

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 55 FUNDING ROUND
STAFF SUMMARY REPORT – MAY 2009**

Applicant:	Today's Fresh Start Charter
Project School:	Today's Fresh Start Charter
CDS (County-District-School) Code:	19-10199-0102020
Proposed Project Location:	3405 W. Imperial Blvd., Inglewood
Type of Project:	New Construction / Renovation
County:	Los Angeles County
Project Location:	Inglewood Unified School District
Chartering Entities:	Los Angeles County Office of Education / Inglewood Unified School District
OPSC Project Cost:	\$12,605,650
Total State Apportionment:	\$6,302,825
Lump Sum Contribution:	N/A
Total CSFP Lease Amount:	\$6,302,825
Length Of CSFP Lease Payments:	30 years
Assumed Interest Rate On Obligation:	3.00%
Estimated Annual CSFP Lease Payment:	\$321,565
First Year Of Occupancy Of New Project:	2009-10

Staff Recommendation: Staff of the California School Finance Authority (CSFA or Authority) has conducted its financial soundness review of Today's Fresh Start Charter School (TFSCS) for the purposes of an Advance Apportionment under the Charter School Facilities Program (Program) for site acquisition. Staff presented these findings based on TFSCS' operations based on the countywide charter issued by the Los Angeles County Office of Education (LACOE) to the CSFA Board at its April 22, 2009 board meeting. Given several pending issues, including but not limited to, the status of TFSCS charter and planned use of the CSFP-funded facility, CSFA staff did not make a formal recommendation to its board regarding TFSCS' financial soundness. Rather, a lengthy presentation and discussion with school representatives, CSFA staff, and Board members ensued.

At that meeting, board members directed staff to include in their review TFSCS' financial soundness based on a scenario that reflects TFSCS operating one charter school under the terms of its newly-granted Inglewood Unified School District (IUSD) charter. This scenario (discussed herein) entails TFSCS operating one charter school operating at two sites: one site located within IUSD boundaries with 540 students projected in 2012, and one additional site located on 4514 Crenshaw Blvd. Los Angeles, within Los Angeles Unified School District's (LAUSD) boundaries, housing 360 students. Staff's determination regarding TFSCS' financial soundness under this scenario is contained herein.

Project Description: TFSCS currently operates at five different leased sites throughout Los Angeles County under its current LACOE charter. These sites are located within Los Angeles Unified School District and Compton Unified School District's boundaries. At these five sites, TFSCS currently serves approximately 600 students. With its CSFP proceeds, TFSCS intends to renovate a site at 3405 West Imperial Highway, Inglewood. At this site, TFSCS expects to house 540 in a total of 14 classrooms and additional portable classrooms. Project completion is anticipated for the 2010-11 academic year. However, TFSCS will occupy the portables at the site in 2009-10 and serve 120 students.

Background: On December 22, 2004, the Authority determined that TFSCS was financially sound for purposes of the Charter School Facilities Program. The State Allocation Board subsequently awarded a Preliminary Apportionment on February 23, 2005 in the amount of \$12,605,650 to TFSCS. A year later, in February 2006, the Authority determined that TFSCS was financially sound for purposes of an Advance Apportionment for project design and site acquisition. Pursuant to the Authority's determination, in April 2006, the State Allocation Board disbursed \$1,319,797 to TFSCS for the design portion of the Advance Apportionment.

TFSCS obtained two short-term loans during 2007-08, represented by two notes payable, totaling \$6,197,071, for purposes of site acquisition for the CSFP project, with the intent of discharging the loans upon receipt of the Advance Apportionment. TFSCS is now requesting the Authority's financial soundness determination for this purpose.

To assess TFSCS' continued financial soundness status for purposes of Advance Apportionment for site acquisition / loan repayment, CSFA staff reviewed the following information: updated project information; current and projected financial information; updated enrollment and academic performance information; copies of the current charter and verification of the charter's expiration date; verification of TFSCS' compliance with the terms of its charter and good standing with its chartering authority; an updated Legal Status Questionnaire; copies of memoranda of understanding and other contracts with the chartering authority; updated management and Board of Directors information; and disclosure of additional material changes that may have an impact on TFSCS' financial condition.

Although TFSCS is requesting an Advance Apportionment for site acquisition in the amount of \$6,006,662, CSFA's determination of financial soundness is based on TFSCS' ability to meet its obligation for the entire project cost amount of \$12,605,650.

Summary Findings: Highlighted below are key criteria that were evaluated when conducting the financial soundness review of TFSCS. Detailed information is contained in the body of the report.

