

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

<b>Applicant/Obligor:</b>	Yuba River Charter School
<b>Project School:</b>	Yuba River Charter School
<b>CDS (County – District – School) Code:</b>	29-10298-0114322
<b>[Proposed] Project Location:</b>	Nevada County, California
<b>Type of Project:</b>	New Construction
<b>County:</b>	Nevada County, California
<b>District in which Project is Located:</b>	Grass Valley School District
<b>Charter Authorizer:</b>	Nevada County Office of Education
<b>Total OPSC Project Cost:</b>	\$8,502,512
<b>State Apportionment (50% Project Cost):</b>	\$4,251,256
<b>Lump Sum Contribution:</b>	n/a
<b>Total CSFP Financed Amount:</b>	\$4,251,256
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	5.50%
<b>Estimated Annual CSFP Payment:</b>	\$292,509
<b>First Year of Occupancy of New Project:</b>	2009-10

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that Yuba River Charter School (Yuba River) is financially sound for the purposes of the Charter School Facilities Program (CSFP or the 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 Yuba River. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	Yuba River meets all eligibility criteria including two years of operations, a charter in place through May 2012 and good standing with its chartering authority.
<b>Demographic Information</b>	Yuba River provides grade levels K-8 and has current enrollment of 264 students. Yuba River projects enrollment to be 279 by the time of occupancy of the project.
<b>Debt Service Coverage</b>	Debt service coverage in 2010-11 and 2011-12 are 114.4% and 118.2%. This indicates adequate coverage of the

	CSFP payment.
<b>Other Financial Factors</b>	1. The CSFP payment is 14.1% and 13.7% of revenues. 2. Yuba River does not account for any contributions in past financials or future projections.
<b>Student Performance</b>	Yuba River did not meet all AYP criteria and school wide growth targets in 2003-04 but as met all of these criteria and targets the past three academic years.

**Program Eligibility:** In March 2008, verification was received from the Superintendent's Office of Nevada County, confirming that Yuba River is: 1) in compliance with the terms of its charter agreement, and 2) is in good standing with its chartering authority.

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

**Project Description:** Yuba River has requested funding for the purpose of building a school in order to enhance and elaborate the current curriculum. The current facility is in need of repairs.

At the time of the application, Yuba River had not chosen a location for land acquisition for the purpose of constructing new buildings. However, the school has embarked on a capital campaign in which they hope to raise \$4,500,000 for the purpose of a new campus. In addition, a feasibility study was completed in February 2007. This study explores fully all aspects of the capital campaign and to determine the school's readiness to launch a major fundraising campaign. During the feasibility study, it was determinate that approximately 85% of those surveyed were willing to support the new campus.

Yuba River envisions its development based on the acquisition of approximately five acres of land. The intention is to build several small buildings centrally located in a close proximity to each other. The new school is intended to house approximately 280 students in grades Kindergarten through eighth.

Yuba River is looking for a site within the same area, Nevada County, which provides a rural setting. Yuba River is looking primarily in residential and agricultural zoned areas as that will be allowed for a school and be the most cost effective. The wide variation in prices for land in this area is due to the wide variation in topography and geography. Yuba River expects the land to cost in the range of \$620,000 to \$651,000.

**Organizational Information:** Yuba River Charter School defines itself as a traditional Waldorf school. The philosophy of a Waldorf education is "learning interdisciplinary, integrates practical, artistic, and intellectual elements, and is coordinated with 'natural rhythms of everyday life'. The Waldorf approach emphasizes the role of the imagination in learning, developing thinking that includes a creative as well as analytic component." The instructional method emphasizes the whole child and frames its academic components within an artistic, creative and imaginative context. The teachers are Waldorf-trained, or are knowledgeable enough about the idea that they are able to successfully teach the child the curriculum.

The Twin Ridges Elementary School District had been acting as authorizing agent for Yuba River prior to July 1, 2007. Nevada County Superintendent of Schools office currently services as authorizing agent. This change has allowed an increase to business services and Yuba River to operate as a non-profit public benefit corporation.

**Educational Management Organization:** Not Applicable.

**School Management:** Mr. Caleb Buckley serves as Director of Yuba River since 2004. He has a B.A. in Political Science and German Literature and M.A. in Political Science from San Francisco State University. Ms. Susan Egan serves as Business Manager for Yuba River. She has acted as Business Manager for Twin Bridges since 1994 and has a B.A. in Management from the Union Institute and University. Ms. Krissa Connelley has been Office Manager for Yuba River since 2003 and has over 15 years office manager/receptionist experience. Ms. Deanna Ronningen has been the Enrollment and Attendance Coordinator since 2002 and has extensive office related experience.

