

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

Applicant/Obligor:	Yuba River Charter School
Project School:	Yuba River Charter School
CDS (County – District – School) Code:	29-10298-0114322
Type of Project:	New Construction
Proposed Project Location:	Nevada County, California
County:	Nevada County, California
District in which Project is Located:	Grass Valley School District
Charter Authorizer:	Nevada County Office of Education
Total OPSC Project Cost:	\$8,502,512
State Apportionment (50% Project Cost):	\$4,251,256
Lump Sum Contribution:	n/a
Total CSFP Financed Amount:	\$4,251,256
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$216,896
First Year of Occupancy of New Project:	2011-12

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Yuba River Charter School (Yuba River) is financially sound for the purposes of Charter School Facilities Program (Program) Advance Apportionment. This determination as it relates to an Advance Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting our financial soundness review of Yuba River. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Yuba River meets all eligibility criteria including: having two years of operations, a charter in place through May 2012, the school is in good standing with its chartering authority, and in compliance with the terms of its charter.
Demographic Information	Yuba River educates grade levels K-8 and has current enrollment of 246 students for the 2008-09 school year. Yuba River projects enrollment to be 270 by the time of occupancy of the project in 2011-12.
Debt Service Coverage	Debt service coverage in 2012-13 and 2013-14 are

	projected to be 128.5% and 122.9%. This indicates adequate coverage of the CSFP payment.
Other Financial Factors	The CSFP payment in 2012-13 and 2013-14 is projected to represent 11.7% and 11.5% of revenues, which is within our preferred maximum range of 10-15%.
Student Performance	Yuba River met all AYP criteria and school wide growth targets in 2004-05 through 2006-07 but did not meet all AYP criteria in 2007-08; the school met 10 out of 13. Statewide and similar school rankings dropped to 2 and 1.

Program Eligibility: In April 2009, verification was received from the Nevada County Superintendent of Schools, confirming that Yuba River is: (1) in compliance with the terms of its charter agreement, and (2) is in good standing with its chartering authority.

Legal Status Questionnaire: Staff reviewed the applicant’s responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead the staff to question the financial or legal integrity of this applicant.

Project Description: Yuba River has requested funding for the purpose of building a larger school facility to allow for growth. Yuba River has not yet chosen a location for land acquisition for the purpose of constructing new buildings, but is considering a few specific sites within the same area of Nevada County where it is currently located. Yuba River is looking primarily in residential and agricultural zoned areas as that is expected to be the most cost effective. Yuba River envisions its development based on the acquisition of approximately five acres of land. The intention is to build several small buildings centrally located in a close proximity to each other. The new school is intended to house approximately 270 students in grades Kindergarten through eighth.

Organizational Information: Yuba River Charter School defines itself as a traditional Waldorf school. The philosophy of a Waldorf education is “learning interdisciplinary, integrates practical, artistic, and intellectual elements, and is coordinated with ‘natural rhythms of everyday life. The Waldorf approach emphasizes the role of the imagination in learning, developing thinking that includes a creative as well as analytic component.” This instructional method emphasizes the whole child and frames its academic components within an artistic, creative and imaginative context. The teachers at Yuba River are Waldorf-trained or are knowledgeable enough about the idea that they are able to successfully teach the child the curriculum.

The Twin Ridges Elementary School District (Twin Ridges) had been acting as authorizing agent for the Yuba River charter prior to July 1, 2007. Nevada County Superintendent of Schools currently services as charter authorizer. The current charter is valid through May 2012.

Educational Management Organization: Not Applicable.

School Management: Mr. Caleb Buckley has served as Director of Yuba River since 2004. He has a B.A. in Political Science and German Literature and an M.A. in Political Science from San Francisco State University. Ms. Susan Egan serves as Business Manager for

Yuba River. She has acted as Business Manager for Twin Ridges since 1994 and has a B.A. in Management from the Union Institute and University. Ms. Krissa Connelley has been Office Manager for Yuba River since 2003 and has over 15 years office manager/receptionist experience. Ms. Deanna Ronningen has been the Enrollment and Attendance Coordinator since 2002 and has extensive office related experience.