Criteria	Comments
Charter Compliance and Standing with Authorizer	<p>Inglewood Charter: Staff inquired regarding TFSCS' compliance with its charter and its standing with Inglewood Unified School District (IUSD). At this time, staff has not received a response from IUSD.</p> <p>Current LACOE: TFSCS is not in compliance with its current charter. Based on a response from TFSCS' chartering authority, Los Angeles County of Education (LACOE), in November 2008, and confirmed in recent conversations with LACOE, TFSCS is not in compliance with the terms of the charter. LACOE did not respond to the Authority's questions regarding the school's standing with it, as the charter authorizer. *See historical explanation below.</p>
Demographic Information	<p>Inglewood Charter: TFSCS projects enrollment of 120 students in 2009-10 under its Inglewood charter. This number increases to 700 students during 2010-11, its first year of project occupancy, and 900 in 2011-12 and 2012-13. This enrollment is derived from students being housed in the CSFP-funded facility, portables at the site, and students housed at the Vernon site.</p> <p>Current LACOE: TFSCS has grown from 282 students in grades K-3 for 2003-04 to serving 611 students in grades K-8 for the current 2008-09 academic year. Despite increased past enrollment, TFSCS's year-to-year retention rates were low at 80% and 85% for 2007-08 and 2008-09, respectively.</p>
Debt Service Coverage	<p>Inglewood Charter: TFSCS projects having debt service coverage of 609% for 2011-12 (first year of CSFP payments), and 497% for 2012-13 (second year of CSFP payments).</p>
Other Financial Factors	<ul style="list-style-type: none">▪ CSFP payments are projected to represent 4.1% and 4.1% of total revenues during the first two years of CSFP payments, 2011-12 and 2012-13, which are within the recommended 10-15% threshold levels.▪ TFSCS does not rely on private contributions as sources of revenue.▪ TFSCS has two notes payable totaling \$6,197,071, which were issued during 2007-08 for purposes of site acquisition for the CSFP project. TFSCS intends to discharge this debt upon receipt of the CSFP advance apportionment for site acquisition.
Student Performance	<p>TFSCS failed to meet its API growth targets during three of the past four years (2004-05, 2006-07, and 2007-08), and failed to meet all AYP criteria for the past two academic years, 2006-07 and 2007-08.</p>

Charter Compliance and Standing with Current Authorizer: Most recently, in November 2008, CSFA staff inquired about TFSCS' compliance with its charter and its standing with its authorizer – Los Angeles County Office of Education (LACOE). On November 17, 2008 LACOE responded that TFSCS was not in compliance with the terms of its charter agreement. LACOE did not respond to staff's question regarding TFSCS' standing with LACOE. In preparation for the April CSFA board meeting, CSFA counsel sought feedback from LACOE representatives regarding TFSCS's standing with LACOE. LACOE reported to CSFA counsel that "things have not changed." Below staff has chronicled information regarding TFSCS' standing with LACOE. LACOE clarified with counsel that all facts used to make the non-compliance determination were from the date of the court order going forward and nothing prior to the court order. The facts and issues leading to the determination were separate and distinct from those that led to the revocation vote.

LACOE granted TFSCS a charter in August 2003, and renewed the charter in March 2005. The current charter is set to expire on June 30, 2010. As part of our Advance Apportionment due diligence in February 2006, CSFA sent LACOE our compliance / good standing letter. LACOE responded that TFSCS was in compliance with the terms of its charter and in good standing with LACOE.

At LACOE's December 11, 2007 board meeting, half way through the charter term, LACOE revoked TFSCS' charter with a vote of 4 to 3. However, in October 2008, a superior court judge commanded LACOE to set aside the revocation and reinstate the charter. The narrative portion of the order states that the charter be reinstated in good standing, but the language stating what the court ordered states, "...commanding LACOE to set aside its December 11, 2007 decision to revoke Today's Fresh Start's Charter and to reinstate the charter with all rights and privileges to which it may be entitled under Ed. Code Section 47607 and/or other applicable statutes." No part of the order mentions charter compliance. Nevertheless, staff has focused its analysis on compliance issues that have arisen after the court order was signed that are different from those cited by the authorizer prior to the litigation. The Ed. Code section cited in the order does not affect our recommendation as it deals with existing grants. Since the preliminary apportionment is merely a reservation of funds, it does not qualify as an existing grant.

Regardless of the court order, it is apparent to staff that issues still remain between TFSCS and LACOE. Staff acknowledges that each side is continuing to make allegations regarding the other. Staff would like to note that the verifications required by the CSFP regulations, that are obtained when conducting a financial soundness review, are not present in this case. Instead the board is being presented with a factual history and an awareness of an ongoing conflict between the school and its authorizer.

Authority staff does not evaluate the grounds of charter revocation, however staff does, pursuant to CSFP regulations, have an obligation to evaluate the school's standing with its authorizer, its charter compliance, and other factors related to a school's charter.

