business Officials.

Jenny Young has served as Principal of Roseland’s middle school program, RAMS, since 2008, and served as Assistant Principal of RAMS from 2004 to 2008. Prior these positions, Ms. Young served as a teacher at Roseland from 2000 to 2004. Ms. Young received her B.A. in Liberal Studies from California State University, Sacramento, and holds both California Administrative and Multiple Subjects Credentials.

Management Experience for Schools Open Less than Two Years: Not applicable since Roseland has been in operation as a charter school since 2003.

Board Experience: Roseland is governed by the five-member Roseland Charter School Board of Directors. The board is responsible for the school’s overall governance, including establishing operating policies and procedures. The board holds member elections each December at the annual organizational meeting; and is currently represented by one parent (who is also a member of the Roseland Elementary School District Board of Directors), three community members, and a Sonoma State University representative.

The following table depicts Roseland’s current Board membership.

NAME	OCCUPATION	COUNTY OF RESIDENCE	TERM OF OFFICE* (years)
Ricardo Navarrette	Santa Rosa Community College Vice President of Student Services	Sonoma	2010-12
Carlos Ayala	Sonoma State University, Interim Dean of the School of Education	Sonoma	2010-12
Sondra Beam, Board President	Pharmaceutical Medicine	Sonoma	2002-12
Ronnie Wilson, Board Vice President	Self-Employed	Sonoma	2001-12
Carmel Curiel Larios	Insurance Agent	Sonoma	2007-12

** All Board members’ terms end on June 30, 2012, but are subject to automatic renewal each year for an additional year until such time as they resign.*

In addition, the Roseland Charter School Community Advisory Board provides expertise, support, and encouragement toward advancing the school’s mission. More than 40 community leaders serve on this advisory board.

Student 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 are viewed favorably, especially if these trends exceed threshold goals set by the school or the California Department of Education (CDE). 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 1 funds.

Roseland has more than four years of reported AYP information and API scores, allowing a review of progress and comparison to similar schools. The following table summarizes Roseland’s student performance for the past four years.

Roseland Charter School	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	No	Yes	No	No
Criteria Met / Required Criteria	17 / 18	18 / 18	14 / 17	10 / 18
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	Yes	Yes	NA	Yes
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	No	Yes	No	Yes
Met Comparable Improvement Growth Target?	No	Yes	No	No
Met Both Schoolwide & CI Growth Targets?	No	Yes	No	No
API Base Statewide Rank (10 = best)	5	5	6	5
API Base Similar Schools Rank (10 = best)	10	7	10	8
School's Actual Growth	-3	38	4	8
Similar Schools Median of Actual Growth	17	14	17	8
Did School's Growth Exceed Median?	No	Yes	No	No

Roseland has achieved API growth scores of 702, 743, 746, and 753 for each year from 2007-08 to 2010-11, respectively. Based on its API base scores, Roseland's statewide rankings were "6" and "5" for 2009-10 and 2010-11, respectively, and Roseland's similar-schools rankings were "10" and "8," respectively ("10" = best). In three of the past four years (all years except 2008-09), Roseland failed to meet all of its AYP criteria. As such, Roseland is in its first year of Program Improvement status. Roseland met its API growth target for 2008-09 and 2010-11, but not for 2007-08 and 2009-10.

Staff notes that the percent-proficient threshold requirement for AYP, both for English-language arts and mathematics, in accordance with the Elementary and Secondary Education Act (ESEA), reflects increases each year and will continue to reflect increases until 2014. Therefore, with each successive year, charter schools are increasingly challenged in "making AYP" (meeting all AYP criteria). This requirement applies to both school wide performance and performance of each numerically significant subgroup within any school. As an example, since 2002, the percent-proficient requirements for English-language arts (elementary schools, middle schools, and elementary school districts) are as follows: 13.6% for each of 2001-02, 2002-03, and 2003-04; 24.4% for each of 2004-05, 2005-06, and 2006-07; 35.2% for 2007-08; 46.0% for 2008-09; 56.8% for 2009-10; and 67.6% for 2010-11. This specific requirement will increase up until 2014 with the following percent-proficient thresholds: 78.4% for 2011-12; 89.2% for 2012-13; and 100.0% for 2013-14. The English-language arts percent-proficient requirement for high schools shows a similar trend, as do the percent-proficient requirements for mathematics for both elementary schools and high schools. Given that each numerically significant subgroup within a school must meet the percent-proficient requirement in English-language arts and mathematics in order for the school to make AYP, and given the high prevalence of English-language learners in California, charter schools are faced with increasing difficulty in making AYP¹.

