

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 1D FUNDING ROUND
STAFF SUMMARY REPORT – APRIL 2008**

Applicant/Obligor:	Chico Country Day School
Project School:	Chico Country Day School
CDS (County – District – School) Code:	04 61424 6113773
[Proposed] Project Location:	102 West 11 th Street, Chico
Type of Project:	Rehabilitation of District Facilities
County:	Butte
District in which Project is Located:	Chico Unified School District
Charter Authorizer:	Chico Unified School District
Total OPSC Project Cost:	\$8,437,062
State Apportionment (50% Project Cost):	\$4,218,531
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$4,218,531
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	5.50%
Estimated Annual CSFP Payment:	\$290,258
First Year of Occupancy of New Project:	2009-10

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Chico Country Day School (CCDS) is financially sound for the purposes of the Charter School Facilities Program (Program) Preliminary and Advance Apportionment, but not for purposes of Final 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 CSFA 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 CCDS. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	CCDS has met all the Program eligibility criteria including: 1) a charter is in place; 2) Program's requirement having of 2 years of instructional operations has been met; and; 3) CCDS is in compliance and in good standing with its chartering authority.
Demographic Information	CCDS currently serves 429 students in grades K-8. The school projects enrollment to increase to 480 students during its first year of CSFP facilities occupancy in FY

	2008-09, and ultimately grow to 508 students by 2010-11. Staff deems this enrollment growth reasonable given the school's enrollment growth to date.
Debt Service Coverage	CCDS 's debt service coverage ratios have met the 100% Debt Service Coverage Ratio threshold by having 136.6% in FY 2010-11 (one year after CSFP facility occupancy), 123.8% for FY 2011-12.
Other Financial Factors	<ul style="list-style-type: none"> ▪ CSFP payments represent 9.5% of revenues, and the school will not have any long-term debt besides the CSFP obligation. Staff considers a lease burden (lease payments divided by revenues) of 10% or less to be an affordable long-term commitment. ▪ CSFP payments are projected to be 7.4% and 7.2% of total revenues for FY 2010-2011 and FY 2011-12, which are slightly below the 10-15% threshold levels. ▪ Fundraising/contributions are not a revenue item for CCDS.
Student Performance	CCDS has met all its API and AYP goals since FY 2003-04. In 2006-07, CCDS has a state rank of 9, and a similar schools rank of 6. CCDS continues to have higher API scores in comparison to its Local Education Area.

Program Eligibility: In August 2007, and again in March 2008, staff received notification from the Superintendent's Office at Chico Unified School District (District) that CCDS is: 1) in compliance with the terms of its charter agreement, and 2) is in good standing with its chartering authority. CCDS' charter is in place and will expire in 2010. The District has renewed CCDS' charter twice since the school opened in 1996.

Legal Status Questionnaire: Staff reviewed CCDS' responses to the questions contained in the Legal Status Questionnaire (LSQ). CCDS answered "No" to all LSQ questions.

Project Description: CCDS has requested financing for a rehabilitation project for its current school facilities, which are being provided by the District through Proposition 39. The project consists of replacing seven re-locatable classrooms, and two bathrooms, upgrading four bathrooms and the multi-purpose room, remodeling two classrooms and an office to bring it up to ADA compliance, and to relocate two classrooms to make room to construct a new pick-up/drop-off loading zone. CCDS also plans to construct a new two-story classroom building that will house up to fifteen classrooms, offices and a new library.

CCDS served 363 K-7grade students in 2006-2007, and added an 8th grade in the 2007-2008 school-years for a total enrollment of 429 students. Instructional operations commenced in 1996-97, with 81 K-7 grade students. CCDS projects serving 480 students in the 2008-09 and by 2010-11, projects serving 508 K-8 grade students.

Organizational Information: Prior to 2004, CCDS was not incorporated as a separate non-profit entity, but was a district-operated charter school. CCDS is currently organized as a nonprofit, public-benefit corporation with 501(c)(3) status. CCDS also is fully accredited

by the Western Association of Schools and Colleges. CCDS started instructional operations in September 1996 and is currently in its eleventh year of operations.

Based on information provided by school representatives, CCDS offers a broad and enriched education, emphasizing integrated teaching based on the California State Teaching Standards, and on the Integrated Thematic Instruction (ITI), which weaves subjects together based on a thematic year-long theme and also Lifeskills and Lifelong Guidelines. The school also offers music, including Strings, band, classroom music, art and drama, Environmental Science, an Afterschool program, and a Preschool. Additionally, CCDS has also partnered with River Partners in learning about restoration and habitat along the wetlands in Butte County.

A CCDS education is differentiated in two ways: 1) by the foundation of skills its students will have developed to cope with change, diversity, and a rapidly increasing body of knowledge, and 2) by the breadth of the exposure its students will have to the larger world. While maintaining the highest standards throughout the curriculum, CCDS will develop ways others in the world think and communicate.

