

**CHARTER SCHOOL FACILITIES PROGRAM  
2009-2010 FUNDING ROUND  
STAFF SUMMARY REPORT – MARCH 2010**

<b>Applicant:</b>	New Jerusalem Elementary School District
<b>Project School:</b>	New Jerusalem Charter School
<b>CDS (County-District-School) Code:</b>	39-68627-0117796
<b>Proposed Project Location:</b>	31400 South Koster Road, Tracy, CA
<b>Type of Project:</b>	New Construction
<b>County:</b>	San Joaquin County
<b>School District Where Located:</b>	New Jerusalem Elementary School District
<b>Chartering Entity:</b>	New Jerusalem Elementary School District
<b>OPSC Project Cost:</b>	\$3,047,404
<b>Total State Apportionment:</b>	\$1,523,702
<b>Lump Sum Contribution:</b>	\$1,523,702
<b>Total CSFP Lease Amount:</b>	Not Applicable
<b>Length Of CSFP Lease Payments:</b>	Not Applicable
<b>Assumed Interest Rate On Obligation:</b>	Not Applicable
<b>Estimated Annual CSFP Lease Payment:</b>	Not Applicable
<b>First Year Of Occupancy Of New Project:</b>	2010-11

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that New Jerusalem Elementary School District (NJESD) and New Jerusalem Charter School (New Jerusalem) are financially sound for purposes of Charter School Facilities Program (Program) preliminary and advance apportionments for New Jerusalem Charter School project. 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 CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

**Application Highlights:** Highlighted below are key criteria that were evaluated when conducting the financial soundness review of the charter school, New Jerusalem, and NJESD. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	New Jerusalem met Program eligibility criteria, including: 1) having a charter in place, 2) fulfilling the requirement for two academic years of operations through its district who applied on the school's behalf, and 3) being in compliance with its charter and in good standing with its chartering authorizer.

<p><b>Demographic Information</b></p>	<ul style="list-style-type: none"> <li>• New Jerusalem is currently serving 234 students in 1<sup>st</sup> through 8<sup>th</sup> grade, and is projected to increase its enrollment to 260 during 2010-11, the first year of CSFP project occupancy and to 275 by 2012-13, and remains stable thereafter.</li> <li>• NJESD encompasses 3 schools (Delta Charter, New Jerusalem Charter School and New Jerusalem Elementary School) and is currently serving 760 students in grades K through 12.</li> </ul>
<p><b>Debt Service Coverage</b></p>	<p>Not applicable. New Jerusalem will satisfy the 50% local match requirement by making an upfront payment of \$1,523,702 from funds from the NJESD. Written certification from NJESD confirms that the district has committed these funds, and their FY 2008-09 financial audit demonstrates cash and investments on hand to make the lump sum payment.</p>
<p><b>Student Performance</b></p>	<p>In its first year of operation, New Jerusalem met 14 out of 17 AYP criteria. API scores are not available until May 2010. New Jerusalem Elementary School met all AYP criteria in three of the last four academic years.</p>

**Program Eligibility:** On December 12, 2009, staff received verification from the Superintendent of NJESD confirming that New Jerusalem School is currently (1) in compliance with the terms of its charter agreement and (2) in good standing with its chartering authority. New Jerusalem’s charter was initially approved in 2008 with a one year term. The charter was subsequently renewed for a five-year term and is valid until June 2014.

**Legal Status Questionnaire:** Staff reviewed the responses provided on the Legal Status Questionnaire dated September 25, 2009. New Jerusalem reported ‘None’ to the two statements in the Questionnaire requesting disclosure regarding material information relating to legal or regulatory proceedings or legal action in which the school (or any of its affiliates) is a named party.

**Project Description:** The proposed facility designated to receive funds under CSFP includes classrooms for the charter school and district office additions. As described in the application, the charter school project will include four new relocatable standard classrooms and an administration building that will be situated on the northwest corner of the existing New Jerusalem Elementary School site. This facility will be utilized only by students enrolled at New Jerusalem Charter and not Delta Charter, which is not a site based charter and does not meet the Program requirements. The roughly one acre area for the project is currently occupied by an old bus barn, caretaker’s home, and undeveloped area. The project buildings are scheduled for occupancy in August 2010.