Section 10155(a)(2) of CSFP regulations, states that staff may evaluate copies of all written reports to and from the chartering authority, including annual reports and evidence that the chartering authority is engaged in due diligence in its monitoring of the charter school's

student and organizational performance data, and evidence of the chartering authority's oversight and approval of the charter school's instruction and curriculum.

CSFP regulations also provide that staff can evaluate a number of factors that relate to a charter school maintaining its charter. Below we have highlighted certain provisions that relate to a school's charter:

- Section 10154(d) states that the Authority may consider (1) whether the charter school has complied with the terms of its charter agreement, and (2) whether the charter school is in good standing with its chartering authority;
- Section 10158(b) states that the Authority will evaluate all information to assess any material risk that would threaten the financial or operational viability of the applicant charter school;
- Section 10156(g) states that Authority will assess evidence that the applicant is meeting the terms of its charter and is not in imminent danger of having its charter revoked by the chartering authority; and
- Section 10157 states that applicants must provide regular updates, upon request, to the Authority on key aspects of their financial condition and operating results, including (4) notice of any material change to enrollment, student performance, charter status.

It came to staff's attention on Wednesday, April 15, 2009 that TFSCS applied for, and was awarded a charter by the Inglewood Unified School District (IUSD) at its board meeting on January 28, 2009. The charter approved by IUSD covers the property which is the subject of this request for Advance Apportionment. TFSCS did not notify CSFA staff of its charter petition with IUSD. When asked about the IUSD charter, TFSCS representatives stated that they may not elect to file for a charter number with the CDE for this new charter school, and will notify CSFA staff if they elect to open a charter within IUSD. Staff noted that the projections for the subject property provided to IUSD were different than those provided to CSFA in connection with this request for Advance Apportionment (under the LACOE charter). Material differences in enrollment, ADA projections, grade levels served, and revenue estimates were found in TFSCS' projections supplied to IUSD when compared to projections given to the Authority for the LACOE analysis. After requesting an explanation for the discrepancy in financial projections, TFSCS stated that the financial projections given to IUSD included the operation of only their Vernon Site and the CSFP project facilities, assuming IUSD as the sole charter authorizer. Under this scenario, TFSCS would have to cease operation of its other facilities, thus substantially reducing enrollment. TFSCS also stated that they have already met the minimum requirements for charter renewal from LACOE on June 30, 2010. Staff has not received any indication from LACOE regarding the merits of this statement.

Given the uncertainty of charter renewal in 2010 from LACOE, a scenario in which TFSCS operates only two sites, including the CSFP project location, while receiving charter authorization through IUSD, has been analyzed for financial soundness. CSFA evaluated IUSD charter-only financial projections as the most conservative of TFSCS' possible operations.

Legal Status Questionnaire: On December 2, 2008, staff received TFSCS' response to the requests for disclosure contained in the Legal Status Questionnaire (LSQ), which included signatures of the TFSCS' Lead Administrator, Dr. Jeanette Parker, and Chair of TFSCS' Governing Board, Dr. Clark Parker. TFSCS did not disclose any material information relating to legal or regulatory proceedings or legal action in which it or any of its affiliates is a named party.

Inglewood Charter Only Scenario: Under the current TFSCS' enrollment projections, all students will be served from two leased facilities, 4514 Crenshaw Blvd. and 3405 Imperial Blvd. Portable classrooms are expected to be utilized (at the CSFP Imperial Hwy. site) to house an additional 202 students in 2011-12, for a combined 540 students for the CSFP site. Enrollment at 4514 Crenshaw Blvd. is projected to add an additional 360 students, bringing total enrollment for TFSCS to 900 students in both 2011-12 and 2012-13.

Assuming LACOE as their charter authorizer, TFSCS intends to maintain, and expand enrollment at its five existing leased facilities, and enroll new students for the planned CSFP facilities in Inglewood. The school also anticipates the addition of another facility in 2010-11 in order to meet its anticipated capacity of 1,595 by 2012-13.

Organizational Information: TFSCS is a non-profit public benefit corporation with a 501(c)(3) status currently serving grades K-8. TFSCS received its first charter from the Los Angeles County Office of Education (LACOE) in 2003, and began instructional operations in 2003-04 with 282 students in grades K-3. The charter with LACOE was renewed in 2005, and is set to expire in 2010. Since its inception, TFSCS has been adding an additional grade each year with grades K-8 for the current 2008-09 academic year. As noted above, TFSCS also has an approved charter from IUSD, and has been granted an assigned charter number by the California Department of Education for the Inglewood charter.

Educational Management Organization: Not applicable.

Management Experience: The resumes of the school's personnel and management team demonstrate professional, experienced, and qualified individuals serving in key capacities within the organization.

Jeanette Parker has served as TFSCS's Chief Administrator and Superintendent since its inception in 2003-04. Dr. Parker holds a Ph.D. from St. Charles University, a Doctorate of Theology from Pacific International University, and a California Life Time General School Services Credential. Each TFSCS campus has a separate co-principal responsible for its administration.

