

**CHARTER SCHOOL FACILITIES PROGRAM  
PROPOSITION 1D FUNDING ROUND  
STAFF SUMMARY REPORT – MARCH 2010**

<b>Applicant/Obligor:</b>	Green Dot Public Schools
<b>Project School:</b>	Animo Pat Brown Charter High School
<b>CDS (County – District – School) Code:</b>	19-64733-0106849
<b>Proposed Project Location:</b>	Jefferson High School Area of So. LA
<b>Type of Project:</b>	New Construction
<b>County:</b>	Los Angeles
<b>District in which Project is Located:</b>	Los Angeles Unified School District
<b>Charter Authorizer:</b>	Los Angeles Unified School District
	Proposition 55: \$12,142,552
	<u>Proposition 1D: \$20,570,634</u>
<b>Total OPSC Project Cost:</b>	Total: \$32,713,186
<b>State Apportionment (50% Project Cost):</b>	\$16,356,593
<b>Lump Sum Contribution:</b>	\$0
	Proposition 55: \$6,071,276
	<u>Proposition 1D: \$10,285,317</u>
<b>Total CSFP Financed Amount:</b>	Total: \$16,356,593
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.0%
	Proposition 55: \$309,752
	<u>Proposition 1D: \$524,749</u>
<b>Estimated Annual CSFP Payment:</b>	Total: \$834,501
<b>First Year of Occupancy of New Project:</b>	2012-13

**Staff Recommendation:** Green Dot Public Schools (Green Dot), on behalf of Animo Pat Brown Charter High School (Animo Pat Brown) is seeking an additional \$20.57 million of Proposition 1D (2009 Funding Round) financing to supplement \$12.14 million of Proposition 55 financing for which Animo Pat Brown (under its previous name Animo Downtown Charter High School) received Preliminary Apportionment in February 2005. Staff recommends that the California School Finance Authority (CSFA) Board determine that Animo Pat Brown is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) Preliminary or Advance Apportionment, but not for purposes of a Final Apportionment. This determination is subject to the financial and legal review of Green Dot Public Schools' ability to serve as co-borrower for all CSFP obligations. This determination as it relates to a Preliminary or 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.

Green Dot, as education management organization (EMO) and co-borrower, has applied for CSFP Preliminary Apportionment under Proposition 1D (2009 Funding Round) for three schools, including Animo Pat Brown, Animo South Los Angeles, and Animo Leadership.

Animo Pat Brown and Animo South Los Angeles previously received preliminary apportionment awards under Proposition 55, and Animo Leadership previously received a preliminary apportionment award under Proposition 47. Four other Green Dot schools, Animo Justice, Animo Jackie Robinson, Animo Venice, and Animo Oscar De La Hoya, also previously received preliminary apportionment awards under either Proposition 55 or Proposition 1D (2007 Funding Round). Because Green Dot is financing multiple projects under the CSFP program (a total of seven schools), staff has reviewed Green Dot as an organization and guarantor under separate cover. Green Dot currently serves as an EMO for nineteen schools.

**Application Highlights:** Below, staff has highlighted key criteria that were evaluated when conducting our financial soundness review of Animo Pat Brown. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	Animo Pat Brown has been open since 2006-07 and meets eligibility with more than two years of charter school experience in California. Animo Pat Brown's current charter will expire in June 2014.
<b>Demographic Information</b>	Animo Pat Brown serves 9 <sup>th</sup> and 12 <sup>th</sup> grade students in Los Angeles. Enrolling 534 students in 2009-10, Animo Pat Brown intends to grow to meet its maximum targeted capacity of approximately 560 students in 2010-11.
<b>Debt Service Coverage</b>	Debt service coverage from school revenues is projected to be 128.8% and 145.0% in 2013-14 and 2014-15, respectively, assuming subordination of school's management fee to Green Dot.
<b>Other Financial Factors</b>	<ol style="list-style-type: none"> <li>1. Lease as % of Projected Revenues: Average of 17.1% in 2013-14 and 2014-15.</li> <li>2. Projected Contributions as % of Revenues: Less than 1%.</li> <li>3. CSFP lease would be supported by Green Dot, as EMO and co-borrower.</li> </ol>
<b>Student Performance</b>	Animo Pat Brown met all AYP criteria except for the graduation rate in 2007, its first year of enrollment. The School has since met all 18 AYP criteria in 2007-08 and 2008-09. Animo Pat Brown met their schoolwide and comparable improvement growth API targets in 2007-08 but did not meet them in 2008-09.

**Program Eligibility:** Animo Pat Brown's current charter, which was renewed in June 2009, is valid through June 2014. On December 7, 2009, staff received verification from the Charter School Division of Los Angeles Unified School District, confirming that Animo Pat Brown is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority.