Upon staff's further inquiry with District Superintendent Gail Ahlas regarding Roseland's action steps to address its academic performance, Ms. Ahlas provided the following:

¹ Information regarding AYP requirements is derived from the California Department of Education's "2010 Adequate Yearly Progress Report Information Guide".

“As AYP targets have been quickly increasing, Roseland Charter has entered Program Improvement for this first time this school year (2011-12). This is currently a trend across our county, as currently approximately 75% of Title I middle and high schools in Sonoma County are in PI. She added that Roseland Charter has fulfilled all requirements for schools in year 1 of program improvement. This includes: parental notification, offering school choice, providing professional development to teachers, and revising the school's site plan. Additionally schools are not assigned corrective action from the California Department of Education until they are in year 3 of program improvement. As a year 1 PI school, we revised our school plan with a focus on improving student achievement in English language arts and mathematics. Key elements of our revised plan include:

1. schoolwide quarterly benchmark assessments in English Language Arts and Math, followed by focused data analysis and collaborative planning to ensure that teachers are making data-based instructional decisions;
2. professional development for math teachers, with a focus on Explicit Direct Instruction, which helps ensure that all students meet grade level/course standards;
3. professional development for all high school English teachers on expository reading and writing Instruction, which helps prepare students for success in college;
4. extensive work on pacing and assessment schedules, to guarantee that all students are being taught a rigorous curriculum based on California state standards;
5. the addition of math intervention at the middle school level;
6. revision of high school schedules for the 2012-13 school year to allow for additional needed time for English language arts and math intervention.”

As staff has noted Roseland’s inconsistency with meeting academic performance thresholds, staff recommends ongoing monitoring to verify improvement in meeting AYP and API thresholds.

Enrollment and Retention Rates: Roseland has shown consistent growth since its first year of operations in 2003-04, growing from approximately 186 students in grades 7-8 in 2003-04 to 702 students in grades 7-12 for the current 2011-12 academic year, with average annual growth of approximately 11% over the past five years. Roseland projects 770 students in grades 7-12 for 2012-13 and 830 students in grades 7-12 in 2013-14, and anticipates maintaining this level of enrollment through 2015-16, the second year of CSFP payments. Roseland currently has 29 students on its wait list for the middle school program and 8 students on its wait list for the high school program. For 2010-11 and 2011-12, Roseland achieved year-to-year retention rates of 92% and 94%, respectively and ADA rates of 96% and 96%, respectively.

Staff notes that Roseland’s assumed enrollment projections are based upon its establishing an additional middle school site for 2012-13 at 80 Ursuline Road, Santa Rosa. With the addition of four new classrooms at this site by 2013-14, Roseland projects the addition of 124 students in grades 7-8, or approximately 60 new students during each of the next two years. Upon further inquiring with District Superintendent Gail Ahlas regarding evidence to support the projected 124 additional students, Ms. Ahlas indicated that without advertising, by early March 2012, Roseland had filled half the new classroom seats for next year and anticipates being fully enrolled by May 2012. In addition, Ms. Ahlas indicated that, historically, Roseland has consistently met the student capacity whenever new classrooms have been added.

Based on Roseland’s consistent growth since inception of operations and year-to-year retention rates, staff considers Roseland’s enrollment projections to be reasonable.

Financial Analysis²: Highlighted below are selected financial data and credit indicators used to evaluate Roseland Charter School’s ability to meet its CSFP obligation. Staff’s evaluation of the applicant’s financial performance is based on review of the following documents: (1) Roseland’s audited financial statements for 2007-08 through 2010-11; (2) Roseland’s budget for 2011-12 (1st Interim) and budgeted projections for 2012-13 through 2015-16, and (3) projected enrollment for all grades through 2015-16.

