

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 1D 2009 FUNDING ROUND
STAFF SUMMARY REPORT – MAY 2010**

Applicant:	Roseland Charter School
Project School:	Roseland University Prep Program
CDS (County-District-School) Code:	49-70904-0101923
Proposed Project Location:	1931 Biwana Drive, Santa Rosa, CA 95407
Type of Project:	New Construction
County:	Sonoma County
School District Where Located:	Roseland School District
Chartering Entity:	Roseland School District
OPSC Project Cost:	\$13,984,108
Total State Apportionment:	\$6,992,054
Lump Sum Contribution:	\$450,000
Total CSFP Lease Amount:	\$6,542,054
Length Of CSFP Lease Payments:	30 years
Assumed Interest Rate On Obligation:	3.00%
Estimated Annual CSFP Lease Payment:	\$333,771
First Year Of Occupancy Of New Project:	2012-13

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) Preliminary and Advance Apportionments. 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 immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.

Background: Roseland is requesting a preliminary apportionment for construction of a facility for its high school program, Roseland University Prep (RUP). Roseland is a not-for-profit 501(c)(3) charter school that is divided into two programs that are currently housed at 100 Sebastopol Road, Santa Rosa. RUP started operations in September 2004 and serves students in grades 9-12. Roseland Accelerated Middle School (RAMS), located at 1777 West Avenue, Santa Rosa, started operations in September 2003 and serves grades 7-8.

To assess Roseland's status for a determination of financial soundness for purposes of a preliminary apportionment, CSFA staff reviewed the following: (1) financial information for the organization; (2) facility information for both schools; (3) current charter and verification of the charter's expiration date; (4) academic performance results; (5) the Legal Status Questionnaire; (6) enrollment history and projections as well as combined retention rates for both schools; (7) management and Board of Directors information; and (8) 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 School 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 Program eligibility criteria, including: 1) having a charter in place, 2) being in operation as a charter school for more than two years (middle school since 2003 and high school since 2004); and 3) being in compliance with the terms of its charter and in good standing with its chartering authority, Roseland School District.
Demographic Information	In the 2009-10 school year, Roseland is serving 290 students in grades 7-8 and 330 students in grades 9-12, for a total of 620 and projects to grow to 701 students by 2010-11.
Debt Service Coverage	Roseland's projected debt service coverage is 100.2% for 2013-14, and 100.8% for 2014-15, which narrowly exceeds the 100.0% minimum required.
Other Financial Factors	<ul style="list-style-type: none"> ▪ CSFP payments are projected to represent, on average, 6.6% total revenues during the first two years of CSFP payments, 2013-14 and 2014-15, which are within the maximum 10-15% threshold levels. ▪ Roseland currently has three outstanding loans with its chartering authorizer, which should be paid by 2013-14.
Student Performance	<ul style="list-style-type: none"> ▪ Roseland achieved API scores of 720, 705, 702, and 743, for each year, respectively, from 2005-06 to 2008-09; and met all AYP criteria for three of the last four years (only meeting 17 of 18 criteria in 2007-08). ▪ For 2008-09, Roseland received a statewide rank of 5 out of 10 based on its API base score.

Program Eligibility: On December 9, 2009, staff received verification from the Roseland School 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 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 1.85 acre site. The new facility for RUP high school will serve

approximately 400 students 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 sister charter school Roseland Accelerated Middle School Program. Project completion and occupancy is anticipated in 2012-13.

Organizational Information: Roseland is a not-for-profit public benefit organization with a 501(c)(3) status serving grades 7-12. Roseland received its first charter from Santa Rosa City School District and transferred to the Roseland School District in 2003. The school 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. RAMS (the middle school) currently serves 290 students in grades 7-8 and RUP (the high school) currently serves 330 students in grades 9-12. The school's current charter under Roseland School District is set to expire on July 1, 2013.

Roseland states 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 will be used with one-on-one help available as needed. Powerful Learning 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 will 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 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 Amy Jones-Kerr, Principal of RUP, and Jenny Young, Principal of RAMS.

Ms. 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 Masters Degree in Education and Policy Analyst, Administrative Credential, from Stanford University and a Bachelor's Degree in Liberal Studies from San Jose State University. Ms. Jones-Kerr has served as co-founder and principal of RUP since January and prior to that served as Assistant Principal for RAMS beginning in August 2003. Ms. Jones-Kerr has the following degree and credentials from Sonoma University: Multiple Subject-Bilingual Teaching Credential, Professional Clear Credential, Administrative Services Credential, and a Bachelor's Degree in Liberal Studies. Ms. 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 CASBO (California Association of School Business Official).