There has been concern that the enrollment in the eighth grade class has declined in the 2007-08 academic year. The school has traditionally served between 19-23 students in the eighth grade class, however, during the 2008-09 school year; enrollment in the eighth grade class was 12 students. Staff sought an explanation for the drop in enrollment. School management explained that the school was going through some teacher changes and that they expect the problem to correct itself during the next academic year. The above-mentioned issue has also been cited as an explanation for the recent drop in statewide and similar schools API rankings.

Board Experience: Per Yuba River's application, Yuba River's charter council consists of six voting and two non-voting members. Mr. Joseph "Jay" Zellmer is the charter council chair and is an attorney. Mr. Dan Martinez is a teacher and faculty representative on the council. Ms. Doris Rainville is also a teacher and faculty representative. Ms. Naomi Ross is a registered nurse and is a representative. Mr. Jo Paden, a contract worker, serves as a parent representative. Mr. Barry Peake is a professor and a community member on the council. Mr. Caleb Buckley, Yuba River Director, and Ms. Susan Egan, Yuba River Business Manager, are both non-voting members on the council.

Management Experience for Schools Open Less than Two Years: Not applicable; Yuba River initially began instructional activities during the 1994-95 school year.

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 for 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 could face additional mandates and corrective actions if the school is a recipient of federal Title I funds.

Staff has received four years of reported AYP scores for Yuba River. The following table summarizes scores available for Yuba River and illustrates trends in student performance.

Yuba River Charter School 29-10298-0114322	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	No
Criteria Met / Required Criteria	9 / 9	9 / 9	9 / 9	10 / 13
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?	Yes	Yes	Yes	N/A
Met Comparable Improvement Growth Target?	Yes	Yes	Yes	N/A
Met Both Schoolwide & CI Growth Targets?	Yes	Yes	Yes	N/A
API Base Statewide Rank (10 = best)	5	5	4	6
API Base Similar Schools Rank (10 = best)	1	1	1	1
School's Actual Growth	18	12	33	N/A
Similar Schools Median of Actual Growth	18	6	1	N/A
Did School's Growth Exceed Median?	No	Yes	Yes	N/A

For 2004-05, Yuba River recorded a growth API score of 726, which was 18 points above its base API score of 708. The school wide growth target of 5 was met as well. Yuba River ranked 5 out of 10 in API base scores statewide and again ranked 1 out of 10 among similar schools. Yuba however did meet all 9 AYP criteria for 2004-05.

For 2005-06, Yuba River recorded a growth API score of 738, which was 12 points above its base API score of 726. Yuba River again met the school wide growth target of 4. Yuba River met all 9 AYP criteria for 2005-06 but maintained its statewide and similar school ranking of ranking of 5 out of 10 and 1 out of 10.

For 2006-07, Yuba River showed positive growth of 33 points. Yuba River's growth API score was 769 while its base API was 736 and allowed Yuba River to meet the school wide growth target of 5. Yuba River met all 9 AYP criteria and ranked 4 out of 10 in API base ranking. Their rank among similar schools remained 1 out of 10.

For 2007-08, Yuba River met 10 out of 13 AYP criteria. Yuba River's growth API data was not available due to the change in charter authorizer from Twin Ridges to its current authorizer but statewide rankings increased to 6 while similar school ranking remained 1 out of 10.

Yuba River's current statewide 2008-09 rankings have dropped to 2 from 6. The 2008-09 similar school ranking has not improved from the "1" ranking in 2007-08. An explanation for the lower school rankings was provided as the previously-mentioned staff issue that has presumably been resolved.

Financial Analysis: Highlighted in this section are financial data and credit indicators used to evaluate the applicant's ability to meet its CSFP obligations. The following table excerpted from the financial model created for each applicant summarizes key aspects of the school's past and projected financial performance.

Staff's financial review of Yuba River is based on four years of audited financial statements (2004-05 through 2007-08), the 2008-09 second-interim budget, and financial projections through 2013-14 as provided by Twin Ridges, Nevada County Superintendent of Schools, and Yuba River. Yuba River's revenues, expenditures, and fund balances for 2004-05 through 2006-07 can be found in the Twin Ridges audited financial statements. Balance

sheet information for 2007-08 is not available as asset and liability information is aggregated among the other charter schools in the Nevada County Superintendent of School's Charter School Fund. Such information is also unavailable during the period under which Yuba River operated under Twin Ridges.