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

Board Experience: TFSCS is managed by a Board of Directors consisting of five directors who serve staggered terms. Four of the directors serve a 3-year term and one of the directors serves a 2-year term. The Board is responsible for approving long-range goals and annual objectives, monitoring general policies such as health and safety, and

monitoring use and maintenance of facilities, fundraising, and the effective management of school resources. Dr. Parker, TFSCS's Superintendent, serves as one of the five directors.

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 sustainability. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) per the No Child Left Behind Act of 2001. TFSCS has more than three years of reported API scores, allowing a review of progress and comparison to similar schools.

TFSCS achieved API growth scores of 597, 676, 654, and 638 for 2004-05, 2005-06, 2006-07, and 2007-08 respectively. Although TFSCS met its API growth target in 2005-06, it failed to do so in the following three academic years. In addition, although TFSCS met its AYP criteria during 2005-06, it failed to do so in the following three academic years. During 2007-08, TFSCS did not meet AYP based on its inability to meet an adequate percent proficiency in English language arts and Mathematics. With respect to academic rankings, during the 2005-06, 2006-07 and 2007-08 academic years, out of a best possible rank of 10, TFSCS ranked 1, 2 and 1 statewide, respectively. In addition, TFSCS ranked 1, 3 and 4 against similar schools during the same periods. Given its student performance, TFSCS is characterized as a Program Improvement school, pursuant to No Child Left Behind Act of 2001. The implications of PI status are noted as a significant weakness of the school. A chart of the state-mandated PI school is attached for your reference. Based on the attached chart, TFSCS may have to send a letter out to the parents of its student notifying them of the school's continued PI status. This information could negatively impact TFSCS competitiveness.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	No	Yes	No	No
Criteria Met / Required Criteria	3 / 5	13 / 13	19 / 21	13 / 21
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	N/A	N/A	N/A	N/A
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	No	Yes	No	No
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)	4	1	2	1
API Base Similar Schools Rank (10 = best)		1	3	4
School's Actual Growth	-83	79	-20	-15
Similar Schools Median of Actual Growth		14	12	21
Did School's Growth Exceed Median?		Yes	No	No

TFSCS's enrollment does not appear to have been affected by these performance reports (see discussion below). However, it continues to be a potential weakness regarding TFSCS's ability to enroll 540 new students in the CSFP facility in its first two years of operations.

TFSCS provided an explanation for its inconsistent academic performance and a description of remedial actions to address this as well as its low retention rates, including the hiring of two full-time credentialed counselors. TFSCS also attributed academic

performance to the significant amount of underperforming new students entering TFSCS. Rather, TFSCS stated in its response that improvement would be demonstrated in the next annual standardized test scores. The Authority has not received the results of TFSCS' 2008-09 API growth performance as this data becomes available in August 2009.

In its 2006 Due Diligence Report to the CSFA board, staff noted TFSCS' declining student performance as an area of concern. As TFSCS has failed to demonstrate improvement in academic performance, CSFA staff continues to have serious concerns as to whether TFSCS can meet its anticipated growth in enrollment with declining test scores.

The following table reflects how TFSCS' student performance compares with public elementary schools, including charter schools, within the 90043 zip code. TFSCS' performance as compared to surrounding schools is relatively weak. TFSCS states that one of the factors contributing to poor student performance is the fact that TFSCS takes in students regardless of their performance history. To support the demographic challenges reported by TFSCS, CSFA staff looked at the parent education levels when compared to the strongest performing school in the 90043 zip code. TFSCS' parents showed drastically lower levels of education when compared to those at View Park Preparatory Accelerated Charter School.

90043 Zip Code Elementary Schools 2007 Base Data	API	API Statewide Rankings	API Similar School Rankings
View Park Preparatory Accelerated Charter School	788	6	10
Culture & Language Academy of Success	775	6	9
Windsor Hills Math Science Elementary School	770	6	9
54th St. Elementary School	723	3	8
Today's Fresh Start Charter School	653	1	4
59th St. Elementary School	643	1	3
42nd St. Elementary School *	628	1	2
Angeles Mesa Elementary School	643	1	2
Hyde Park Blvd. Elementary	612	1	2

* Designated LAUSD school for region including TFSCS' Vernon Site. Represents directly competing school

Enrollment and Retention Rates: Since its inception in 2003-04, TFSCS has grown from 282 students serving grades K-3 to 611 students serving grades K-8 for the current 2008-09 academic year. To a large extent, this growth has been achieved by adding an additional grade each year, and is much lower than the projected enrollment provided by TFSCS at the time of the last financial soundness determination. The IUSD-only charter enrollment projections show a sizable drop in enrollment from 2008-09 to 2009-10 (611 to 120) as TFSCS' other facilities close but experience significant growth from 2010-11 through 2012-13 (700 to 900). TFSCS has supported these enrollment assumptions by citing high demand, with over 20,000 families in the region indicating an interest in placing their children in different schools. However, it should be noted that TFSCS indicated in their charter request to IUSD that no current IUSD students will be solicited to attend TFSCS.