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 School District Board of Directors), three community members, and a Sonoma State University representative. Among the voting members are the following (name, term, and occupation): Sondra Beam, since December 2002, Pharmaceutical Medicine; Ronnie Wilson, since May 2001, Self-employed; Les Crawford, since May 2001, Superintendent; Perry Marker, since March 2004, Professor and Chair; Carmel Curiel Larios, since March 2007, Realtor.

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: Staff views student performance as a leading indicator of a charter school's sustainability because of its implications for student enrollment stability and growth. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) data, as reported by the California Department of Education (CDE), per the No Child Left Behind Act of 2001.

The reported API and AYP scores for RAMS and RUP are combined under the single charter for Roseland. Thus staff reviewed the combined performance for Roseland as-a-whole for 2005-06 through 2008-09. Roseland has more than four years of reported API scores, allowing a review of progress and comparison to similar schools.

Roseland has achieved API base scores of 720, 705, 702, and 743, for each year from 2005-06 to 2008-09, respectively; and met all AYP criteria for three of the last four years (only meeting 17 of 18 criteria in 2007-08). Also for 2008-09, Roseland API base scores achieved a statewide rank of 5 and a similar schools rank of 7.

Roseland Charter School	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	No	Yes
Criteria Met / Required Criteria	18 / 18	18 / 18	17 / 18	18 / 18
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	Yes	Yes	Yes	Yes
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	Yes	No	No	Yes
Met Comparable Improvement Growth Target?	Yes	No	No	Yes
Met Both Schoolwide & CI Growth Targets?	Yes	No	No	Yes
API Base Statewide Rank (10 = best)	3	6	5	5
API Base Similar Schools Rank (10 = best)	10	10	10	7
School's Actual Growth	65	-10	-3	38
Similar Schools Median of Actual Growth	11	11	17	13
Did School's Growth Exceed Median?	Yes	No	No	Yes

Enrollment and Retention Rates: Roseland has grown from approximately 186 students in grades 7-8 in its first year of operations (2003-04) and has expanded to 620 students in grades 7-12 for the current 2009-10 academic year. Roseland projects 701 students for 2010-11 and would maintain that level through 2013-14, the second year of CSFP payments. Roseland reports that its enrollment target of 701 students for 2010-11 has been met. The school-wide student retention rate was reported as 98% for 2007-08, 95% for 2008-09, and 92% for 2009-10.

Financial Analysis: 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 2005-06 through 2008-09; 2) Roseland's budget for 2009-10 and budgeted projections for 2010-11 through 2014-15, and 4) projected enrollment for all grades through 2014-15.

Roseland Charter School	Actual FY 2007/08	Actual FY 2008/09	Budget FY 2009/10	Projected FY 2010/11	Projected FY 2011/12	Projected FY 2012/13	Projected FY 2013/14	Projected FY 2014/15
ENROLLMENT PROJECTIONS								
Enrollment	541	603	620	701	701	701	701	701
Average Daily Attendance	519	557	618	666	666	666	666	666
Average Daily Attendance (%)	96%	92%	100%	95%	95%	95%	95%	95%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Payment	\$ 4,679,100	\$ 5,204,530	\$ 4,572,425	\$ 4,961,639	\$ 5,001,515	\$ 4,920,198	\$ 5,002,780	\$ 5,151,675
Total Expenses Paid Before CSFP Payment	4,412,352	4,526,638	4,681,242	4,898,529	4,969,917	5,077,223	4,808,336	4,945,380
Accounting Adjustments	164,784	168,407	625,254	170,000	160,000	150,000	140,000	130,000
Net Revenues Available for CSFP Payment	\$ 431,532	\$ 846,299	\$ 516,437	\$ 233,110	\$ 191,598	\$ (7,025)	\$ 334,444	\$ 336,295
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,771	\$ 333,771
Net Revenues After CSFP Payment	\$ 431,532	\$ 846,299	\$ 516,437	\$ 233,110	\$ 191,598	\$ (7,025)	\$ 673	\$ 2,524
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Payment	\$ 431,532	\$ 846,299	\$ 516,437	\$ 233,110	\$ 191,598	\$ (7,025)	\$ 334,444	\$ 336,295
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	100.2%	100.8%
Contributions	\$ -	\$ -	\$ -	\$ 350,464	\$ 300,464	\$ 125,000	\$ 125,000	\$ 125,000
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	62.8%	63.3%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	6.7%	6.5%
Contributions / Revenues	N/A	N/A	N/A	7.1%	6.0%	2.5%	2.5%	2.4%
Net Revenues After CSFP Payment / Revenues	9.2%	16.3%	11.3%	4.7%	3.8%	-0.1%	0.0%	0.0%
Revenues / ADA	\$ 9,016	\$ 9,344	\$ 7,405	\$ 7,450	\$ 7,510	\$ 7,388	\$ 7,512	\$ 7,736
Expenses / ADA	\$ 8,502	\$ 8,127	\$ 7,581	\$ 7,356	\$ 7,463	\$ 7,624	\$ 7,721	\$ 7,927
Surplus (Deficit) / ADA	\$ 514	\$ 1,217	\$ (176)	\$ 95	\$ 47	\$ (236)	\$ (209)	\$ (191)
Net Working Capital	\$ 753,784	\$ 1,414,619						
Net Working Capital / Expenses	17.1%	31.3%						