Roseland Charter School	Actual FY 2008/09	Actual FY 2009/10	Actual FY 2010/11	Budget FY 2011/12	Projected FY 2012/13	Projected FY 2013/14	Projected FY 2014/15	Projected FY 2015/16
ENROLLMENT PROJECTIONS								
Enrollment	603	644	689	702	770	830	830	830
Average Daily Attendance	557	618	618	674	739	797	797	797
Average Daily Attendance (%)	92%	96%	90%	96%	96%	96%	96%	96%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Payment	\$ 5,217,918	\$ 5,017,427	\$ 5,856,344	\$ 5,398,578	\$ 5,620,955	\$ 5,901,846	\$ 5,922,274	\$ 6,057,808
Total Expenses Paid Before CSFP Payment	4,526,638	4,995,030	5,278,241	5,583,413	5,720,904	5,788,630	5,593,303	5,741,288
Accounting Adjustments	168,407	172,751	108,289	99,000	92,000	15,819	15,819	15,819
Net Revenues Available for CSFP Payment	\$ 859,687	\$ 195,148	\$ 686,392	\$ (85,835)	\$ (7,949)	\$ 129,035	\$ 344,790	\$ 332,339
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332,140	\$ 332,140
Net Revenues After CSFP Payment	\$ 859,687	\$ 195,148	\$ 686,392	\$ (85,835)	\$ (7,949)	\$ 129,035	\$ 12,650	\$ 199
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Payment	\$ 859,687	\$ 195,148	\$ 686,392	\$ (85,835)	\$ (7,949)	\$ 129,035	\$ 344,790	\$ 332,339
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	103.8%	100.1%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	103.8%	100.1%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	5.6%	5.5%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Payment / Revenues	16.5%	3.9%	11.7%	-1.6%	-0.1%	2.2%	0.2%	0.0%
Revenues / ADA	\$ 9,368	\$ 8,119	\$ 9,476	\$ 8,011	\$ 7,604	\$ 7,407	\$ 7,433	\$ 7,603
Expenses / ADA	\$ 8,127	\$ 8,083	\$ 8,541	\$ 8,285	\$ 7,739	\$ 7,265	\$ 7,437	\$ 7,622
Surplus (Deficit) / ADA	\$ 1,241	\$ 36	\$ 935	\$ (274)	\$ (135)	\$ 142	\$ (4)	\$ (20)
Net Working Capital	\$ 1,414,619	\$ 1,428,943	\$ 1,945,809					
Net Working Capital / Expenses	31.3%	28.6%	36.9%					

Staff’s reassessment of Roseland’s financial status is based on the following assumptions:(1) current student enrollment of 702 and projected student enrollment of 770 for 2012-13, and 830 for 2013-14 through 2015-16; (2) projected ADA rates of 96% each of 2011-12 through 2015-16; (3) a general purpose block grant rates of \$5,306 for grades 7-8 and \$6,148 for grades 9-12; (4) cost of living adjustments (COLAs) to the general purpose block grant rate of 0.0% for each of 2012-13 through 2014-15 and 2.5% for 2015-16; and (5) subordination of specific district fees in the amount of \$64,000, including \$21,500 of \$100,000 in district oversight fees, \$12,500 of \$25,000 in fees for RAMS’ use of equipment and some supplies shared with the elementary school, and \$30,000 of \$165,000 in annual rent for the RAMS facility. It is noteworthy that the COLA assumptions are considerably more conservative than normally requested of applicants, and were required in order to address recent constraints with the State budget.

Roseland Elementary School District authorized the subordination of district fees in the amount of \$64,000 (assumption # 5 above) in order to allow Roseland to meet the Program’s minimum debt service coverage requirement of 100%. In order to provide perspective, the analysis below sets forth both the debt service coverage with and without the subordinated district fees.

² Although Roseland will ultimately be operating with grades K-12 during payment of its CSFP obligation, given that grades K-6 are budget neutral, the elementary grade enrollment is not incorporated into the financial analysis within this Report.