Using the enrollment assumptions provided to LACOE, enrollment increases were primarily achieved through the addition of a new higher grade each year. With the additional capacity provided by the CSFP project, the expansion of the five existing facilities, and the addition

of another facility in 2010-11 allowed TFSCS to project enrollment to increase to 742 students (grades K-9) during 2009-10, 892 students (grades K-10) in 2010-11, 1,342 students (grades K-11) during 2011-12, and 1,592 students (grades K-12) during 2012-13.

The following table shows TFSCS' total enrollment by grade per CDE since 2003-04 through 2008-09. The table illustrates enrollment increases occurring in every year other than 2006-07. However, the data suggests the negative trend of a substantial percentage of students not returning to TFSCS or being replaced into the same grade the following year. This alternative manner of calculating retention rates is considered less stringent than the traditional form which would exclude new students to the school, taking into account only students that finished the previous school year at TFSCS. Retentions rates of 88.7%, 90.4%, 69.2%, 79.5%, and 85.3% were calculated from 2004-05 through 2008-09, respectively. In addition, enrollment to Kindergarten declined during the period between 2006-07 and 2008-09 from 157 to 136. In spite of the lowered retention rates, total enrollment on average continued to grow as new higher grades were incorporated into TFSCS.

**Today's Fresh Start Charter School
Enrollment by Year - 2003-04 to 2008-09**
Source: California Department of Education

	2003-04		2004-05		2005-06		2006-07		2007-08		2008-09	
	Base Enrollment	Enrollment	+/- Students									
Kindergarten	143	157		158		157		143		136		
First	83	113	-30	137	-20	123	-35	137	-20	122	-21	
Second	45	74	-9	116	3	104	-33	92	-31	118	-19	
Third	11	45	0	64	-10	60	-56	72	-32	71	-21	
Fourth		18	7	31	-14	43	-21	43	-17	55	-17	
Fifth				20	2	23	-8	32	-11	39	-4	
Sixth						11	-9	30	7	28	-4	
Seventh								8	-3	33	3	
Eighth										9	1	
Ninth												
Tenth												
Eleventh												
Twelfth												
Other												
TOTAL ENROLLMENT	282	407	-32	526	-39	521	-162	557	-107	611	-82	
Retention Rate			88.7%		90.4%		69.2%		79.5%		85.3%	

TFSCS offered a number of explanations for the negative indicators shown in the above table. It is TFSCS' position that the actions unfairly taken by LACOE in the revocation of their charter adversely impacted student retention, enrollment, and performance. They contended the enrollment table illustrated the lowest years of student retention occurring in 2006-07 and 2007-08 (69.2% and 79.5%), were higher in prior years and have increased since. However, it should be noted that retention rates before LACOE's actions were relatively poor.

Another reason for low student retention rates were attributed to the transient nature of the neighborhoods in which TFSCS schools are operated. Low percentages of home ownership and as short as nine months as the average time parents move from one place to another were cited as demographic factors that reduced student retention. In addition, TFSCS purported that the students in these regions tend to discontinue education at higher rates as you move into higher grades.

TFSCS states these combined factors have resulted in the demonstrated student retention and performance and are currently being addressed. TFSCS set forth specific interventions that it indicated it had implemented during the current year to address both academic performance and retention, including the hiring of two full-time credentialed counselors.

The current enrollment projections used for the report maintain an IUSD-only charter authorization, exclusively serving grades K-6. Going forward, TFSCS must demonstrate the ability to retain a higher percentage of students as TFSCS doesn't plan to add additional grades to compensate for poor student retention.

Financial Analysis: Highlighted below are selected financial data and credit indicators used to evaluate TFSCS's ability to meet its CSFP obligation.

Staff's evaluation of TFSCS' financial performance is based on review of the following documents: (1) TFSCS' audited financial statements for 2004-05 through 2007-08; (2) TFSCS' budget for 2008-09; (3) TFSCS' budget projections for 2009-10 through 2012-13 with an IUSD-only charter; and (4) TFSCS' projected average annual enrollment for 2008-09 through 2012-13 with an IUSD-only charter.