**Organizational Information:** New Jerusalem is a conversion charter school serving grades K-8. NJESD encompasses three schools located adjacent to each other on the same campus complex. The organization-wide enrollment has grown steadily each year, with the totals for each individual school fluctuating. A previous charter school with a home-school component, similarly named New Jerusalem Charter School, ceased operations in

2006-07. In 2007-08, the enrollment for the two remaining district schools (one charter and one regular public school) increased greatly; then a conversion charter was granted for New Jerusalem Charter School for the 2008-09 school year and the organization-wide enrollment was redistributed again. In the 2008-09 school year, New Jerusalem Elementary School (a regular public school) served 28 students in Kindergarten only, Delta Charter School (a non-sited based, independent study program) served 382 students in grades K-12, and New Jerusalem School served 230 students in grades 1-8. In 2009-10, the district-wide enrollment for all three schools is 760 K – 12<sup>th</sup> grade students.

The school's educational philosophy focuses on academic rigor and preparation for high school success. The school has established music and art programs, sports programs, and various clubs which meet at the school. New Jerusalem Charter School reports that it is attractive to many students outside the district's boundaries because of the district's rigorous academic programs and unique "country school" atmosphere.

**Educational Management Organization, if applicable:** Not applicable.

**Management Experience for Schools Open Less than Two Years:** Not applicable, as the application was submitted by the school district, which has both regular and charter experience through the oversight of two charter schools and one regular public school.

**Management Experience:** The resumes of the school's and the district's personnel and management team are outlined below.

David Thoming has served as the Superintendent/Charter Schools Director for NJESD since 2003 and taught for the district from 2001 to 2003. Prior to that, he worked from 1995 to 2001 as the Agribusiness Manager for Ed Thoming & Sons, Inc. Mr. Thoming is currently pursuing his Master's Degree in School Administration.

Steve Payne is the principal for both New Jerusalem School (charter) and New Jerusalem Elementary School (non-charter). Mr. Payne served as Director of Student Services for Linden Unified School District from 2004 to 2007, and was a teacher at McKinley Elementary School, with Tracy Unified School District, from 2001 to 2004.

Lisa McHugh has served as the Business Manager for NJESD since 2003. Ms. McHugh previously served as the Business Manager at West High School, with Tracy Unified School District, from 2001 to 2003 and as Human Resources Technician from 1999 to 2001 for the Tracy Unified School District.

Rounding out the management team for the district and its schools is Stephanie Lytle who has served since 2007 as principal of Delta Charter School and is currently the Secretary of the Board for NJESD's Board of Directors.

**Board Experience:** New Jerusalem Charter School is under the governance of a Board of Directors consisting of five members, with terms not to exceed three years each, who shall be appointed by the governing board of New Jerusalem Elementary School District. The board membership for the charter school is listed below.

**New Jerusalem Charter School**

<b>Name</b>	<b>Occupation</b>	<b>City</b>	<b>Term</b>
Stephanie Lytle	School Principal	Tracy, CA	Current to 2011
Steve Payne	School Principal	Tracy, CA	Current to 2011
Chris Patterson	Home Maker	Tracy, CA	Current to 2011
Mary Hanson	Home Maker	Tracy, CA	Current to 2011
Traci Thomsen	Instructional Aid	Tracy, CA	Current to 2011

**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), as reported by the California Department of Education (CDE), per the No Child Left Behind Act of 2001.

<b>New Jerusalem School (Charter)</b>	<b>FY 2008/09</b>
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>	
Met All AYP Criteria?	No
Criteria Met / Required Criteria	14 / 17
Met API Indicator for AYP?	Yes
Met Graduation Rate?	0
<b>ACADEMIC PERFORMANCE INDEX (API)</b>	
Met Schoolwide Growth Target?	NA
Met Comparable Improvement Growth Target?	NA
Met Both Schoolwide & CI Growth Targets?	No
API Base Statewide Rank (10 = best)	
API Base Similar Schools Rank (10 = best)	
School's Actual Growth	
Similar Schools Median of Actual Growth	
Did School's Growth Exceed Median?	