Animo Pat Brown opened in September 2006 and is currently in its fourth year of operations. Hence, Green Dot's management team has more than two years of experience in charter school management and operations in California, as required by the Program regulations.

**Legal Status Questionnaire:** Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. Animo Pat Brown answered "None"

to all LSQ questions. Hence, no information was disclosed that would lead the staff to question the financial or legal integrity of this applicant.

**Project Description:** Green Dot, on behalf of Animo Pat Brown, received Preliminary Apportionment of \$12.14 million under Proposition 55 for new construction of permanent facilities for Animo Pat Brown. Green Dot has applied for \$20.57 million of additional funding under Proposition 1D (2009 Funding Round) for new construction, based on additional project costs. The site for the new facility has not yet been identified, but is expected to be located within a three-to-four mile radius of the intersection of South Alameda Blvd. and Firestone Blvd. Green Dot expects that the facilities will consist of between 30,000 and 45,000 square feet, for a student population of approximately 560 students in grades nine through twelve. The anticipated occupancy date for the project is Fall 2012.

Animo Pat Brown is currently leasing temporary space at 8255 Beach St. in Los Angeles, approximately four miles south of Thomas Jefferson High School. Based on Green Dot's 2009-10 budget, the school's annual facility cost is approximately \$632,780.

Animo Pat Brown, along with Animo Justice, Animo Ralph Bunche, Animo Jackie Robinson, and Animo Film & Theater Arts, was opened in 2006-07 as part of Green Dot's Jefferson High School transformation project, after five previous Green Dot schools were established from 2000-01 through 2005-06. Animo Pat Brown follows Green Dot's basic high school model, in which each school opens with a ninth grade of approximately 140 students, adds a new grade in each year, and reaches a maximum of approximately 525 students in grades 9-12 in the fourth year of operations. Program guidelines have been revised to accommodate more students due to high student demand, facility capacity, and fiscal constraints from the State budget. Green Dot identifies the following as key sensitivities in this unit model: a) State apportionment revenues per average daily attendance (ADA); b) ADA as a percent of total enrollment; c) teacher salaries; and d) facility costs.

**Educational Management Organization:** Green Dot (legal name Green Dot Educational Project, Inc.) is a 501(c)(3) nonprofit public benefit California Corporation, incorporated in 1999. Green Dot currently operates nineteen charter high schools in the Los Angeles area, including one school which began operations in 2009-10. Green Dot has since moderated school growth projections to approximately 20-25 high schools by 2012-13 compared to prior projections of 31 schools by 2010-11.

Although Green Dot has listed itself as guarantor on all its schools' applications, Green Dot is formally a co-borrower rather than guarantor, since the organization is not legally separated from the school. In the event of lease default, the CSFA would have recourse first to the school's assets, and then recourse on parity with other creditors to Green Dot as an EMO. Other creditors would have first recourse to schools with associated obligations under the Green Dot umbrella.

Green Dot's management has over two years of charter school management experience. Green Dot's management is discussed in staff's review of Green Dot as an EMO, under separate cover.

**School Management:** Joshua Hartford has served as Principal of Animo Pat Brown since August 2009. Previously, Mr. Hartford was a School Coordinator for Los Angeles Unified School District in addition to teaching science at Alain Leroy Locke High School. Mr. Hartford graduated with a Masters in Secondary Education from Loyola Marymount University and a B.S. in Biochemistry and Molecular Biology from Brown University.

**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.

Animo Pat Brown has three years of reported API scores. Animo Pat Brown received a base API score of 671 for 2006-07, and met 17 of 18 AYP criteria (failing only its graduation rate). In 2007-08, Animo Pat Brown met all 18 AYP criteria as well as meeting the API growth target with an API growth score of 749. In 2008-09, all AYP criteria was met but Animo Pat Brown did not meet its API schoolwide or comparable improvement growth with the API growth score of 753. Although Animo Pat Brown did not meet its API growth targets, their statewide API ranking improved from 4 to 7 out of 10.

Animo Pat Brown	FY 2006/07	FY 2007/08	FY 2008/09
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>			
Met All AYP Criteria?	No	Yes	Yes
Criteria Met / Required Criteria	17 / 18	18 / 18	18 / 18
Met API Indicator for AYP?	Yes	Yes	Yes
Met Graduation Rate?	No	Yes	Yes
<b>ACADEMIC PERFORMANCE INDEX (API)</b>			
Met Schoolwide Growth Target?	N/A	Yes	No
Met Comparable Improvement Growth Target?	N/A	Yes	No
Met Both Schoolwide & CI Growth Targets?	N/A	Yes	No
API Base Statewide Rank (10 = best)	N/A	4	7
API Base Similar Schools Rank (10 = best)	N/A	10	10
School's Actual Growth	N/A	78	4
Similar Schools Median of Actual Growth	N/A	18	12
Did School's Growth Exceed Median?	N/A	Yes	No

**School Enrollment:** Animo Pat Brown began operations in 2006-07, with an initial class of 145 ninth graders. Animo Pat Brown added a tenth grade in 2007-08, for enrollment of 284. Animo Pat Brown intends to add an eleventh grade in 2008-09 (for enrollment of 420 students) and a twelfth grade in 2009-10, the first year of CSFP occupancy, reaching a maximum projected growth of 560 students.