TFSCS's financial projections are based upon the following assumptions: (1) project occupancy in 2010-11; (2) increases in enrollment from 120 students for 2009-10 to 700 for 2010-11 (first year of project occupancy), 900 for 2011-12, and 900 for 2012-13; (3) projected ADA rates of 95% in 2008-09 and 93% from 2009-10 through 2012-13; (4) general purpose block grant and categorical block grant funding rates from the 2008-09 P1 Report for the current 2008-09 year; (5) revenue growth (cost of living adjustments) to the block grant funding rates of 0% for 2009-10 and 2.0% per year through 2012-13; (6) Projected expenses have been adjusted to include a 3.0% growth rate where applicable.

TFSCS obtained two short term loans represented by two notes payable during 2007-08, totaling \$6,197,071, for purposes of site acquisition for the CSFP project. One note payable was owed to U.S. Bank in the amount of \$5,100,000 and the other was owed to Drs. Clark and Jeanette Parker in the amount of \$1,097,071, the latter loan being for the down payment. Both notes payable matured in February 2009. The U.S. bank note paid interest at the prime rate while the other note paid the greater of the prime rate and 7.00%. The Authority was unable to determine the current status of the notes and have assumed such amounts remain outstanding as TFSCS awaits state funding, the interest which shall be paid from TFSCS' operating budget. Based on the preceding assumptions, outstanding notes of \$6,197,071 accrue interest at the current prime rate of 3.25% or interest payments of \$201,405 in 2008-09.

IUSD-Only Base Case Scenario Debt Service Coverage: Assuming a 3.00% interest rate and 30-year repayment period, TFSCS's annual CSFP payment will be \$321,565 beginning in 2011-12, the first year after project occupancy. TFSCS's projected increase in net assets of \$1,958,355 (including capital outlays) for that year would provide debt service coverage of 609.0%. TFSCS' projected increase in net assets of \$1,597,250 (including capital outlays) for 2012-13 would provide debt service coverage of 496.7%. CSFP payments would represent 4.1% and 4.1% of projected revenues for 2011-12 and 2012-13, respectively.

IUSD-Only Adjusted Expense Scenario Debt Service Coverage: From discussions with TFSCS, it was communicated to the Authority that the Certified/Classified Salaries & Benefits expense categories for future projections have high degrees of pliability due to the non-existence of teacher unions, thus giving TFSCS the ability to immediately adjust compensation accordingly on a year-to-year basis. However, with this ability comes the potential drawback of struggling to retain quality teachers and staff with compensation reductions, which can ultimately lead to lower enrollment. To mitigate this possibility, CSFA has further adjusted TFSCS projections to utilize per ADA funding rates for these categories used in previous projections (given on 4/1/2009) which included more facilities but a comparable ADA amount. Certified/Classified Salaries & Benefits expense categories increased in the years applied. Certified Salaries were calculated on a per ADA basis with \$3,426, \$2,935, and \$3,023 in years 2010-11 through 2012-13, respectively. Classified Salaries utilized \$1,719, 1,472 and \$1,517 as a per ADA rate during the same period. Employee benefits used \$3,426, \$2,935, and \$3,023 amounts in years 2010-11 through 2012-13 also.

For this scenario, TFSCS' projected increase in net assets of \$1,075,359 (including capital outlays) for that year would provide debt service coverage of 334.4%. TFSCS' projected increase in net assets of \$913,392 (including capital outlays) for 2012-13 would provide debt service coverage of 284.0%. CSFP payments as a percentage of projected revenues would remain the same at 4.1% and 4.1% for 2011-12 and 2012-13, respectively, as revenues were not adjusted in this scenario.

Stress tests performed on TFSCS' enrollment stipulate anywhere from 27% to 40% reduction in enrollment from projections (243-360 students out of 900) is approximately the point at which TFSCS would meet 100% coverage for the projected CSFP lease payment in 2012-13. The lower percentage of 27% is derived from the expense adjusted TFSCS projections. It is the Authority's finding that the stress tests performed on estimated enrollment reveal a sufficient cushion in order to determine TFSCS as financially sound.

Asset Position and Liquidity: As of June 30, 2008, TFSCS held \$2,589,822 in cash and cash equivalents, with \$796,989 in account receivables and \$417,352 in investments, for a total of \$3,804,163 in current assets, offset by \$1,196,863 in current liabilities. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liability from current assets. The NWC percentage of expenses at June 30, 2008 was 54.6%, which exceeds the sufficiency level of 5.0%.

