

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – May 2019**

Applicant/Obligor:	Rise Kohyang Middle School
Project School:	Rise Kohyang Middle School
CDS (County – District – School) Code:	19-64733-0124222
School Address/Proposed Site:	S Benton Way and W 6th St Los Angeles, CA 90010-1111
Type of Project:	New Construction
OPSC Project Numbers:	54/64733-00-103
Type of Apportionment:	Preliminary Apportionment
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Total OPSC Project Cost:*	\$27,000,000
State Apportionment (50% Project Cost):	\$13,500,000
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$13,500,000
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$688,760
First Year of Occupancy of New Project:	2021-22

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Rise Kohyang Middle School (“School” or “RKMS”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary Apportionment. This determination as it relates to Preliminary Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Rise Kohyang Middle School electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Rise Kohyang Middle School. Detailed information is contained in the body of the report.

Criteria	Comments
School Information	
Eligibility Criteria	Rise Kohyang Middle School has met all eligibility criteria: (1) Rise Kohyang Middle School has been in operation since 2012; (2) Rise Kohyang Middle School’s charter was approved in July 2016 and is in place through June 2021; (3) Rise Kohyang Middle School is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Rise Kohyang Middle School has outperformed their local schools used for comparison and the District on average in both English Language Arts and Mathematics assessment in the last three years.
Demographic Information	Rise Kohyang Middle School currently serves 395 students in grades 6-8. Enrollment in 2019-20 is expected to be 405 students. ADA rates are projected to be 95%, which staff find reasonable.
Debt Service Coverage	Rise Kohyang Middle School projects debt service coverage ratios for 2022-23 and 2023-24 of 103.3% and 109.3%, respectively.

Program Eligibility: On April 26, 2019, at CSFA staff’s request, verification was received from the District confirming that Rise Kohyang Middle School (1) has been in operation since 2012; (2) is in compliance with the terms of its charter agreements; and (3) is in good standing with its chartering authority. Rise Kohyang Middle School’s current charter is effective through June 2021.

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 staff to question the financial or legal integrity of this applicant.

Project Description: Rise Kohyang Middle School proposes to construct a new middle school (grades 6th - 8th) facility for its program. The new school facility would be located as close as possible to the communities it already serves, with the center of its site search area at the intersection of S Benton Way and W 6th St. in the center of Los Angeles’s Koreatown. The proposed main school building would be two-stories and include 18 classrooms, six for each grade level. The building would also include auxiliary rooms for special education and the arts, a library and media room, a multi-purpose room, technology rooms, counseling areas, and a main office suite. This building would have an area of approximately 38,000 square feet. An approximate 12,000 sq. ft. roof-top play space would also be developed to provide students with an area for basketball, soccer, fitness equipment, and its first ever dedicated space for physical education classes. Outdoor landscaped and hardscaped areas will be created around the building, including outdoor eating. A ground level parking area will be incorporated into the space plan, and will include a student loading area, preferably adjacent to the entryway to the main building and administrative space. The new campus will also include green features that would promote water efficiency, energy efficiency, greenhouse gas emission reduction, materials and waste management, and indoor environmental quality.

CMO Organizational Information: Bright Star Schools (“BSS”) began with the goal of bringing college-preparatory education to residents of Los Angeles’ historically underserved West Adams neighborhood. Bright Star’s first charter was approved by LAUSD in 2003, with Stella Middle Charter Academy opening in August of that year. This was followed by Bright Star Secondary

Academy in 2006, Rise Kohyang Middle School in 2012, Valor Academy Middle and Middle Schools in 2013, and most recently Valor Academy Elementary School and RKMS. The campuses are located throughout Central City Los Angeles, Koreatown, Inglewood and the San Fernando Valley. The seven campuses serve over 2,700 students.

