

MEMORANDUM

Date: July 14, 2010

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 10-21 Approving Determination of Vaughn Next Century Learning Center's Financial Soundness for Purposes of a Final Apportionment under the Charter School Facilities Program

Consideration of Resolution No. 10-21 approving that Vaughn Next Century Learning Center (Vaughn) has maintained a financially sound status for purposes of a Final Apportionment under the Proposition 1D funding round of the Charter School Facilities Program (Program).

Background:

At its board meeting in May 2008, the California School Finance Authority (Authority) found Vaughn financially sound for a preliminary and advance apportionment, but not for final apportionment, under Proposition 1D (2008 Funding Round) in the amount of \$12,439,850. Project costs have since been revised by staff of the Office of Public School Construction to \$8,777,464.

Recent Request for Final Apportionment:

Vaughn has recently applied for release of funds for final apportionment in the amount of \$8,777,464 for Phase 2 of the Panda Academy High School construction project. At this time, Vaughn is seeking its State grant portion in the amount of \$4,388,732 of its project cost. Vaughn has demonstrated to the Authority satisfaction that it can meet its local matching share of \$4,388,732 with cash on hand (staff reviewed bank statements to ensure that cash is currently on hand to fund 50% of the total project costs). *Despite having cash on hand to satisfy the local matching share, staff conducts an analysis of the school to ensure the financial solvency of the school once the project school is operational.*

Vaughn Charter operates as an independent charter school. Since the Authority's findings regarding the financial soundness for preliminary apportionment in 2008, no material financial or operational changes have occurred. Staff is recommending that Vaughn Charter be found financially sound for final apportionment.

Below are the highlights for Vaughn's current status.

| Criteria | Comments |
|--------------------------------|---|
| Eligibility Criteria | Vaughn Charter met all eligibility criteria. The school has been open since September 1993, meeting the Program's requirement for two years of charter school experience in California. Vaughn Charter's current charter will expire in 2013. Vaughn is in good standing and in compliance with the terms of its charter with the Los Angeles Unified School District (LAUSD). |
| Demographic Information | Vaughn serves K-12 th grade students in Pacoima. Currently at 2,322 students in 2009-10, Vaughn's enrollment is expected to grow, on average, 5% annually through 2013-14. |
| Debt Service Coverage | Debt service coverage is not applicable as Vaughn is funding its match share with an upfront payment of \$4,388,732 which Vaughn currently has on hand. |
| Other Financial Factors | <ol style="list-style-type: none"> 1. Vaughn has an established history of financial strength in addition to its healthy reserve balances. 2. As of June 30, 2009, Vaughn maintained cash balances of \$14.96 million and substantial amounts of net working capital (\$28.67 million or 141.1% of expenses). |
| Student Performance | Vaughn has not met all AYP criteria from 2005-06 through 2008-09 but did meet its school API growth targets during this period along with meeting the comparable improvement growth targets over the last two years. Although statewide school rankings of 3 (out of 10) have been consistent since 2005-06, Vaughn's similar schools rank has also remained within the 8-10 (out of 10) range for the same period. |

Recommendation:

Staff recommends that the California School Finance Authority Board determine that Vaughn Next Century Learning Center is financially sound for the purposes of the Charter School Facilities Program Final Apportionment, and approve Resolution 10-21. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction regarding this determination.