**Board Experience:** Per Yuba River's application, Yuba River's charter council consists of six voting and two non-voting members. Mr. Joseph "Jay" Zellmer is the charter council chair and is an attorney. Mr. Dan Martinez is a teacher and faculty representative on the council. Ms. Doris Rainville is also a teacher and faculty representative. Ms. Naomi Ross is a registered nurse and is a parent representative. Mr. Jo Paden, a contract worker, serves as a parent representative. Mr. Barry Peake is a professor and a community member on the council. Mr. Caleb Buckley, Yuba River Director, and Ms. Susan Egan, Yuba River Business Manager, are both non-voting members on the council.

**Management Experience for Schools Open Less than Two Years:** Not applicable; Yuba River initially began instructional activities during the 1994-95 school year. Yuba River's current charter went into effect on May 8, 2007 and will expire May 7, 2012.

**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 the 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 I funds.

Staff has received four years of reported AYP scores for Yuba River. The following table summarizes scores available for Yuba River and illustrates trends in student performance.

Yuba River Charter School 29-10298-0114322	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>				
Met All AYP Criteria?	No	Yes	Yes	Yes
Criteria Met / Required Criteria	7 / 9	9 / 9	9 / 9	9 / 9
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	N/A	N/A	N/A	N/A
<b>ACADEMIC PERFORMANCE INDEX (API)</b>				
Met Schoolwide Growth Target?	No	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	No	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	No	Yes	Yes	Yes
API Base Statewide Rank (10 = best)	6	5	5	4
API Base Similar Schools Rank (10 = best)	1	1	1	1
School's Actual Growth	-30	18	12	33
Similar Schools Median of Actual Growth	-6	18	6	1
Did School's Growth Exceed Median?	No	No	Yes	Yes

For 2003-04, Yuba River recorded a base API score of 745 and a growth API score of 715, representing a 30 point decrease. Yuba River by consequence did not meet the school wide growth target of 3. Yuba River did not meet all 9 AYP criteria, ranked 6 out of 10 statewide and among similar schools ranked 1 out of 10 in API base score.

For 2004-05, Yuba River recorded a growth API score of 726, which was 18 points above its base API score of 708. The school wide growth target of 5 was met as well. Yuba River ranked 5 out of 10 in API base scores statewide and again ranked 1 out of 10 among similar schools. Yuba however did meet all 9 AYP criteria for 2004-05.

For 2005-06, Yuba River recorded a growth API score of 738, which was 12 points above its base API score of 726. Yuba River again met the school wide growth target of 4. Yuba River met all 9 AYP criteria for 2005-06 but maintained its statewide and similar school ranking of ranking of 5 out of 10 and 1 out of 10.

For 2006-07, Yuba River showed positive growth of 33 points. Yuba River's growth API score was 769 while its base API was 736 and allowed Yuba River to meet the school wide growth target of 5. Yuba River met all 9 AYP criteria and ranked 4 out of 10 in API base ranking. Their rank among similar schools remained 1 out of 10.

**Financial Analysis:** Highlighted in this section are financial data and credit indicators used to evaluate the applicant's ability to meet its CSFP obligations. The following table excerpted from the financial model created for each applicant summarizes key aspects of the school's past and projected financial performance.

Yuba River Charter School	Actual FY 2005-06	Actual FY 2006-07	Budgeted FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12
<b>ENROLLMENT PROJECTIONS</b>							
Enrollment	226	253	264	275	279	279	279
Average Daily Attendance	217	243	253	264	268	268	268
Average Daily Attendance (%)	96%	96%	96%	96%	96%	96%	96%
<b>FINANCIAL PROJECTIONS</b>							
Total Revenues Available for CSFP Lease Payment	\$ 1,368,137	\$ 1,584,188	\$ 1,860,019	\$ 1,948,641	\$ 2,024,986	\$ 2,080,714	\$ 2,138,114
Total Expenses Paid Before CSFP Lease Payment	1,383,031	1,594,391	1,805,550	1,851,773	1,701,244	1,746,067	1,792,455
Accounting Adjustments	-	-	-	-	-	-	-
Net Revenues Available for CSFP Lease Payment	\$ (14,894)	\$ (10,203)	\$ 54,470	\$ 96,868	\$ 323,742	\$ 334,647	\$ 345,659
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,509	\$ 292,509
Net Revenues After CSFP Lease Payment	\$ (14,894)	\$ (10,203)	\$ 54,470	\$ 96,868	\$ 323,742	\$ 42,138	\$ 53,150
<b>FINANCIAL INDICATORS</b>							
Net Revenues Available for CSFP Lease Payment	\$ (14,894)	\$ (10,203)	\$ 54,470	\$ 96,868	\$ 323,742	\$ 334,647	\$ 345,659
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	114.4%	118.2%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	114.4%	118.2%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	14.1%	13.7%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	-1.1%	-0.6%	2.9%	5.0%	16.0%	2.0%	2.5%
Revenues / ADA	\$ 6,306	\$ 6,523	\$ 7,339	\$ 7,381	\$ 7,562	\$ 7,770	\$ 7,984
Expenses / ADA	\$ 6,375	\$ 6,565	\$ 7,124	\$ 7,014	\$ 6,353	\$ 6,520	\$ 6,693
Surplus (Deficit) / ADA	\$ (69)	\$ (42)	\$ 215	\$ 367	\$ 1,209	\$ 1,250	\$ 1,291
Net Working Capital	\$ -	\$ -					
Net Working Capital / Expenses	N/A	N/A					

