

## MEMORANDUM

**Date:** July 14, 2008 Staff Summary No. 6

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Subject:** Resolution No. 08-13 Financially Sound Status of Ánimo Leadership

---

Consideration of Resolution No. 08-13, approving that Ánimo Leadership has maintained a financially sound status for purposes of a Final Apportionment under the Proposition 47 funding round of the Charter School Facilities Program (Program).

### **Background:**

At its July 2003 meeting, the State Allocation Board awarded Ánimo Leadership a preliminary apportionment of \$10,023,014 through the Proposition 47 funding round of the Charter School Facilities Program.

Since its award in 2003 through the Proposition 47 funding round, Ánimo Leadership recently applied for approximately \$11 million in funding through the Proposition 1D funding round. Accordingly, staff of the California School Finance Authority conducted an analysis of the Ánimo Leadership's financial soundness for purposes of a preliminary apportionment through Proposition 1D.

Staff's analysis took into account Ánimo Leadership's ability to support not only its Proposition 1D apportionment, but also Ánimo Leadership's existing Proposition 47 award. Staff's most recent analysis conducted in April 2008 found that Ánimo Leadership could support its Proposition 47 obligation of approximately \$10 million as well as its Proposition 1D application for funding of approximately \$11 million. Staff found that Ánimo Leadership could support the combined obligation of \$21,461,250. *Ánimo Leadership did not receive an apportionment through the Proposition 1D funding round.*

### **Recent Request for Final Apportionment:**

Ánimo Leadership is now requesting its final apportionment under Proposition 47 of approximately \$19 million – this revised Proposition 47 figure is an OPSC generated project cost amount. Staff's recent review in April 2008 found that Ánimo Leadership is able to support its existing Proposition 47 award and a hypothetical Proposition 1D award of approximately \$11 million, for a total of over \$21 million. As Ánimo Leadership did not receive a Proposition 1D, and was found to be able to support over \$21 million in CSFP funding, staff is recommending that Ánimo Leadership be found sound for purposes of its Proposition 47 final apportionment of \$19 million.

Given the short time frame between the Authority's findings regarding the financial soundness of *Ánimo Leadership* in April 2008 and July 2008, Authority staff contacted *Ánimo Leadership* seeking information about any material financial and/or operational changes at the school since Program applicants were reviewed in early to mid-2008. Pursuant to staff's request, representatives of *Ánimo Leadership* reported that there have not been any material changes from staff's most recent evaluation of *Ánimo Leadership* in April 2008.

Such findings, and issues that were highlighted to Authority members at the time of the financially sound determinations in April 2008, have been highlighted below.

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	<i>Ánimo Leadership</i> met all eligibility criteria. The school has been open since September 2000, meeting the Program's requirement for two years of charter school experience in California. <i>Ánimo Leadership</i> 's current charter will expire in July 2009.
<b>Demographic Information</b>	<i>Ánimo Leadership</i> serves 9 <sup>th</sup> through 12 <sup>th</sup> grade students in Los Angeles. At maximum capacity of 525 students in 2007-08, <i>Ánimo Leadership</i> 's enrollment is not expected to grow as a result of CSFP facilities occupation.
<b>Debt Service Coverage</b>	Debt Service Coverage from school revenues is projected to be 110.7% in 2009-10, the first year of CSFP lease payment, and 114.0% in 2010-11. Removing the school's management fee to Green Dot, which would be subordinate to lease payment, coverage rises to 148.2% in 2009-10.
<b>Other Financial Factors</b>	1. Lease as % of Projected Revenues: 15.9% in 2009-10. 2. Projected Contributions as % of Revenues: Less than 1%. 3. CSFP lease would be supported by Green Dot, as EMO and co-borrower.
<b>Student Performance</b>	<i>Ánimo Leadership</i> met AYP in each of the last four years. The school met API growth targets in the last three years, after failing to meet its target in 2004. The school's API statewide rank has been 3 (out of 10) for the last three years; its similar schools rank was 9 in 2004, and 7 in 2005 and 2006.
<b>Student Retention</b>	Student retention rates for 2006-07 and 2007-08 are 94% and 93%, respectively.

**Recommendation:**

Staff recommends that the California School Finance Authority Board determine that *Ánimo Leadership* is financially sound for the purposes of the Charter School Facilities Program Final Apportionment, and approve Resolution 08-13. Staff recommends that the Authority

Board direct staff to notify the Office of Public School Construction regarding this determination.