Bright Star's strategic and financial partners include: the Ahmanson Foundation, the Annenberg Foundation, the Eli & Edith Broad Foundation, California Community Foundation, Lowe's Charitable and Education Foundation, and the Walton Family Foundation. Bright Star's founder and CEO is Hrag Hamalian, who previously served as founder and executive director of Valor Academy and also served with Teach for America and Building Excellent Schools. Mr. Hamalian has a Bachelor's from Boston College, an MBA from UCLA and a Masters in Secondary Education from Loyola Marymount. Bright Star Education is overseen by a 14-member Board of Directors that includes: Kimako Desvignes, Greg Gonzalez, Stephen Green, Larry Klein, George Leftwich, Lois Levy, James McGrath, Andrew Murr, Esther Perez, Julie Robles, David Valentine, Andrew Wang, Louisa Wee, and Elizabeth Yeo. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the CMO.

School Organizational Information: RKMS is a public charter school located within the boundaries of the Los Angeles Unified School District and is authorized by the Los Angeles Unified School District. RKMS's charter was approved by the Los Angeles Unified School District on July 1, 2016, and is active through June 30 2021. The school is a direct-funded independent charter school and is operated by a California public benefit corporation with IRS approved 501(c)(3) status, Bright Star Schools, which oversees six other schools in greater Los Angeles. RKMS operates autonomously from the District, with the exception of the supervisory oversight as required by statute and other contracted services as negotiated between the District and the School.

According to information provided by the school, RKMS's mission is to prepare low-income, urban students, typically students who will be the first in their family to attend college, for higher education. RKMS has so far been able to successfully prepare and retain students by offering the following: an extended school day and longer calendar year; an unyielding focus on ensuring students' literacy and numeracy skills; teaching methodologies that have proven successful in urban settings; high expectations behaviorally and academically; frequent student/academic assessments and data driven professional development; a strict code of conduct and character building opportunities; specialized teachers; parental and community involvement in the life of student education; individual assessment; and structured support.

RKMS students develop a sense of self-worth and respect for their heritage and the cultural heritage of others through arts, literature, social studies, science and math. Students receive an enriched curriculum in language arts, math, history and science thanks to the strength of the school's teachers and administrators. The school's students work to become proficient in both English and their native language. Students demonstrate cooperative social behavior and a sense of responsibility toward their school, home and community through RKMS's Connectors program, advisory and character building programs, and community service. Students are exposed to career post-secondary opportunities and develop personal and professional life goals through exposure to local leaders and RKMS's partnerships with local businesses and community organizations.

RKMS is overseen by the same 16-member Board of Directors that oversees BSS. Dr. Eliza KimLy is the principal of RKMS as well as the Head of School's for BSS' in Koreatown. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the CMO

School Academic Performance: The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of RKMS, the averages of similar local public schools (New Heights Charter School, 42nd Street Elementary, and Audubon Middle), and the District. The results are provided through CDE's CAASPP Smarter Balanced testing data. The percentage of student groups performing at or below average is based on the number of student groups served, e.g. a school where one of four student groups performed below average would have a percentage of 75% since three of the four are at or above average. Student groups, as determined in Ed. Code Section 52052 (a)(2), are ethnic subgroups, socioeconomically disadvantaged pupils, English learners, pupils with disabilities, foster youth, and homeless youth. The data for student groups performing at or above average was first made available for 2016-17.

English Language Arts – Comparison

% of Students Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
RKMS	36.00%	41.50%	57.40%
Local Schools	26.30%	25.60%	24.50%
District	39.00%	39.55%	42.31%

All Students Performance

	2015-16	2016-17	2017-18
RKMS	N/A	Average	Highest
Local Schools	N/A	Low	Low
District	N/A	Low	Average

Student Groups Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
RKMS	N/A	100%	100%
Local Schools	N/A	27%	20%
District	N/A	38%	69%

Mathematics– Comparison

% of Students Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
RKMS	32.00%	39.30%	51.20%
Local Schools	16.70%	21.00%	19.30%
District	28.00%	29.86%	31.62%

All Students Performance

	2015-16	2016-17	2017-18
RKMS	N/A	Average	High
Local Schools	N/A	Low	Low
District	N/A	Low	Average

Student Groups Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
RKMS	N/A	100%	100%
Local Schools	N/A	33%	27%
District	N/A	38%	55%

Enrollment Trends and Projections: The tables below present enrollment information for RKMS from 2014-15 through 2023-24. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