Yuba River expects to occupy the project in 2011-12, by which time their enrollment will have increased to 270 students from 246 students (grades K-8) in the current year, and does not anticipate any future increases in enrollment. Yuba River has maintained consistent levels of past enrollment, averaging 242 students from 2003-04 through 2008-09. The largest variations occurred in 2005-06 and 2006-07 when Yuba River enrolled 226 and 253 students, respectively.

Yuba River Charter School	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	2nd Interim FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14
ENROLLMENT PROJECTIONS										
Enrollment	240	226	253	247	246	255	259	270	271	272
Average Daily Attendance	220	214	227	229	228	235	238	248	249	250
Average Daily Attendance (%)	92%	95%	90%	93%	93%	92%	92%	92%	92%	92%
FINANCIAL PROJECTIONS										
Total Revenues Available for CSFP Lease Payment	\$ 1,386,159	\$ 1,368,137	\$ 1,584,188	\$ 1,762,872	\$ 1,795,283	\$ 1,835,097	\$ 1,740,470	\$ 1,815,151	\$ 1,853,817	\$ 1,877,980
Total Expenses Paid Before CSFP Lease Payment	1,374,353	1,383,031	1,594,391	1,662,071	1,791,160	1,879,986	1,727,887	1,738,686	1,575,022	1,611,339
Accounting Adjustments	-	-	-	-	85,025	150,000	-	-	-	-
Net Revenues Available for CSFP Lease Payment	\$ 11,806	\$ (14,894)	\$ (10,203)	\$ 100,801	\$ 89,148	\$ 105,111	\$ 12,583	\$ 76,465	\$ 278,795	\$ 266,641
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,896	\$ 216,896
Net Revenues After CSFP Lease Payment	\$ 11,806	\$ (14,894)	\$ (10,203)	\$ 100,801	\$ 89,148	\$ 105,111	\$ 12,583	\$ 76,465	\$ 61,899	\$ 49,745
FINANCIAL INDICATORS										
Net Revenues Available for CSFP Lease Payment	\$ 11,806	\$ (14,894)	\$ (10,203)	\$ 100,801	\$ 89,148	\$ 105,111	\$ 12,583	\$ 76,465	\$ 278,795	\$ 266,641
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	128.5%	122.9%
Contributions	\$ 100,000	\$ 136,200	\$ 215,170	\$ 109,581	\$ 90,050	\$ 204,113	\$ 114,113	\$ 114,113	\$ 114,113	\$ 114,113
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	75.9%	70.3%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.7%	11.5%
Contributions / Revenues	7.2%	10.0%	13.6%	6.2%	5.0%	11.1%	6.6%	6.3%	6.2%	6.1%
Net Revenues After CSFP Lease Payment / Revenues	0.9%	-1.1%	-0.6%	5.7%	5.0%	5.7%	0.7%	4.2%	3.3%	2.6%
Revenues / ADA	\$ 6,301	\$ 6,393	\$ 6,979	\$ 7,698	\$ 7,874	\$ 7,822	\$ 7,304	\$ 7,307	\$ 7,435	\$ 7,505
Expenses / ADA	\$ 6,247	\$ 6,463	\$ 7,024	\$ 7,258	\$ 7,856	\$ 8,014	\$ 7,252	\$ 7,000	\$ 6,317	\$ 7,306
Surplus (Deficit) / ADA	\$ 54	\$ (70)	\$ (45)	\$ 440	\$ 18	\$ (191)	\$ 53	\$ 308	\$ 1,118	\$ 199
Net Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Working Capital / Expenses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Financial Performance – Staff's analysis of financial performance includes expense adjustments for capital outlay, loan repayment, and transfers; therefore, our results may differ from audited figures. Transfers consist of oversight fees paid to Twin Ridges and continue to the Nevada County Superintendent Schools in future projections. Donations and contributions from the Educational Foundation are accounted for when analyzing past and future financial performance.

Because of the accounting practices used by Twin Ridges and the Nevada County Superintendent of Schools, Yuba River did not separately record assets and liabilities during previous years of operation. Due to the lack of balance sheet information, analysis of Yuba River's assets and liabilities is unavailable.