Roseland's financial evaluation is also based on the following assumptions: (1) occupancy of the proposed project by August 2012; (2) projected ADA rates of 95% through 2013-14; (3) the 50% local matching share will be met with a combination of a 30-year long-term lease and a \$450,000 lump sum payment; (4) funding rates for general purpose block grants of \$5,012 and 5,809 for grades 7-8 and grades 9-12, respectively, beginning in 2010-11; (5) revenue growth (cost of living adjustments on General Purpose Block Grant) of 0.9% for 2010-11, 2.4% for 2011-12, 3.0% in projected years thereafter; and (6) the school is not expected to have any long-term liabilities outside of the anticipated CSFP lease repayment, having repaid the balance of its loans from the Roseland School District during 2012-13.

Long-Term Liabilities – At June 30, 2009, Roseland had outstanding long-term liabilities of \$339,153, which was a decrease from the \$459,153 recorded at June 30, 2008. These debt obligations took the form of three loans obtained from the Roseland School District. 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 then an additional \$181,717 to help with additional leasehold improvement costs. The three loans from the Roseland Elementary School District are expected to be repaid in four annual installments ranging from \$133,775 in 2009-10 down to \$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: Roseland recorded net increases in fund balances of \$245,884, \$225,082, \$266,748, and \$677,892 from 2005-06 to 2008-09, respectively. Projections for 2009-10 to 2011-12 indicate increases to net assets of \$11,183, \$63,110, and \$31,598, respectively. Based on revenues and expenses of \$4.92 million and \$5.08 million, Roseland projects a decrease in net assets of \$157,025 in 2012-13.

Debt Service Coverage: Roseland's financial projections indicate the organization will be able to afford the projected annual CSFP payments. Debt service coverage ratios for CSFP are calculated using net revenues available after payment of debt service on any existing and projected indebtedness, with any expenses for capital outlay and depreciation added back as net revenues. Assuming a 3.0% interest rate, \$450,000 lump sum payment, 30-year repayment period for the remainder of the matching share, and total anticipated project costs of \$13,984,108, Roseland's annual CSFP payment would be \$333,771 beginning in 2012-13. Roseland's projected net revenues available for the first two years of CSFP payment are \$334,444 and \$336,295 which would provide corresponding debt service coverage ratios of 100.2% and 100.8%, respectively. The CSFP payment also would represent, on average, 6.6% of projected revenues in 2012-13 and 2013-14, which is within the targeted maximum range of 10-15%.

Staff is requesting that the Roseland School District serve as co-borrower for the CSFP obligation given Roseland's small margin of debt service coverage over 100%. RSD currently holds an investment grade rating of "A" from Standard & Poor's and would provide additional security to the CSFP lease payment.

Liquidity: Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Roseland's NWC for 2007-08 was \$753,784 or 17.1% of total expenses, and then increased to \$1,414,619 or 31.3% of total expenses for 2008-09. Both of these meet the targeted NWC of 5.0% or more of total expenses.

Strengths Weaknesses, and Mitigants:

- + Roseland's projected debt service coverage is 100.2% and 100.8% for the first two years of CSFP payments, 2013-14 and 2014-15.
- + Roseland has demonstrated consistent enrollment growth since it began operations in 2003-04 with growth from 186 students in 2003-04 to 620 students in 2009-10.
- + Roseland met all AYP criteria for three of the past four years and experienced a 23 point increase in its API base scores over four years from 720 to 743.
- + Leadership at Roseland remains stable with the same key staff serving since the school began operations.
- + Net Working Capital, at 31.3% of total expenses in 2008-09, exceeds staff's minimum level of 5.0%.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Roseland Charter School is financially sound for the purposes of the Charter School Facilities Program Preliminary and Advance Apportionment, but not for purposes of Final Apportionment under the Program. This determination is contingent upon board approval from the Roseland School District to serve as co-borrower for the CSFP obligation. As it relates to an Advance Apportionment, this determination is in place for six months and assumes no financial, operational, or legal material finding within this time period. Staff recommends that the CSFA Authority board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.