Base Case Scenario

	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Budgeted FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13
ENROLLMENT PROJECTIONS								
Enrollment	526	521	557	592	120	700	900	900
Average Daily Attendance	491	470	517	562	112	651	837	837
Average Daily Attendance (%)	93%	90%	93%	95%	93%	93%	93%	93%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Lease Payment	\$ 3,455,964	\$ 4,381,406	\$ 5,048,282	\$ 4,851,784	\$ 994,859	\$ 5,874,240	\$ 7,765,313	\$ 7,787,324
Total Expenses Paid Before CSFP Lease Payment Accounting Adjustments	2,926,901	3,504,469	4,775,709	4,968,139	954,610	4,271,823	5,806,957	6,190,073
Net Revenues Available for CSFP Lease Payment	\$ 529,063	\$ 876,937	\$ 272,573	\$ (116,356)	\$ 40,249	\$ 1,602,417	\$ 1,958,355	\$ 1,597,250
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,565	\$ 321,565
Net Revenues After CSFP Lease Payment	\$ 529,063	\$ 876,937	\$ 272,573	\$ (116,356)	\$ 40,249	\$ 1,602,417	\$ 1,636,790	\$ 1,275,685
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Lease Payment	\$ 529,063	\$ 876,937	\$ 272,573	\$ (116,356)	\$ 40,249	\$ 1,602,417	\$ 1,958,355	\$ 1,597,250
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	609.0%	496.7%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	609.0%	496.7%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	4.1%	4.1%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	15.3%	20.0%	5.4%	-2.4%	4.0%	27.3%	21.1%	16.4%
Revenues / ADA	\$ 7,039	\$ 9,322	\$ 9,765	\$ 8,633	\$ 8,915	\$ 9,023	\$ 9,278	\$ 9,304
Expenses / ADA	\$ 5,961	\$ 7,456	\$ 9,237	\$ 8,840	\$ 8,554	\$ 6,562	\$ 7,322	\$ 7,780
Surplus (Deficit) / ADA	\$ 1,078	\$ 1,866	\$ 527	\$ (207)	\$ 361	\$ 2,461	\$ 1,956	\$ 1,524
Net Working Capital	\$ 1,954,818	\$ 2,822,252	\$ 2,607,300					
Net Working Capital / Expenses	66.8%	80.5%	54.6%					

Expense Adjusted Scenario

	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Budgeted FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13
ENROLLMENT PROJECTIONS								
Enrollment	526	521	557	592	120	700	900	900
Average Daily Attendance	491	470	517	562	112	651	837	837
Average Daily Attendance (%)	93%	90%	93%	95%	93%	93%	93%	93%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Lease Payment	\$ 3,455,964	\$ 4,381,406	\$ 5,048,282	\$ 4,851,784	\$ 994,859	\$ 5,874,240	\$ 7,765,313	\$ 7,787,324
Total Expenses Paid Before CSFP Lease Payment Accounting Adjustments	2,926,901	3,504,469	4,775,709	4,968,139	954,610	5,540,484	6,689,953	6,873,932
Net Revenues Available for CSFP Lease Payment	\$ 529,063	\$ 876,937	\$ 272,573	\$ (116,356)	\$ 40,249	\$ 333,756	\$ 1,075,359	\$ 913,392
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,565	\$ 321,565
Net Revenues After CSFP Lease Payment	\$ 529,063	\$ 876,937	\$ 272,573	\$ (116,356)	\$ 40,249	\$ 333,756	\$ 753,794	\$ 591,827
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Lease Payment	\$ 529,063	\$ 876,937	\$ 272,573	\$ (116,356)	\$ 40,249	\$ 333,756	\$ 1,075,359	\$ 913,392
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	334.4%	284.0%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	334.4%	284.0%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	4.1%	4.1%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	15.3%	20.0%	5.4%	-2.4%	4.0%	5.7%	9.7%	7.6%
Revenues / ADA	\$ 7,039	\$ 9,322	\$ 9,765	\$ 8,633	\$ 8,915	\$ 9,023	\$ 9,278	\$ 9,304
Expenses / ADA	\$ 5,961	\$ 7,456	\$ 9,237	\$ 8,840	\$ 8,554	\$ 8,511	\$ 8,377	\$ 8,597
Surplus (Deficit) / ADA	\$ 1,078	\$ 1,866	\$ 527	\$ (207)	\$ 361	\$ 513	\$ 901	\$ 707
Net Working Capital	\$ 1,954,818	\$ 2,822,252	\$ 2,607,300					
Net Working Capital / Expenses	66.8%	80.5%	54.6%					

Strengths, Weaknesses and Mitigants

- TFSCS continues to have issues with its chartering authority, Los Angeles County Office of Education. The authorizer has raised new compliance issues since the reinstatement of the charter, which have prevented staff from providing the board with the customary good standing and compliance form from the authorizer.

- Designation of good standing and compliance from LACOE or action regarding the acceptance of IUSD charter is required by the TFSCS board prior to the school moving forward with the subject property.
- TFSCS's year-to-year retention rates were low at 80% and 85% for 2007-08 and 2008-09, respectively.
- TFSCS failed to meet its API growth targets during 2004-05, 2006-07, and 2007-08, and failed to meet all AYP criteria for the past two academic years, 2006-07 and 2007-08, and is characterized as a Program Improvement school pursuant to NCLB Act of 2001.
- Inability to solicit students currently attending IUSD applies constraint on projected enrollment base.
- + TFSCS's projected debt service coverage is 609.0% and 496.7% for the first two years of CSFP payments, 2011-12 and 2012-13, respectively.
- + Stress test indicates sufficient buffer between aggressive projected enrollment and potentially lower future enrollment.