In 2004-05, Yuba River experienced an increase in net assets of \$11,806 after transfers/contributions. This was a result of \$1.29 million in revenues and \$1.24 million in expenses. Yuba River's revenues and expenses remained relatively level in 2005-06. Revenues and expenses of \$1.23 million and \$1.24 million, respectively, resulted in net assets decreasing by \$14,894 after transfers and contributions. Revenues increased for Yuba River in 2006-07 but expenses rose as well. Yuba River received revenues of \$1.37 million and expenses of \$1.42 million. Net assets for the period decreased by \$53,676 before transfers and contributions. After net transfers in of \$43,473, net assets decreased by \$10,203. Revenues of \$1.65 million and expenses of \$1.66 million were recorded in 2007-08 for an increase in net assets of \$100,801 after contributions of \$109,581.

Revenues and expenses are expected to increase in 2008-09 to \$1.71 million and \$1.69 million. After accounting for oversight fees and contributions, Yuba River expects a net gain of \$4,123.

Yuba River's financial projections assume an ADA rate of 92.0%, which is consistent with Yuba River's average ADA rate of 92.5% over the last four years. Yuba River utilizes general purpose block grant and categorical block grant per ADA rates as of the 2009 May Revision. Yuba River has assumed 0.0% and 2.0% decreases in 2009-10 and 2010-11, respectively, with 2.3%, 2.5% and 3.0% increases in years 2011-12 through 2013-14. Certified and classified salaries increase in the financial projections by 1.0% in 2010-11 and 2.0% in all other projected years. Books, supplies, and services cost reflect annual increases of approximately 1.0%.

In light of the current economic climate and state budgetary pressures, Yuba River has made approximately 20% reductions to projected employee benefits as a cost-saving measure. Although Yuba River's employees do not take part in a collective bargaining agreement with regard to compensation, Yuba River's staff elected to change to a HSA health care benefit program to eliminate HMO and PPO payments from Yuba River's budget. This course of action was taken with employees' approval when they were given the alternative of salary reductions. This has amounted to notable reductions in projected employee benefits while maintaining current salary levels and projections.

Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liability from current assets. An analysis of Yuba River's liquidity position could not be performed as balance sheet information could not be provided due to Yuba River's current accounting procedures with the Nevada County Superintendent of Schools. Although information regarding assets held with Nevada County Superintendent of Schools is unavailable, as of June 30, 2009, Yuba River held \$81,683 in their fundraising Educational Foundation bank account.

Projected Debt Service Coverage – Yuba River's financial projections indicate that they will be able to afford the projected annual CSFP lease payment of \$216,896 as evidenced by the debt service coverage ratios of 128.5%, and 122.9% projected for 2012-13 and 2013-14. With CSFP payments to represent 11.7% and 11.5% of projected revenues in 2012-13 and 2013-14, staff believes that the CSFP payment will not significantly reduce the school's flexibility to fund unforeseen costs during the term of repayment.

Debt service coverage ratios excluding contributions are projected to be below 100% in 2012-13 and 2013-14 at 75.9% and 70.3%, respectively. Staff recognizes dependence on contributions to meet debt service coverage as a weak financial indicator. Approximately 50% of Yuba River's projected contributions must actualize in order to meet the minimum 100% debt service coverage. However, over the last four years, Yuba River has averaged contributions and fundraising of \$137,750, and has provided sufficient evidence to support their campaigning ability through the Educational Foundation.

Strengths, Weaknesses and Mitigants

- + Yuba River's financial projections indicate that they will be able to afford the annual lease payments, as evidenced by the debt service coverage ratios of 128.5% and 122.9% projected for 2012-13 and 2013-14.
- + With CSFP payments expected to average 11.6% of projected revenues, staff believes that the CSFP obligation will not significantly reduce the school's flexibility to fund unforeseen costs during the term of repayment.
- Yuba River failed to meet all applicable AYP requirements and school wide target growth rate in 2007-08, but had met all AYP requirements from 2004-05 through 2007-08. Although Yuba River's statewide rankings increased from 2006-07 to 2007-08 ("4" out of 10 to "6"), current statewide rankings dropped to "2" from "6". This drop in rankings has been attributed to teachers whom are no longer with Yuba River.
- Yuba River depends on contributions and fundraising to meet the minimum 100% debt service coverage.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Yuba River Charter School (Yuba River) is financially sound for the purposes of Charter School Facilities Program (Program) Advance Apportionment. This determination as it relates to an Advance Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.