

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

Applicant/Obligor:	Our Community School
Project School:	Our Community School
CDS (County – District – School) Code:	19-65733-0109934
Proposed Project Location:	10045 Jumilla Ave., Chatsworth, CA 91311
Type of Project:	Rehabilitation
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Total OPSC Project Cost:	\$6,361,684
State Apportionment (50% Project Cost):	\$3,180,842
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$3,180,842
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$162,284
First Year of Occupancy of New Project:	2011-12

Staff Recommendation: Staff recommends that the California School Finance Authority (Authority) Board determine that Our Community School (OCS) 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 OCS. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	OCS meets all eligibility criteria including two years of operations, OCS' initial charter was issued in May 2005, a charter is in place through 2010 and good standing with its chartering authority, and is in compliance with the terms of its charter. Charter renewal was granted on March 2, 2010, and expanded grade levels served to K - 8.
Demographic Information	OCS is now a K-6 charter school with 276 students. For 2010-11, OCS plans to grow to include a middle school and anticipates the need of facilities to accommodate 426 students in 2013-14. OCS plans to begin serving grades 7 and 8 in 2011-12 and 2012-13, respectively.
Debt Service Coverage	OCS' projected debt service coverage ratios meet the minimum requirement of 100.0% with 214.9% in 2012-13 and 305.1% in 2013-14. Debt service coverage for these years without contributions is projected to be 160.3% and 248.1%

<p>Other Financial Factors</p>	<ol style="list-style-type: none"> 1. OCS has little reliance on contributions from private sources. Contributions represent, on average, 3.0% of revenues in projected years. 2. Projected ratios of CSFP payments to total revenues are on average 6.7% in 2012-13 and 2013-14, which is within the preferred maximum range of 10-15%. 3. Net working capital for 2008-09 of \$270,742 represented 15.9% of total expenses, which exceeds the preferred minimum of 5.0%.
<p>Student Performance</p>	<p>OCS met all AYP criteria from 2006-07 through 2008-09. Although OCS did not meet its API comparable growth target for 2008-09, it did meet its API school-wide growth target through 2006-07 to 2008-09. Based on its 2008-09 base API score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools.</p>

Program Eligibility: On January 20, 2010, the Authority received verification from the Innovation and Charter Schools Division of the Los Angeles Unified School District confirming that OCS is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority.

Legal Status Questionnaire: Staff reviewed OCS responses to the questions contained in the Legal Status Questionnaire (LSQ). OCS answered “Not Applicable” to all LSQ questions.

Project Description: OCS has requested funding of \$6,361,684 to renovate a 500-seat elementary school facility built by the Los Angeles Unified School District (LAUSD) in 1961 on 6.62 acres in the Chatsworth community of the San Fernando Valley. The facility, known as Devonshire Elementary School, was “decommissioned” by LAUSD as a district school in 1984, but was leased to a private school from 1984 to 2001. OCS requested that LAUSD allow them to use at least 14 classrooms at the Devonshire site under Prop 39. LAUSD denied the request due to the Devonshire campus not having been officially designated for school use since 2001 or modernized/rehabilitated since it was first built. However, LAUSD did support the efforts of OCS to apply for Prop 1D funds to rehabilitate the site.

Organizational Information: OCS commenced its operations in 2005, serving 154 students in grades K-8. Currently, OCS serves approximately 276 students with 123 students wait listed. OCS operates as an independent California non-profit corporation governed by a board made up of 13 members that include parent, staff, administrators and community member representatives. The initial board members consisted of the three founding parents, the executive director and two community members. OCS received its first charter from LAUSD on May 24, 2005, which will expire on June 30, 2010. On March 2, 2010, OCS’ charter was renewed and expanded to allow OCS to serve 7th and 8th grade students. The new charter will expire in 2015.

Engaging students in service learning has been a regular practice since the first year of operation. Research has shown that involvement in civic and community service increases student’s commitment to school and makes them more likely to graduate high school. OCS’ application presents a curriculum that uses the same framework of creating an instructional program that is informed, empowered and ethical.

Management Experience: Christine Ferris currently serves as Principal for OCS. Ms. Ferris joined OCS in May 2005 and became principal in June 2006. In addition to serving as the educational leader of the school, Ms. Ferris is responsible for budget oversight, evaluation of all school staff and policies, and long-term planning for OCS. Ms. Ferris has

approximately 20 years of educational experience. Ms. Ferris earned a B.A. from Hampshire College and an M.S. in Education from Bank Street College.

Beth Wolfsbauer is currently Assistant Principal for OCS. Ms. Wolfsbauer joined OCS in 2005 and works alongside Ms. Ferris in the operation of OCS. Ms. Wolfsbauer maintains an extensive educational background as an instructor and assistant school director at Valley Community Charter School, prior to her position with OCS. Ms. Wolfsbauer earned a B.A. in Child Development and an M.S. in Family Environmental Sciences from California State University Northridge.

