

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 55 FUNDING ROUND
STAFF SUMMARY REPORT – JUNE 2008**

Applicant:	Jacoby Creek Charter District
Project School:	Jacoby Creek Charter District
CDS (County-District-School) Code:	12-62893-6007959
Proposed Project Location:	1617 Old Arcata Rd., Bayside, CA 95524
Type of Project:	New Construction
County:	Humboldt County
School District:	Jacoby Creek Charter District
Chartering Entity:	California Department of Education
OPSC Project Cost:	\$1,737,356*
Total State Apportionment:	\$868,678
Lump Sum Contribution:	\$0
Total CSFP Amount:	\$868,678
Length of CSFP Payments:	30 Years
Assumed Interest Rate on Lease:	4.75%
Estimated Annual CSFP Payment:	\$54,909
First Year of Occupancy of New Project:	2008-09

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Jacoby Creek Charter School District (Jacoby Creek) is financially sound for the purposes of the Charter School Facilities Program (Program) Final Apportionment. 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.

Application Highlights: Highlighted below are key criteria that were evaluated when conducting the financial soundness review of Jacoby Creek. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Jacoby Creek 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 (since 2002); and 3) being in compliance with its charter and in good standing with its chartering authority, the State Board of Education.
Demographic Information	Jacoby Creek currently serves 395 students in grades K-8, and projects enrollment to increase to 412 students during its first year of occupancy and remain stable at this level through 2010-11. Over 410 students were enrolled in previous years.

* Jacoby Creek received an advance apportionment of \$136,296 in 2005 to pay for design costs.

Debt Service Coverage	Jacoby Creek exceeds the 100% Debt Service Coverage Ratio threshold by projecting 111.6% in FY 2009-10, and 137.3% in 2010-11.
Other Financial Factors	<ul style="list-style-type: none"> ▪ CSFP payments are projected to be 1.8% of total revenues during the first two years of CSFP payments, 2009-10 and 2010-11, which is well below the 10-15% threshold levels. ▪ Jacoby Creek does not rely on private contributions as sources of revenue.
Student Performance	<ul style="list-style-type: none"> ▪ Jacoby Creek achieved API scores of 878, 906, and 900, and ranked 10 statewide for 2004-05, 2005-06, and 2006-07, respectively. ▪ Jacoby Creek has met all AYP criteria for the past three academic years, 2004-05 through 2006-07.

Program Eligibility: On June 4, 2008, staff received verification from the California Department of Education, on behalf of the State Superintendent of Public Instruction and the State Board of Education, confirming that Jacoby Creek is currently (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority

Legal Status Questionnaire: On March 17, 2008, staff received Jacoby Creek’s response to the questions contained in the Legal Status Questionnaire (LSQ). Jacoby Creek’s response states 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: Jacoby Creek proposes to build four new classroom buildings, representing an overall maximum area of 5,400 square feet. Three of the classrooms will each have a minimum learning area of 950 square feet and additional ancillary space for storage and restrooms. One classroom is to be designated as a science classroom with a minimum learning area of 1,200 square feet. The proposed project will provide a capacity of 112 students to serve grades 6 to 8, and is intended to allow Jacoby Creek’s middle school students to move out of substandard portables and into new permanent facilities. Jacoby Creek received an Advanced Apportionment of \$136,296 on April 20, 2005 and anticipates project occupancy to begin in October 2008.

Organizational Information: Jacoby Creek is a site-based K-8 grade school that converted from a regular public school to a charter school in 2002. Jacoby Creek’s charter was originally approved by the California Department of Education (CDE) as a single-school charter district in June 2002, with instructional operations as a charter school beginning the same year. On March 10, 2005, the State Board of Education approved the renewal of Jacoby Creek’s charter as an all-charter district. Jacoby Creek’s current charter will expire in June 2010.

Jacoby Creek is located in the unincorporated village of Bayside and is adjacent to the city of Arcata located in California’s northern coast, 300 miles north of San Francisco. Fifty percent of the students that attend Jacoby Creek are from outside the district boundaries.

Jacoby Creek's mission is to provide a structured, safe and supportive atmosphere, a high quality program of academic instruction that meets the needs of all students and equips them with the skills necessary for success in the homes, workplaces, and communities of today and tomorrow. Jacoby Creek also strives to develop the qualities of good character, self-discipline, and responsible citizenship in its students. Jacoby Creek encourages students to pursue excellence and embrace new challenges without fear of failure. Finally, Jacoby Creek nurtures and encourages each student's respect of self and the needs and rights of others. Jacoby Creek's curriculum emphasizes both rigorous academics and partnering with the wider community, including the involvement of community members who have special expertise in the education process so as to enable students to understand the wider application of knowledge gained in the classroom.

Educational Management Organization (if applicable): Not Applicable.

Management Experience: Eric Grantz, the Superintendent/Principal, has oversight responsibility for all departments and activities at Jacoby Creek. Mr. Grantz has a Masters in Education from Humboldt State University, and his resume reflects a career dedicated to education. Mr. Grantz has fourteen years of experience as an elementary grade teacher, six years as a principal, and another ten years as superintendent/principal at two school districts.