School Student Enrollment and Average Daily Attendance

<u>RKMS</u>	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	324	370	398	404	395	405	410
ADA	95.6%	97.5%	96.7%	96.3%	95.0%	95.0%	95.0%
	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>				
Enrollment	415	415	415				
ADA	95.0%	95.0%	95.0%				

As part of Staff's review, historical enrollment from 2014-15 through 2017-18 is used as a measure for the reasonability regarding projected enrollment for 2019-20 through 2023-24. From 2014-15 through 2017-18, RKMS grew an average of 7.8% with the largest increase from 2014-15 to 2015-16. The projected 1.7% average growth from 2018-19 through 2023-24 is consistent with historical performance and therefore Staff considers reasonable.

Staff also compared RKMS's historical enrollment changes with Local Schools and the District as an additional measure of reasonability. The Local Schools averaged about a 3.4% lose in enrollment. The District's enrollment decreased by an average of 1.3% over those three years.

With this information, staff considered EJE Middles averaged projected growth of 1.7% reasonable.

School Financial Analysis: Below are highlights of staff’s analysis of RKMS. The financial analysis is based the follow: (1) audited financial statements for 2015-16 and 2016-17; (2) adopted budget for 2017-18; and (3) budget projections for 2018-19 through 2023-24 along with assumptions.

Assumptions: RKMS’s financial projections are based upon the following assumptions: (1) occupancy of the new construction projects in 2020-21; (2) Enrollment projections as provided above under “Enrollment Trends and Projections”; (3) Projected ADA rates of 95.5%, which are consistent with historical and CMO performance; and (4) a projected average Local Control Funding Formula (LCFF) per-ADA funding rate of \$11,176;

Long Term Liabilities: As provided by the 2017-18 audited financial statements, RKMS has no long-term liabilities.

It should be noted that BSS has an additional CSFP project at Rise Kohyang High School funded through Proposition 51. Like this project, the school, Rise Kohyang High School, was the obligor reviewed. That project was approved for Preliminary and Advance apportionment in January 2018. As RKMS is the obligor being reviewed for this project, the Rise Kohyang High School project was listed for informational purposes only.

Private Contributions: RKMS projects very conservative fundraising and contribution income for the project budgets. RKMS projects an average of about \$20,000 a year which accounts for 0.4% of operating revenues which is much lower than the Authority’s threshold of 15%.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding RKMS’s financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
OPERATIONAL & FINANCIAL										
Enrollment	324	370	398	404	395	405	410	415	415	415
Average Daily Attendance (ADA)	310	361	385	389	375	385	390	394	394	394
Average Daily Attendance (%)	95.6%	97.5%	96.7%	96.3%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
FTE Teachers	14	15	15	15	15	16	16	16	16	16
Pupil-Teacher Ratio	23.1	24.7	26.5	26.9	26.3	25.3	25.6	25.9	25.9	25.9
LCFF Sources/ADA	\$ 7,415	\$ 8,629	\$ 9,305	\$ 9,736	\$ 10,385	\$ 10,667	\$ 10,934	\$ 11,310	\$ 11,678	\$ 12,082
% Change		16.4%	7.8%	4.6%	6.7%	2.7%	2.5%	3.4%	3.3%	3.5%
Operating Revenues/ADA	\$ 13,307	\$ 11,734	\$ 12,731	\$ 13,084	\$ 13,324	\$ 13,524	\$ 13,829	\$ 14,234	\$ 13,644	\$ 14,073
% Change		-11.8%	8.5%	2.8%	1.8%	1.5%	2.3%	2.9%	-4.1%	3.1%
Operating Expenses plus CSFP Lease/ADA	\$ 10,074	\$ 11,381	\$ 12,693	\$ 12,228	\$ 13,030	\$ 13,145	\$ 13,387	\$ 13,642	\$ 13,587	\$ 13,911
% Change		13.0%	11.5%	-3.7%	6.6%	0.9%	1.8%	1.9%	-0.4%	2.4%
Free Cash Flow/ADA	\$ 3,233	\$ 354	\$ 38	\$ 856	\$ 294	\$ 379	\$ 442	\$ 592	\$ 57	\$ 162