As New Jerusalem Charter School only has one year of operations and one year of reported AYP scores, staff reviewed the individual schools' performance for each of the schools under NJESD. New Jerusalem met only 14 out of 17 AYP criteria in its first year, 2008-09, while the two other NJESD schools each met all AYP criteria for three out of four of the last four years since 2006-07.

New Jerusalem Elementary School, the District's non-charter public school, achieved API scores of 765, 754, and 763 in 2005-06, 2006-07, and 2007-08, respectively. CDE does not report API data for the most recent year, 2008-09, as the school served only 28 students in Kindergarten. Additionally, the school met API growth targets in only one of the last three years reported (2005-06 to 2007-08). The school's API similar schools rank dropped from 8 down to 2 (10 being the highest) in the three years from 2005-06 to 2007-08. The school's API statewide rank decreased from 6 to 5 in the same three years from 2005-06 to 2007-08. The School met AYP in three of the last four academic years.

<b>New Jerusalem Elementary School (Non-Charter)</b>	<b>FY 2005/06</b>	<b>FY 2006/07</b>	<b>FY 2007/08</b>	<b>FY 2008/09</b>
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>				
Met All AYP Criteria?	Yes	Yes	Yes	No
Criteria Met / Required Criteria	17 / 17	13 / 13	15 / 15	2 / 3
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	NA	NA	NA	NA
<b>ACADEMIC PERFORMANCE INDEX (API)</b>				
Met Schoolwide Growth Target?	No	Yes	No	NA
Met Comparable Improvement Growth Target?	Yes	No	No	NA
Met Both Schoolwide & CI Growth Targets?	No	No	No	No
API Base Statewide Rank (10 = best)	6	5	5	N/A
API Base Similar Schools Rank (10 = best)	8	4	2	N/A
School's Actual Growth	-5	12	-13	
Similar Schools Median of Actual Growth	10	0	15	
Did School's Growth Exceed Median?	No	Yes	No	

Delta Charter achieved API scores of 565, 506, 670, 625, and 646, in each year from 2004-05 to 2008-09, respectively, and met API growth targets in three of the last five years. In contrast to its sister school, in the four years from 2005-06 to 2008-09, Delta improved its API statewide rank from 1 to 3 and its similar schools rank from 1 to 8 (10 being the best).

<b>Delta Charter School</b>	<b>FY 2005/06</b>	<b>FY 2006/07</b>	<b>FY 2007/08</b>	<b>FY 2008/09</b>
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>				
Met All AYP Criteria?	No	Yes	Yes	Yes
Criteria Met / Required Criteria	5 / 6	6 / 6	8 / 8	10 / 10
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	0	0	0	0
<b>ACADEMIC PERFORMANCE INDEX (API)</b>				
Met Schoolwide Growth Target?	Yes	No	Yes	Yes
Met Comparable Improvement Growth Target?	Yes	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	Yes	No	Yes	Yes
API Base Statewide Rank (10 = best)	1		2	3
API Base Similar Schools Rank (10 = best)	1		1	8
School's Actual Growth	173	-45	28	27
Similar Schools Median of Actual Growth	2		18	14
Did School's Growth Exceed Median?	Yes		Yes	Yes

**Enrollment and Retention Rates:** Total district-wide enrollment is increasing each year from 600 in 2005-06 to 760 in the current year (2009-10). Enrollment within each of the district schools has fluctuated, which is likely a significant factor in the trends shown in student performance as noted above. New Jerusalem is currently serving 234 students in grades 1-8, and is projected to maintain its enrollment at 237-240 through 2010-11, when the new facility is completed, and remain stable thereafter. The retention rate for returning students to New Jerusalem for the current 2009-10 academic year is 96%.