Mr. Grantz scope of responsibilities at Jacoby Creek is quite extensive and varied, therefore CSFA staff inquired about oversight duties in Mr. Grantz's absence. A Jacoby Creek representative explained that a management team consisting of three lead teachers, the school counselor, and the secretary to the superintendent, would take over oversight and decision-making authority in Mr. Grantz's absence.

Jacoby Creek receives support through contracts with North Humboldt Union High School District (through annual MOU's) to conduct a large portion of its business functions, as well as to provide custodial and transportation services.

Management Experience for Schools Open Less Than Two Years: Not applicable, as Jacoby Creek has been in operations as a charter school district since 2002.

Board Experience: The management of Jacoby Creek is directed by an elected five-member school Board of Trustees. The names, occupations, and term expiration of the five-member Board of Trustees are as follows: Brenna Goodman, Board President (vintner), term ends November 2009; Jim Maher, Clerk (financial advisor), term ends November 2009; Tuan Luu, Member (physician), term ends November 2011; Rees Hughes, Member (professor at Humboldt State University), term ends November 2009; and John Renteria, Member (teacher at North Humboldt Unified High School District), term ends November 2011. All Board members are in their first term except Tuan Luu. All Board members are appointed to serve a four-year term.

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 sustainability. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) per the No Child Left Behind

Act of 2001. Jacoby Creek has more than three years of reported API scores, allowing a review of progress and comparison to similar schools.

Jacoby Creek received API scores of 878 for 2004-05, 906 for 2005-06, and 900 for 2006-07. The scores of 878, 906 and 900 each exceed the median scores of 839, 847 and 885 for similar schools for academic years 2004-05, 2005-06 and 2006-07, respectively. Jacoby Creek also met all AYP criteria and ranked 10 statewide during each of the past three years. Jacoby Creek also ranked 10, 10, and 8 against similar schools during 2004-05, 2005-06, and 2006-07, respectively.

Jacoby Creek’s educational programs have been validated through its receipt of several academic awards – Jacoby Creek has been named a California Distinguished School several times as both a charter and traditional public school, and was awarded the Blue Ribbon School honors in the 2003-04 school year.

The following table summarizes Jacoby Creek’s student performance for the past three years.

Jacoby Creek Charter School District	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	Yes
Criteria Met / Required Criteria	5 / 5	5 / 5	9 / 9	9 / 9
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	N/A	N/A	N/A	N/A
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)	10	10	10	10
API Base Similar Schools Rank (10 = best)	10	10	10	8
School's Actual Growth	-1	27	-3	0
Similar Schools Median of Actual Growth	-4	15	14	3
Did School's Growth Exceed Median?	Yes	Yes	No	No

Enrollment and Retention Rates: For the past four years, Jacoby Creek has maintained its enrollment at between 407 and 422 students, with enrollment at 419 and 416 for the past two years. For the current 2007-08 academic year, Jacoby Creek experienced a decline in enrollment to 395 students primarily due to 13 students having been pulled out of school early in the year after a cheating scandal and ensuing consequences. Jacoby Creek considers this decline an anomaly and anticipates a return to the historical levels, including enrollment at 412 students for each of 2008-09 through 2010-11 based upon the following: (1) Jacoby Creek currently has 46 students on the waiting list for 2008-09; and (2) Jacoby Creek maintained retention rates of 95.1% for 2005-06, 95.7% for 2006-07, and 98.5% for 2007-08.

Financial Analysis: Highlighted below are selected financial data and credit indicators used to evaluate Jacoby Creek’s ability to meet its CSFP obligation.

Staff’s evaluation of Jacoby Creek’s financial performance is based on review of the following documents: (1) Jacoby Creek’s audited financial statements for 2003-04 through 2006-07; and (2) Jacoby Creek’s budget projections for 2007-08 through 2010-11.

Jacoby Creek plans to occupy the CSFP-financed facilities in 2008-09 and projects stable enrolment at 412 students from 2008-09 through 2010-11 with an average daily attendance (ADA) of 97% for each of these years.

As of June 30, 2007, Jacoby Creek's long-term debt consisted of: (1) general obligation bonds payable in the amount of \$347,977, the current portion of which is \$54,880; and (2) uncompensated absences in the amount of \$8,448 all of which is to be paid during the 2007-08 fiscal year. The general obligation bond is paid from a separate fund (not the general fund) and would not impact Jacoby Creek's ability to meet its CSFP obligation.

Performance/Change in Net Assets: Jacoby Creek's financial projections are based upon the following assumptions: (1) stable enrollment at 412 students through 2010-11; (2) ADA rate of approximately 97% (401 each year); and (3) revenue growth (cost of living adjustments) on revenue limit sources of -2.46% for 2008-09, 4.95% for 2009-10, and 3.0% for 2010-11.