CCDS' targeted population surrounds the "Barber Yard" area in Chico, which draws from schools such as Chapman, Rosedale or Parkview (all low-performing public elementary schools). About 75% of the new students are from this area, and it has raised the Free and Reduced priced lunch by 9% for CCDS for the past year and a half. CCDS marketing plans focuses on three phases: 1) building community awareness of the school through public relations and activities throughout the area, website development, advertisement in local publications, and newspapers, 2) enlisting dedicated individuals and community organizations who are interested in becoming key participants in CCDS by volunteering time and services, and 3) recruiting families with children who are currently attending public schools with API state ranks of 1 or 2, such as Rosedale and Chapman Elementary Schools.

Educational Management Organization: CCDS is an independent charter and is not run by an EMO.

Management Experience: The resumes of the school's personnel and the management team demonstrate professional, experienced, and qualified individuals serving in key capacities within the organization.

For example, Margaret Reece, Executive Director of CCDS and board member, has a Masters in Public Administration, and has a Bachelor of Arts from the University of Wisconsin. Prior to CCDS, Ms. Reece worked for a non-profit health advocacy organization in Chico, and at an environmental firm in Phoenix.

School Management: Paul Weber, Principal of CCDS and board member, has a Masters in Educational Administration, and was Principal at Mountain Ridge Middle School and St. Thomas the Apostle Elementary School.

Zane Schreder is a volunteer parent, who is currently the Acting Project Manager for CCDS' new facility. Mr. Schreder works at Schreder and Associates, which is a firm that constructs school facilities throughout California.

Board Experience: CCDS is governed by a Board of Directors, composed of the charter school's Principal and fourteen other trustees. The primary responsibilities of the Board of Directors are to build the boards leadership, strengthen fiscal policies for the school, and implement the school's Strategic Plan. Based on information provided by CCDS representatives, the trustees of the Board of Directors appear to possess a wealth of experience in social work, education, management, and construction.

Board composition includes but is not limited to, retired Chief of Police Michael A. Dunbaugh, Cal State Chico Professor Jerry Hight, Public Health Nurse Mary Lucas, CCDS Second Grade Teacher Carol Masters, Attorney Kenneth Petruzzelli, CCDS Executive Director Margaret Reece, Parent Karen Rose, CCDS Principal Paul Weber and, Retired Superintendent of Butte County Schools Jerry McGuire.

In addition to the Board of Directors, the charter school also has a Parent Board, which is responsible for all volunteer activities associated with the school's programs.

Management Experience for Schools Open Less than Two Years: Not applicable. CCDS has been opened since 1996, which exceeds the two-year operational requirement.

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 or 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 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 would face additional mandates and corrective actions if the school is a recipient of federal Title 1 funds.

CCDS met 13 out of 13 AYP criteria for FY 2006-07. CCDS has at least four years of reported API scores, allowing a review of progress and comparison to similar schools. CCDS received a base API score of 806 in FY 2004-2005, an 864 in FY 2005-06 and a drop of 27 points to 835 in FY 2006-07.

Staff sought an explanation for a drop of 27 points in 2006-07 API scores; CCDS responded to staff that the drop was due to a variety of factors. CCDS experienced enrollment growth of 20% and received a large influx of new students particularly into grades 6-8. A large number of these new students scored *below basic* or *far below basic* compared to the overall student population. CCDS is committed to accelerating these students' performance and closing this gap. CCDS base API is still in the 800's which indicates strong academic performance. The following table summarizes CCDS' student performance for the past four years.

Chico Country Day School	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?		Yes	Yes	Yes
Criteria Met / Required Criteria		6 / 6	9 / 9	13 / 13
Met API Indicator for AYP?		Yes	Yes	Yes
Met Graduation Rate?		0	0	0
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	Yes	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	Yes	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	Yes	Yes	Yes	Yes
API Base Statewide Rank (10 = best)	6	8	8	9
API Base Similar Schools Rank (10 = best)	1	1	1	6
School's Actual Growth	43	10	58	-27
Similar Schools Median of Actual Growth	-1	15	7	-6
Did School's Growth Exceed Median?	Yes	No	Yes	No

Enrollment Information: There were 361 students enrolled at CCDS during the 2006-2007 school year, 429 in FY 2007-08, with projections of 476 students for FY 2008-09, 500 students for FY 2009-10, and 506 students for FY 2010-11. The waiting list for all grades is approximately 100 students per year. The student retention rate for FY 2005-06 to FY 2006-07 is 93%, which is an acceptable rate.

Financial Analysis: Below we have highlighted selected financial data and credit indicators to evaluate CCDS' ability to meet its CSFP obligation.

Staff's review of CCDS' financial performance is based on three years of audited financial statements (FY 2004-05, FY 2005-06, and FY 2006-07), 2007-08 first interim projections, 5-year projections, cash flow statements, and current year-to-date unaudited financial statement. CCDS hopes to begin the project in FY 2008-09, by which time their enrollment will have increased to 433 students in grades K-8.