<b>NJESD – Enrollment and Grades Served by Year</b>					
School	2005-06 Students/ Grades	2006-07 Students/ Grades	2007-08 Students/ Grades	2008-09 Students/ Grades	2009-10 Students/ Grades
New Jerusalem (Charter)	N/A	N/A	N/A	230 1-8	234 1-8
New Jerusalem Elementary (Non- Charter)	225 K-8	229 K-8	247 K-8	28 K	26 K
Delta Charter	206 9-12	212 9-12	367 K-12	382 K-12	500 K-12
New Jerusalem Charter (closed after 2006-07)	169 K-8	168 K-8	Closed	Closed	Closed
Total NJESD-wide Enrollment	600	609	614	640	760

**Financial Analysis:** New Jerusalem Elementary School District (NJESD) is the financial obligor and will be providing a lump sum payment for the total 50 percent local matching share obligation for purposes of the CSFP apportionment. Therefore, staff conducted a balanced review of financial information related to the district's financial soundness for purposes of the full lump sum payment of \$1,523,702. Written certification from NJESD confirms that the district has committed these funds, and their audit demonstrates cash and investments (cash is invested with the County Treasurer) on hand to make the lump sum payment. *Despite having cash on hand to satisfy the local matching share, staff conducts an analysis of the obligor to ensure the financial solvency of the charter school once the project school is operational.*

Highlighted below are selected financial data and credit indicators used to evaluate NJESD's and the school's ability to meet the criteria for financial soundness for purposes of the program.

Staff's evaluation of financial performance is based on review of the following documents: (1) NJESD's audited financial statements for 2006-07 through 2008-09; (2) NJESD's General Fund unrestricted multi-year budget projections for 2009-10 through 2011-12; (3) NJESD's (all schools combined) current enrollment and enrollment projections through 2019-20; (4) the school's current budget; and (5) the school's current enrollment and enrollment projections through 2012-13.

Financial projections are based upon the following assumptions: (1) NJESD will provide the full 50 percent local matching share obligation of \$1,523,702; (2) project occupancy in 2010-11; (3) increases in district-wide total enrollment; (3) projected ADA rates of 96%; and (4) NJESD's stated COLA (cost of living adjustments) for K-12 and COE Revenue Limits of -0.38% in 2009-10; 1.80% in 2010-11; 2.40% in 2011-12; 2.80% in 2012-13; and 3.10% in 2013-14.

**Performance/Change in Net Assets:** NJESD recorded net changes in the audited fund balances for its General Fund for the last three years of \$158,306, (\$17,088), and \$960,992

for 2006-07 through 2008-09, respectively. In addition, NJESD projects net increases in the unrestricted fund balances for its General Fund of \$1,255,728, \$1,119,490, and \$1,075,498 for 2009-10, 2010-11, and 2011-12, respectively.

*Asset Position and Liquidity:* As of June 30, 2009, NJESD's General Fund held \$1,346,678 in cash and cash equivalents, with \$261,851 in account receivables, and \$311,629 due from other funds, for a total of \$1,920,158 in current assets, offset by \$166,622 in current liabilities. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. The NWC percentage of expenses at June 30, 2009 was 75%, which exceeds the program sufficiency level of 5.0%.

**Strengths, Weaknesses and Mitigants:**

- + New Jerusalem is meeting its local matching share with a lump sum payment from the New Jerusalem Elementary School District. This contribution has been approved by the Board of the District, and Authority staff has received a certification of the set-aside of District funds for this purpose.
  
- +/- District wide student performance has varied by school over the past four academic years.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that New Jerusalem School and New Jerusalem Elementary School District are financially sound for purposes of the Charter School Facilities Program Preliminary and Advance Apportionment. Staff's financial soundness recommendation is based on the District having cash on hand to meet the applicant's local matching share. If New Jerusalem receives an apportionment through the Program, staff will direct the District to set aside and designate its match obligation. This determination as it relates to the Advance Apportionment shall be in place for six months barring any material financial or operational changes that would impact the financial liability of the school or the district as the obligor for a lump sum payment. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.