Green Dot reports that Animo Pat Brown’s average ADA as a percent of total enrollment was 94% over the past three years provide support for the school’s 95% ADA assumption in its financial forecasts. Per the 2009-10 P-1 report, Animo Pat Brown’s ADA is 510 or 96% of enrollment. Animo Pat Brown had a waitlist of 60 students at the beginning of 2009-10, indicating good ongoing student demand for the school.

**Financial Performance:** Below we have highlighted selected financial data and credit indicators to evaluate Animo Pat Brown’s ability to meet its CSFP obligation.

Animo Pat Brown	Actual FY 2006/07	Actual FY 2007/08	Actual FY 2008/09	Budget FY 2009/10	Projected FY 2010/11	Projected FY 2011/12	Projected FY 2012/13	Projected FY 2013/14	Projected FY 2014/15
<b>ENROLLMENT PROJECTIONS</b>									
Enrollment	145	284	403	534	560	560	560	560	560
Average Daily Attendance	136	260	378	510	529	529	529	532	532
Average Daily Attendance (%)	94%	92%	94%	96%	95%	95%	95%	95%	95%
<b>FINANCIAL PROJECTIONS</b>									
Total Revenues Available for CSFP Payment	\$ 1,977,162	\$ 2,597,033	\$ 3,935,184	\$ 4,444,944	\$ 4,651,202	\$ 4,651,202	\$ 4,714,829	\$ 4,791,166	\$ 4,990,293
Total Expenses Paid Before CSFP Payment	1,883,010	2,560,306	3,835,560	4,262,204	4,292,960	4,292,960	3,541,664	3,716,538	3,780,072
Accounting Adjustments	1,488	4,465	131,267	-	-	-	-	-	-
Net Revenues Available for CSFP Payment	\$ 95,640	\$ 41,192	\$ 230,891	\$ 182,740	\$ 358,242	\$ 358,242	\$ 1,173,165	\$ 1,074,628	\$ 1,210,221
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 834,501	\$ 834,501
Net Revenues After CSFP Payment	\$ 95,640	\$ 41,192	\$ 230,891	\$ 182,740	\$ 358,242	\$ 358,242	\$ 1,173,165	\$ 240,127	\$ 375,720
<b>FINANCIAL INDICATORS</b>									
Net Revenues Available for CSFP Payment	\$ 95,640	\$ 41,192	\$ 230,891	\$ 182,740	\$ 358,242	\$ 358,242	\$ 1,173,165	\$ 1,074,628	\$ 1,210,221
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	128.8%	145.0%
Contributions	\$ 416,615	\$ 346,038	\$ 534,091	\$ 143,500	\$ 328,500	\$ 328,500	\$ 208,500	\$ 28,500	\$ 28,500
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	125.4%	141.6%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17.4%	16.7%
Contributions / Revenues	21.1%	13.3%	13.6%	3.2%	7.1%	7.1%	4.4%	0.6%	0.6%
Net Revenues After CSFP Payment / Revenues	4.8%	1.6%	5.9%	4.1%	7.7%	7.7%	24.9%	5.0%	7.5%
Revenues / ADA	\$ 14,538	\$ 9,989	\$ 10,411	\$ 8,716	\$ 8,789	\$ 8,789	\$ 9,909	\$ 9,006	\$ 9,380
Expenses / ADA	\$ 13,846	\$ 9,847	\$ 10,147	\$ 8,357	\$ 8,112	\$ 8,112	\$ 6,692	\$ 8,555	\$ 8,674
Surplus (Deficit) / ADA	\$ 692	\$ 141	\$ 264	\$ 358	\$ 677	\$ 677	\$ 2,217	\$ 451	\$ 706
Net Working Capital	\$ 89,687	\$ 130,879	\$ 414,291						
Net Working Capital / Expenses	4.8%	5.1%	10.8%						

As of June 30, 2009, Animo Pat Brown’s only outstanding debt obligation is in connection with the \$250,000 CDE loan. The loan has a three-year repayment schedule, with annual payments of \$83,333, ending in 2011-12. The school’s projections do not indicate that any additional long-term debt will be incurred except for the Program lease.