Board Experience: The thirteen members of the Board have a variety of experience ranging from careers in education, and law.

NAME	OCCUPATION	ROLE	TERM
Ricardo Accorsi	Architect	Member	7/09 – 6/11
Hilary Anderson	2 nd Grade Teacher-OCS	Member	7/09 – 6/11
Heather Ashton	3 rd Grade Teacher-Odyssey CS	Member	7/08 – 6/10
Irini Castillo	Controller, Fadal Maching Centers, LLC	Board Treasurer; Finance Chair	7/09 – 6/11
Chris Ferris	Principal, OCS	Program Chair	Ongoing-Non Voting Member
Susan Freidman	Spc Ed Resource Teacher, LAUSD	Member	7/08 – 6/10
Carolina Godman	Retired Educator	Board Secretary	7/08 – 6/10
Jana Harper	Volunteer	Board Co-Chair; Governance Chair	7/08 – 6/10
David Marsh	Professor, USC	Member	7/08 – 6/10
Bill Maxwell	Writer	Member	7/08 – 6/10
Bill Powers	Attorney	Member	9/09 – 6/10
Scott Miller (Founding Board Member)	School Developer & School Director	Board Co-Chair; Governance Chair	7/08 – 6/10
Scott Spooner	Strategic Planner	Member	7/09 – 6/11

Management Experience for Schools Open Less than Two Years: Not applicable. OCS began instructional operations in 2005-06 and exceeds the minimum instructional requirements of two years.

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.

OCS has four years of reported API scores, allowing a review of progress and comparison to similar schools. The following table summarizes the school’s trends in student performance.

Our Community School	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	No	Yes	Yes	Yes
Criteria Met / Required Criteria	4 / 5	9 / 9	13 / 13	15 / 15
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?	N/A	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	N/A	Yes	Yes	No
Met Both Schoolwide & CI Growth Targets?	N/A	Yes	Yes	No
API Base Statewide Rank (10 = best)	N/A	4	6	8
API Base Similar Schools Rank (10 = best)	N/A	N/A	3	10
School's Actual Growth	N/A	55	64	7
Similar Schools Median of Actual Growth	N/A	N/A	9	15
Did School's Growth Exceed Median?	N/A	N/A	Yes	No

OCS had API growth scores of 716, 769, 833, and 842 from 2005-06 through 2008-09, respectively. OCS met all AYP criteria from 2006-07 through 2008-09. Although OCS did not meet its API comparable growth target for 2008-09, it did meet its API school-wide growth target through 2006-07 to 2008-09. Based on its 2008-09 base API score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools. Since 2006-07, OCS has steadily increased its statewide and similar school rankings.

Enrollment and Retention Rates: For the current 2009-10 academic year, grade K-6 enrollment totaled 276 students (per OCS). The enrollment for the current year represents an increase from the previous year of 33 students. Since inception of the school in 2005-06, student enrollment has increased an average of 16% annually. OCS is projecting to have 401 and 426 students in 2012-13 and 2013-14, respectively, by adding grades 7 and 8. OCS' average daily attendance (ADA) rate for the past four years has averaged 95%, which supports OCS' assumed ADA rate of 94% for its financial projections. The average year-to-year retention rate for students since 2006-07 has been 91.4%.

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 table provided excerpted from the financial model summarizes key aspects of the school's past and projected financial performance.

Our Community School	Actual FY 2007/08	Actual FY 2008/09	1st Interim FY 2009/10	Projected FY 2010/11	Projected FY 2011/12	Projected FY 2012/13	Projected FY 2013/14
ENROLLMENT PROJECTIONS							
Enrollment	192	233	276	301	351	401	426
Average Daily Attendance	182	223	263	286	333	381	405
Average Daily Attendance (%)	95%	96%	95%	95%	95%	95%	95%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Payment	\$ 1,746,561	\$ 2,048,397	\$ 2,072,144	\$ 2,118,764	\$ 2,544,369	\$ 2,948,884	\$ 3,264,736
Total Expenses Paid Before CSFP Payment	1,703,482	1,997,143	1,985,608	1,958,712	2,296,656	2,601,575	2,769,579
Accounting Adjustments	-	-	-	-	-	-	-
Net Revenues Available for CSFP Payment	\$ 43,079	\$ 51,254	\$ 86,536	\$ 160,052	\$ 247,713	\$ 347,310	\$ 495,157
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,284	\$ 162,284
Net Revenues After CSFP Payment	\$ 43,079	\$ 51,254	\$ 86,536	\$ 160,052	\$ 247,713	\$ 185,026	\$ 332,873
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Payment	\$ 43,079	\$ 51,254	\$ 86,536	\$ 160,052	\$ 247,713	\$ 347,310	\$ 495,157
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	214.0%	305.1%
Contributions	\$ 70,396	\$ 141,230	\$ 60,000	\$ 65,435	\$ 76,304	\$ 87,174	\$ 92,609
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	160.3%	248.1%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	5.5%	5.0%
Contributions / Revenues	4.0%	6.9%	2.9%	3.1%	3.0%	3.0%	2.8%
Net Revenues After CSFP Payment / Revenues	2.5%	2.5%	4.2%	7.6%	9.7%	6.3%	10.2%
Revenues / ADA	\$ 9,596	\$ 9,186	\$ 7,879	\$ 7,410	\$ 7,630	\$ 7,741	\$ 8,067
Expenses / ADA	\$ 9,360	\$ 8,956	\$ 7,550	\$ 6,850	\$ 6,888	\$ 7,255	\$ 7,245
Surplus (Deficit) / ADA	\$ 237	\$ 230	\$ 329	\$ 560	\$ 743	\$ 486	\$ 823
Net Working Capital	\$ 149,488	\$ 270,742					
Net Working Capital / Expenses	9.1%	15.9%					