Staff Recommendation: Staff of the California School Finance Authority (CSFA) has conducted its financial soundness review of Today's Fresh Start Charter School (TFSCS) for the purposes of an Advance Apportionment under the Charter School Facilities Program (Program) for site acquisition / loan repayment. CSFA staff is recommending that the Board wait on making a financial soundness determination at this time. Staff will review and present the following information as it becomes available and will make a recommendation to its Board no later than October 31, 2009. Staff will present its Board with the following information:

1. TFSCS' 2008-09 student performance data; and
2. TFSCS Program Improvement (per NCLB) Status; and
3. Student retention rates and year-to-year attrition rates from 2008-09 to 2009-10; and
4. Comparison of actual and projected student enrollment 2009-10 (per CBEDS report); and
5. TFSCS' charter status with IUSD or LACOE.

If Board members elect to vote at this time that TFSCS is financially sound for purposes of an Advance Apportionment, staff is recommending that TFSCS be found financial sound only if the following conditions are met prior to any fund release:

1. No materials changes have occurred that would impact TFSCS' finances or operations;

2. IUSD notify CSFA that TFSCS is in good standing and in compliance with the terms of its charter; and
3. TFSCS establishes prior to any fund release a loss reserve fund in the amount of approximately \$650,000 (equal to two annual CSFP payments). This fund is to be established with a trustee and held on behalf of the State; and
4. TFSCS' annual payment will be intercepted at the state level pursuant to sections 17078.57(1)(A) and 17199.4 of the Education Code.

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.

Draft

Number of Years School Does Not Make Adequate Yearly Progress (AYP)						
One	Two	Three	Four	Five	Six	Seven
Did not make AYP	Did not make AYP	School Improvement		Corrective Action	Restructuring	Restructuring
		Year 1	Year 2	Year 3	Year 4	Year 5
		<p>Local Educational Agency (LEA):</p> <ul style="list-style-type: none"> Provide technical assistance to PI school Notify parents of PI status of school and school choice Set aside minimum 5% for professional development to meet highly qualified staff requirements Provide choice to attend another public school in the LEA that is not PI (LEA is responsible for transportation costs.) Establish peer review process to review revised school plan <p>School:</p> <ul style="list-style-type: none"> Revise school plan within 3 months to cover 2-year period Use 10% of Title I school funds for staff professional development Implement plan promptly 	<p>LEA continue:</p> <ul style="list-style-type: none"> Technical assistance Parent notification of PI status of school, school choice, supplemental services Professional development School choice <p>LEA add:</p> <ul style="list-style-type: none"> Provide supplemental educational services to all eligible students <p>School continue:</p> <ul style="list-style-type: none"> Plan implementation Professional development 	<p>LEA continue:</p> <ul style="list-style-type: none"> Technical assistance Parent notification of PI status of school, school choice, supplemental services Professional development School choice Supplemental services <p>LEA add:</p> <p>LEA identifies school for corrective action and does at least <u>one</u> of the following:</p> <ul style="list-style-type: none"> Replaces school staff Implements new curriculum Decreases management authority at school level Appoints outside expert Extends school year or day Restructures internal organizational structure of school <p>LEA informs parents and public of corrective action and allows comment. LEAs may provide direct technical assistance to school site councils in developing school plans.</p> <p>School continue:</p> <ul style="list-style-type: none"> Professional development Collaboration with district to improve student achievement 	<p>LEA continue:</p> <ul style="list-style-type: none"> Technical assistance Parent notification of PI status of school, school choice, supplemental services Professional development School choice Supplemental services <p>LEA and School add:</p> <p>During Year 4, prepare plan for alternative governance of school. Select <u>one</u> of the following:</p> <ul style="list-style-type: none"> Reopen school as a charter Replace all or most staff including principal Contract with outside entity to manage school State takeover Any other major restructuring <p>LEA provides notice to parents and teachers and allows comment.</p> <p>School continue:</p> <ul style="list-style-type: none"> Professional development Collaboration with district to improve student achievement 	<p>LEA continue:</p> <ul style="list-style-type: none"> Technical assistance Parent notification of PI status of school, school choice, supplemental services Professional development School choice Supplemental services <p>LEA and School add:</p> <ul style="list-style-type: none"> Implement alternative governance plan developed in Year 4 <p><i>School continues in PI and LEA offers choice and supplemental services until school makes AYP for two consecutive years. School exits PI after two consecutive years of making AYP.</i></p>

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