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$ 4,123,797	\$ 4,230,954	\$ 4,900,587	\$ 5,090,663	\$ 4,999,697	\$ 5,203,286	\$ 5,386,258	\$ 5,611,800	\$ 5,379,151	\$ 5,548,374
Total Operating Expenses	3,121,874	4,103,483	4,885,846	4,757,642	4,889,498	5,057,590	5,214,272	5,378,371	4,667,873	4,795,682
Total Other Sources/Uses	(918,364)	-	-	-	-	-	-	-	-	-
Net Income Available	83,559	127,471	14,741	333,021	110,199	145,696	171,986	233,429	711,278	752,692
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-
Add Back Depreciation	-	-	-	-	5,340	-	-	-	-	-
Adjusted Net Income Available	83,559	127,471	14,741	333,021	115,539	145,696	171,986	233,429	711,278	752,692
CSFP Matching Share Payments	-	-	-	-	-	-	-	-	688,760	688,760
Free Cash Flow	\$ 83,559	\$ 127,471	\$ 14,741	\$ 333,021	\$ 115,539	\$ 145,696	\$ 171,986	\$ 233,429	\$ 22,518	\$ 63,932
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	103.3%	109.3%
DSC from LCFF Sources subject to CSFA Intercept									424.7%	424.7%
CSFP Matching Share Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12.8%	12.4%
FUNDRAISING										
Fundraising for Operations	\$ 984,439	\$ 25,739	\$ 236,873	\$ 2,921	\$ 19,429	\$ 20,200	\$ 20,471	\$ 20,747	\$ 21,024	\$ 21,306
Fundraising/Oper. Revenues	23.9%	0.6%	4.8%	0.1%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100.2%	106.2%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-7.1%	-200.1%
LIQUIDITY										
Current Assets	\$ 887,893	\$ 1,607,031	\$ 1,861,913	\$ 1,932,181						
Current Liabilities	521,739	1,121,664	1,357,045	1,749,294						
Net Working Capital	\$ 366,154	\$ 485,367	\$ 504,868	\$ 182,887						
Net Working Capital/Oper. Expenses	11.7%	11.8%	10.3%	3.8%						
Unrestricted Cash & Cash Equivalents	\$ 133,366	\$ 672,401	\$ 386,914	\$ 1,037,924						
Unrest. Cash & CE/Oper. Expenses (Days)	16	60	29	80						
Unrest. Cash & CE/All Expenses (Days)	16	60	29	80						

Benchmark Summary:

- Free Cash Flow/ADA – **Met:** \$640.61 average (>\$0)
- Free Cash Flow – **Met:** \$131,189.17 average (>\$0)
- CSFP Matching Share Payment/Operating Revenue – **Met:** 12.6% average (<15.0%)
- Debt Service Coverage (DSC) from Adj. Net Income – **Met:** 103.3 & 109.3% average (>100%)
- DSC from Adjusted Net Income without Fundraising – **Met:** 103.2% average (>100%)
- Net Working Capital/Operating Expenses – **Met:** 9.4% average (>5.0%)
- Unrestricted Cash & Cash Equivalents/All Expenses – **Not Met:** 46 days on average (> 90 days)

Strengths, Weaknesses and Mitigants:

- + RKMS projects debt service coverage ratios for 2022-23 and 2023-24 of 103.3% and 109.6%, respectively.
- + As of June 30, 2018, RKMS has no long-term liabilities or debt to be paid.
- + RKMS’s fund balance is projected to be \$966,090 by June 30, 2019
- + RKMS has outperformed their local schools used for comparison and District on average in both English Language Arts and Mathematics assessment in the last three years
- + RKMS is not dependent on fundraising contributions to meet its debt service coverage

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Bright Star Schools on behalf of Rise Kohyang Middle School is financially sound for the purposes of Charter School Facilities Program Preliminary Apportionment. This determination as it relates to Preliminary Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Rise Kohyang Middle School electing to have its CSFP

payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.