Long-Term Liabilities – As of June 30, 2011, Roseland had outstanding long-term liabilities of \$99,153. These debt obligations resulted from three loans obtained from the Roseland Elementary School District for purposes of facilities and leasehold improvements. Details regarding these liabilities are provided below.

During 2004-05, Roseland obtained a \$253,428 loan with interest at 3.0% per annum from the Roseland Elementary School District to help with leasehold improvement costs of the high school facility. In 2005-06, the school borrowed \$414,008 from the district for facility improvements and subsequently an additional \$181,717 to help with additional leasehold improvement costs. The current loan obligation from the Roseland Elementary School District is expected to be repaid in two annual installments, which includes interest, as follows: \$126,575 in 2011-12; and \$102,128 in 2012-13. Roseland reported that it does not have any material contracts in excess of 5% of the school's gross revenues.

Performance/Change in Net Assets: Although Roseland anticipates a net deficit of \$184,835 for the current 2011-12 budget year and a net deficit of \$99,949 for 2012-13, historically Roseland has exhibited strong performance with net revenues \$286,907, \$691,280, and \$22,397, and \$578,103 for 2007-08 through 2010-11, respectively. Although Roseland anticipates net deficits for 2011-12 and 2012-13 of \$184,835 and \$99,949, respectively, Roseland anticipates net gains in revenues of \$113,216, \$264,971, and \$252,520 for 2013-14 through 2015-16, respectively. Notwithstanding the net gains during the first two years of CSFP payments, 2014-15 and 2015-16, these gains are not sufficient to meet the minimum debt service requirements; hence, the need for Roseland to subordinate \$64,000 in annual district fees.

Debt Service Coverage: Assuming total project costs of \$13,920,182, a 3.0% interest rate, a 30-year repayment period, first full year of project occupancy in 2013-14, and the Roseland making a lump-sum payment of \$450,000, Roseland's annual CSFP payment will be \$332,140 beginning in 2014-15. Without the subordination of district fees in the amount of \$64,000, during the first two years of CSFP payments, 2014-15 and 2015-16, Roseland anticipates debt service coverage of 84.5% and 80.8%, respectively, which is below the minimum Program requirement of 100%. However, with Roseland's subordination of \$64,000 in annual district fees, Roseland anticipates debt service coverage of 103.8% and 100.1% for 2014-15 and 2015-16, respectively. With the subordination of district fees, the CSFP payment represents 5.6% and 5.5% of revenues for 2014-15 and 2015-16, respectively, which is well within the 10-15% recommended maximum threshold.

Based on the assumptions applied to Roseland's financial projections, including the subordination of \$64,000 in annual district fees, the Authority's reassessment found Roseland to be financially sound in terms of satisfying the Program's debt service coverage requirement

Liquidity: As of June 30, 2011, Roseland held \$975,812 in cash and cash equivalents. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Roseland's NWC for 2010-11 and 2010-11 was \$1,428,943 or \$28.6% of total expenses, and \$1,945,809 or \$36.9% of total expenses, respectively. Both of these meet the targeted NWC of 5.0% or more of total expenses.

Strengths Weaknesses, and Mitigants:

- + Roseland has demonstrated consistent enrollment growth since it began operations in 2003-04 with growth from 186 students in 2003-04 to 702 students for the current 2011-12 school year, and anticipates 830 for all projected years.
- + District Superintendent, Gail Ahlas, founded the charter school and has served in her position since 2003.
- + The Roseland Elementary School District Board has approved Roseland's subordination of \$64,000 in annual district fees, which allows Roseland to meet the Program's minimum debt service coverage requirement of 100%.
- +/- Roseland met its API growth target in two of the past four years, 2008-09 and 2010-11. In addition, based on its API base score for 2010-11, Roseland achieved a statewide rank of "5" and a similar schools rank of "8" ("10" = best).
- Roseland only met all AYP criteria in one of the past four years, 2008-09, and is currently in its first year of Program Improvement status.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Roseland Charter School (Roseland) is financially sound for purposes of the Charter School Facilities Program (CSFP) Advance and Final Apportionments. This recommendation is contingent upon Roseland electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. It also is contingent upon the subordination of Roseland's oversight fee to the Roseland Elementary School District. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.