**Performance/Change in Net Assets:** Staff’s review of Animo Pat Brown’s financial performance is based on audited financial statements for fiscal years 2006-07 through 2008-09, 2009-10 budgeted projections, and financial projections from 2010-11 through 2014-15, as provided by Green Dot. Highlighted in this section are financial data and credit indicators used to evaluate Animo Pat Brown’s ability to meet its CSFP obligations. Please note that the revenue, expenditure and changes to net assets recorded in financial audits and provided in Animo Pat Brown’s financial projections have been modified by staff, where necessary, to include capital outlays, operating leases and repayment of debt and other significant obligations, and to exclude non-cash items such as depreciation.

In 2006-07, Animo Pat Brown opened with its first class of ninth graders, enrolling 145 students. The school’s revenues of \$1.98 million exceeded expenditures by \$95,640 – this unusual surplus in the first year of operations was due to start-up federal implementation grant revenue, foundation grants, and net transfers in of approximately \$850,000. In 2007-08, Animo Pat Brown saw net assets increase by \$41,192 as a result of \$2.60 million in revenue and \$2.56 million in expenses. Revenue for 2007-08 was inclusive of interfund transfers/contributions of roughly \$500,000. In 2008-09, the school produced higher revenues and expenses from the prior year as Animo Pat Brown added the eleventh grade.

The school earned \$3.94 million in revenues and incurred \$3.84 million in expenses. Animo Pat Brown's revenue for 2008-09 included contributions of roughly \$500,000.

The 2009-10 ADA funding rate of \$5,983 (grades 9 to 12) were used as a base when determining projected future funding rates. Staff notes that this funding rate is conservative in comparison to the CDE funding rate of \$6,118 as of February 19, 2010. Animo Pat Brown assumed growth of 0% in years 2010-11 and 2011-12 to the general purpose block grant per ADA funding rates. Animo Pat Brown then anticipates funding levels growing at 4.7% in 2012-13 through 2014-15. Expenses are expected to be held static through 2012-13 but thereafter annual growth COLAs of 2%-3% are applied.

Staff notes that Animo Pat Brown's projected annual financial performance includes annual management fees to Green Dot, as EMO equal to 6% of revenues. Green Dot has stated that payment of this fee would be made subordinate to any CSFP facility payment.

Debt Service Coverage: Assuming a 3.0% interest rate and 30-year repayment period, Animo Pat Brown's total annual CSFP lease payment (including Proposition 55 and Proposition 1D Allocations) is projected to be \$834,501 beginning 2013-14. This payment would represent, on average, a reasonable 17.1% of projected revenues in 2013-14 and 2014-15. Animo Pat Brown's projected 2013-14 net revenues of \$1.07 million would provide debt service coverage of 128.8% in its first year of occupancy. For 2014-15, Animo Pat Brown's projected net revenues of \$1.21 million would provide debt service coverage of 145.0%. Calculation of debt service coverage in 2013-14 and 2014-15 without contributions is projected to be 125.4% and 141.6%. These debt service coverage ratios are calculated assuming the subordination of Green Dot's management fee to payment of the CSFP lease. The projected debt service coverage levels for 2013-14 and 2014-15, (inclusive of contributions), would decrease to 94.5% and 109.3%, respectively, if the management fee is not subordinated.

Staff noted the aggressive general purpose block grant growth rate assumption of 4.7% and also calculated debt service coverage using a 3.0% growth rate. Debt service coverage when modifying this growth rate reduces to 111.1% and 119.0% in 2013-14 and 2014-15.

Asset Position and Liquidity: As of June 30, 2009, Animo Pat Brown had net assets of \$344,648, including \$50,000 in cash and \$773,490 in accounts receivables. Liquidity is also measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Animo Pat Brown's NWC at June 30, 2009 was \$414,291, or 11.5% of total expenses which had increased from the prior year's \$130,879 at June 30, 2008, or 5.4% of total expenses. As staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient, Animo Pat Brown's most recent audited financials and cash balances indicate sufficient liquidity positions. Green Dot as co-borrower also provides an additional source of liquidity.

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

- + Support of Green Dot as co-borrower/guarantor.
- + Strong student demand; proven school growth model.
- + Meets debt service coverage threshold of 100% in 2013-14 and 2014-15.

- + Met all AYP criteria for last two years and ranked 10 out of 10 among similar schools.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that Animo Pat Brown is financially sound for the purposes of the Charter School Facilities Program Preliminary or Advance Apportionment, but not for purposes of a Final Apportionment. This determination is subject to the financial and legal review of Green Dot Public Schools' ability to serve as co-borrower for all CSFP obligations. This determination as it relates to a Preliminary or 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.