Chico Country Day School	Actual FY 2005-06	Actual FY 2006-07	Projected FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12
ENROLLMENT PROJECTIONS							
Enrollment	306	359	429	433	481	506	508
Average Daily Attendance	291	330	408	413	435	456	481
Average Daily Attendance (%)	95%	92%	95%	95%	90%	90%	95%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Lease Payment	\$ 2,130,619	\$ 2,747,864	\$ 3,146,760	\$ 3,392,967	\$ 3,638,844	\$ 3,924,791	\$ 4,044,030
Total Expenses Paid Before CSFP Lease Payment	2,210,458	2,485,055	2,978,304	3,125,391	3,337,708	3,585,040	3,743,170
Accounting Adjustments	784	-	52,000	53,560	55,167	56,822	58,526
Net Revenues Available for CSFP Lease Payment	\$ (79,055)	\$ 262,809	\$ 220,456	\$ 321,136	\$ 356,303	\$ 396,573	\$ 359,386
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,258	\$ 290,258
Net Revenues After CSFP Lease Payment	\$ (79,055)	\$ 262,809	\$ 220,456	\$ 321,136	\$ 356,303	\$ 106,315	\$ 69,128
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Lease Payment	\$ (79,055)	\$ 262,809	\$ 220,456	\$ 321,136	\$ 356,303	\$ 396,573	\$ 359,386
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	136.6%	123.8%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	136.6%	123.8%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	7.4%	7.2%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	-3.7%	9.6%	7.0%	9.5%	9.8%	2.7%	1.7%
Revenues / ADA	\$ 7,322	\$ 8,327	\$ 7,713	\$ 8,215	\$ 8,365	\$ 8,607	\$ 8,408
Expenses / ADA	\$ 7,596	\$ 7,530	\$ 7,300	\$ 7,568	\$ 7,673	\$ 8,498	\$ 8,386
Surplus (Deficit) / ADA	\$ (274)	\$ 796	\$ 413	\$ 648	\$ 692	\$ 109	\$ 22
Net Working Capital	\$ (20,354)	\$ 227,450					
Net Working Capital / Expenses	N/A	9.2%					

Assets/Liabilities: As of June 30, 2006, CCDS had no evidence of long-term liabilities. CCDS has indicated that no other long-term debt will be incurred other than for the Program facilities in the future.

Changes in Net Assets: In FY 2005-06, CCDS recorded a decrease in net assets of \$(79,839), on revenues of \$2.13 million and expenditures of \$2.21 million, and as a result the fund balance resulted in \$(18,166). In FY 2006-2007, CCDS recorded an increase in net assets of \$262,809, on revenues of \$2.74 million and expenditures of \$2.48 million, and as a result the fund balance resulted in \$244,643. The 2005-2006 increases in expenditures were due to a 51% increase in personnel salaries and benefits, along with a 100% increase in books and supplies.

CCDS' projected financial operations are characterized by positive net revenues. The school is projecting net revenues of \$356,303, \$396,573, and \$359,386 for FY 2009-10, 2010-11, and 2011-12 respectively.

Contributions/Fundraising: CCDS has a fundraising plan that includes school-level fundraising, such as an Annual Giving Campaign, Scrip, and a gala auction. Additional fundraising resources are only used as supplemental funding that purchases or supports specific programs. These revenues do not cover salaries or critical aspects of the operations of the school. CCDS expects to operate the core instructional responsibilities of the school based on local, state, and federal revenues. Currently, there is no anticipated income from third party entities, including foundations, philanthropists, governmental entities, or any other sources. However, CCDS does have plans to launch a Capital Campaign to raise funds specifically for paying down the CSFP rehabilitation project upon approval of a Proposition 1D award.

Projected Debt Service Coverage: The school plans to fund the 50% local matching share through a long-term 30-year CSFP funding agreement. Assuming an interest rate of 5.50%, annual CSFP payments of \$290,258 are expected to commence FY 2010-2011.

CCDS financial projections indicate that the school will produce surpluses for each year of operations. In 2010-11, the first year after CSFP occupancy, the school is projected to have debt service coverage of 136.6% for 2010-11, and 123.8% for FY 2011-12. CSFP payments are expected to average approximately 9% of projected revenues.

Liquidity: At June 30, 2006, CCDS held \$249,935 in cash, with \$220,944 in accounts receivable, offset by \$246,076 in current liabilities.

Strengths, Weaknesses and Mitigants

- + CCDS has shown improvements in its API and AYP scores for each year of instructional operations for the past 11 years, but did experience a decline in its API score in the last academic year. CCDS continues to have higher API scores in comparison to its Local Education Area and to the State.
- + Projected debt service coverage ratio of 136.6% and 123.8% for the first two years after occupancy.

- + CCDS will not have any long-term debt besides the CSFP annual payments.
- Currently, there are no anticipated incomes from third party entities, including foundations, philanthropists, governmental entities, or any other sources.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Chico Country Day School is financially sound for the purposes of the Charter School Facilities Program Preliminary and Advance Apportionment, but not for purposes of Final 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 Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.