Jacoby Creek recorded increases in net assets of \$107,221 and \$43,331 for 2005-06 and 2006-07, respectively. As a result, the fund balance increased to \$559,185 as of June 30, 2007. Although Jacoby Creek projects decreases in net assets of \$388,671 and \$108,085 for 2007-08 and 2008-09, respectively, Jacoby Creek projects increases in net assets of \$6,390 and \$20,465 during the first two years of CSFP payments, 2009-10 and 2010-11, respectively. As a result, Jacoby Creek's fund balance during the first year of CSFP payments will increase to \$68,819. Jacoby Creek's projections do not incorporate any income from contributions.

Projected Debt Service Coverage: Assuming a 4.75% interest rate and 30-year repayment period, Jacoby Creek's annual CSFP payment will be \$54,909 beginning in 2009-10, the first year after project occupancy. Jacoby Creek's projected net revenues of \$61,299 for 2009-10, the first year of CSFP payments, would provide debt service coverage of 111.6%. Jacoby Creek's projected net revenues of \$75,374 for 2010-11 would provide debt service coverage of 137.3% for that year. CSFP payments would represent 1.8% of projected revenues for each of 2009-10 and 2010-11. Staff believes that this obligation is affordable by Jacoby Creek and will not significantly reduce its flexibility to fund unforeseen costs during the term of repayment.

Asset Position and Liquidity: As of June 30, 2007, Jacoby Creek held \$887,708 in cash and cash equivalents, with \$230,886 in account receivables and \$7,666 in other current assets, for a total of \$1,126,260 in current assets, offset by \$92,084 in current liabilities. Liquidity measured in terms of new working capital is calculated by subtracting current liability from current assets. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liability from current assets. The NWC percentage of expenses at June 30, 2007 was 32.3%, which exceeds the sufficiency level of 5.0%

Jacoby Creek Charter District
Preliminary; Subject to Change

Jacoby Creek Charter School District	Actual FY 2005-06	Actual FY 2006-07	Projected FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11
ENROLLMENT PROJECTIONS						
Enrollment	419	416	395	412	412	412
Average Daily Attendance	400	400	380	401	401	401
Average Daily Attendance (%)	95%	96%	96%	97%	97%	97%
FINANCIAL PROJECTIONS						
Total Revenues Available for CSFP Lease Payment	\$ 2,911,525	\$ 3,245,324	\$ 3,044,646	\$ 2,882,381	\$ 3,037,134	\$ 3,096,179
Total Expenses Paid Before CSFP Lease Payment	2,828,281	3,201,993	3,402,923	2,990,466	2,975,835	3,020,805
Accounting Adjustments	-	-	29,500	-	-	-
Net Revenues Available for CSFP Lease Payment	\$ 83,244	\$ 43,331	\$ (328,777)	\$ (108,085)	\$ 61,299	\$ 75,374
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ 54,909	\$ 54,909
Net Revenues After CSFP Lease Payment	\$ 83,244	\$ 43,331	\$ (328,777)	\$ (108,085)	\$ 6,390	\$ 20,465
FINANCIAL INDICATORS						
Net Revenues Available for CSFP Lease Payment	\$ 83,244	\$ 43,331	\$ (328,777)	\$ (108,085)	\$ 61,299	\$ 75,374
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	111.6%	137.3%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	111.6%	137.3%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	1.8%	1.8%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	2.9%	1.3%	-10.8%	-3.7%	0.2%	0.7%
Revenues / ADA	\$ 7,279	\$ 8,113	\$ 8,012	\$ 7,188	\$ 7,574	\$ 7,721
Expenses / ADA	\$ 7,071	\$ 8,005	\$ 8,955	\$ 7,458	\$ 7,558	\$ 7,670
Surplus (Deficit) / ADA	\$ 208	\$ 108	\$ (943)	\$ (270)	\$ 16	\$ 51
Net Working Capital	\$ 1,840,273	\$ 1,034,176				
Net Working Capital / Expenses	65.1%	32.3%				

Strengths, Weaknesses and Mitigants

- + Jacoby Creek's projected debt service coverage is 111.6% and 137.3% for the first two years of CSFP payments, 2009-10 and 2010-11, respectively.
- + Jacoby Creek received API scores of 878 for 2004-05, 906 for 2005-06, and 900 for 2006-07, and met all AYP criteria and ranked 10 statewide for each of these years.
- + Jacoby Creek has maintained an average retention rate of over 95% for the past three years, including a retention rate of 98.5% for 2007-08.
- + Working capital, as 32.3% of total expenses in 2006-07, exceeded staff's minimum level of 5.0%.
- +/- Jacoby Creek has maintained consistent positive net changes in assets for the past three fiscal years with increases in net assets of \$204,822 for 2004-05, \$107,221 for 2005-06, and \$43,331 for 2006-07, but is projecting decreases in net assets in 2007-08 and 2008-09. Increases to net assets are projected in 2009-10 and 2010-11, providing Jacoby Creek with adequate funds to cover its CSFP obligation.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Jacoby Creek is financially sound for the purposes of the Charter School Facilities Program Final Apportionment. 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.