Staff's financial review of Yuba River is based on four years of audited financial statements (2003-04 through 2006-07), the 2007-08 budget and financial projections from 2008-09 through 2011-12 as provided by the Twin Ridges and Yuba River. Yuba River's revenues, expenditures, and fund balances for 2003-04 through 2006-07 can be found in the Twin Ridges audited financial statements. Balance sheet information is not available during the period under which Yuba River was operated by Twin Ridges. Yuba River expects to occupy the project in 2008-09, by which time their enrollment will have increased to 275 students from 253 students (grades K-8) in the current year. Following the development of the new school facilities in 2008-09, total enrollment is expected to reach the school's capacity of around 280 students.

Financial Performance – Staff's analysis of financial performance includes expenses for capital outlay and loan repayment; therefore, our results may differ from audited figures.

Because of the accounting practices used by Twin Ridges, Yuba River did separately not record assets and liabilities during previous years of operation. Due to the lack of balance sheet information, analysis of Yuba River's assets and liabilities is unavailable. Yuba River does include in their future projections that the most significant changes to the balance sheet includes asset allocation of land and buildings in the Site Improvement fund and the long term liability for the acquisition of the new facility.

In 2003-04, revenues totaled \$1.22 million and expenses were \$1.15 million. Net assets decreased by \$2,244 after net interfund transfers out of \$73,783. In 2004-05, Yuba River experienced an increase in net assets of \$11,806 after transfers. This was a result of \$1.39 million in revenues and \$1.24 million in expenses. Yuba River's revenues and expenses remained relatively level in 2005-06. Revenues and expenses of \$1.37 million and \$1.24 million resulted in net assets decreasing by \$14,894 after transfers. Revenues increased for Yuba River in 2006-07 but expenses rose as well. Yuba River received revenues of \$1.58 million and expenses of \$1.42 million. Net assets for the period increased by

\$161,494 before transfers. After net transfers out of \$171,697, net assets decreased by \$10,203.

Yuba River's financial projections assume an ADA rate of 96.0%, which is consistent with Yuba River's past ADA rates. Yuba River utilizes a 2007-08 general purpose block grant and categorical block grant per ADA which confirms to the CDE certified COLA rate – a 4.5% increase from 2006-07. Yuba River has assumed a 4.0% increase in 2007-08, 1.0% in 2008-2009, 2.9% in 2009-10, and 3.0% through 2011-12. Certified and classified salaries increase in the financial projections by the previously mentioned COLA rate that is also applied to general purpose and categorical block grants. Book, supplies, and services cost reflect annual increases of 2.0%.

Yuba River has shown a strong trend increasing net assets before interfund transfers. After these transfers however, Yuba River has operated at a deficit three out of the last four years. This trend can be accounted for by the sizable interfund transfers out in 2003-04 through 2006-07. These transfers consist of oversight fees paid to Twin Ridges and cease in Yuba River's future projections. This helps account for positive change in net assets for every year through 2011-12. Contributions are not separately included in past years or in future revenue projections.

Projected Debt Service Coverage – Yuba River's financial projections indicate that they will be able to afford the projected annual CSFP lease payment of \$292,509 as evidenced by the debt service coverage ratios of 114.4%, and 118.2% calculated for 2010-11 and 2011-12. With CSFP payments to be 14.1% and 13.7% of projected revenues in 2010-11 and 2011-12, staff believes that the CSFP payment will not significantly reduce the school's flexibility to fund unforeseen costs during the term of repayment.

### **Strengths, Weaknesses and Mitigants**

- + Yuba River's financial projections indicate that they will be able to afford the annual lease payments, as evidenced by the debt service coverage ratios of 114.4% and 118.2% calculated for 2010-11 and 2011-12.
- + With CSFP payments expected to average 13.9% of projected revenues, staff believes that the CSFP obligation will not significantly reduce the school's flexibility to fund unforeseen costs during the term of repayment.
- + Yuba River failed to meet all applicable AYP requirements and school wide target growth rate in 2003-04, but has continued to improve student performance in all subsequent years.
- No past information regarding assets, liabilities, and the liquidity position of Yuba River.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that the Yuba River 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. 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.