Staff's financial review of OCS is based on four years of audited financial statements (2005-06 through 2008-09), 2009-10 1st interim budget, and financial projections from 2010-11 through 2013-14, as provided by OCS. Staff's analysis of financial performance includes expenses for capital outlay and loan repayment; therefore, our results may differ from audited figures provided by school representatives.

Long-Term Liabilities: At June 30, 2009, the school had a note payable to the Powers 2006 Trust in the amount of \$50,000. The note carries an interest rate of 4.5% per annum with principal and interest due on July 1, 2009. OCS also has an unsecured revolving loan payable to CDE in the amount of \$150,000. The loan requires three annual payments including principal and interest. The interest rate is 4.79% and the current outstanding balance of \$50,000 is due by June 30, 2010.

Financial Performance: OCS recorded an increase in net assets of \$37,350, on revenues of \$1.69 million and expenses of \$1.65 million in 2006-07. Operations for 2007-08 resulted in a surplus of \$43,079 on revenues and expenses of \$1.75 million and \$1.70 million, respectively. Revenues of \$2.05 million and expenses of \$2.00 million in 2008-09 resulted in a surplus of \$51,254. While contributions were received in 2008-09, these did not constitute a significant portion of OCS' revenues at roughly 6.9%. OCS doesn't anticipate contributions representing more than on average 2.9% of its revenues in projected years.

OCS' financial projections are based upon the following assumptions: (1) project occupancy in 2011-12; (2) increases in enrollment as described above; (3) per ADA funding rates for general purpose block grants of \$4,778 and \$4,855 for K-3 and 4-6, respectively, beginning in 2009-10; (4) projected ADA rates of 95% (5) revenue growth (cost of living adjustments on State Aid) of 0.5% in 2010-11, 2.3% in 2011-12, and 2.5% in 2012-13, and 3.00% in subsequent years; and (6) average growth in salaries and benefits of 11.0% annually, beginning in 2010-11. Expense categories other than salaries and benefits, like books and supplies, services and miscellaneous expenses, while increased for the effects of enrollment growth, are adjusted for inflation over the five year term from 2010-11 through 2013-14.

Projected Debt Service Coverage of CSFP Payments – OCS' financial projections indicate the school will be able to afford the projected annual CSFP payments. Debt service coverage ratios for CSFP are calculated using net revenues available after payment of debt service on any existing and projected indebtedness, with any expenses for capital outlay and depreciation added back as net revenues. In its application, OCS stated that it would fund its upfront local matching amount with lease option, repaying its 50% local matching share with a long term-lease.

Assuming a 3.0% interest rate and 30-year repayment period, OCS' annual CSFP payment would be \$162,284 beginning in 2012-13, one year following expected occupancy of the project. OCS' projected net revenues of \$347,310 would provide debt service coverage of 214.0% in 2012-13. For the following year, projected debt service coverage would be 305.1% based on net revenues of \$495,157. The CSFP payment would represent, on average, 5.3% of projected revenues for 2012-13 and 2013-14.

Liquidity – As of June 30, 2009, OCS maintained \$227,593 in cash. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. OCS' NWC for 2007-08 was \$149,488, or 9.1% of total expenses, and increased to \$270,742 for 2008-09, or 15.9% of total expenses. Staff considers NWC equivalent of at least 5.0% of total expenses to be sufficient.

Strengths, Weaknesses and Mitigants

- + OCS has projected debt service coverage of 214.0% and 305.1% for 2012-13 and 2013-14, respectively, the first two years of CSFP payments.
- + OCS met all AYP criteria for the past three years. OCS has strong student performance indicated in strong API growth scores, 8 out of 10 statewide ranking, and 10 out of 10 similar school ranking.
- + OCS does not rely on private contributions to meet its CSFP obligation. OCS anticipates debt service coverage of 160.3% and 248.1% in 2012-13 and 2013-14 without contributions.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Our Community School is financially sound for the purposes of the Charter School Facilities Program (Program) Preliminary and Advance Apportionment, but not for purposes of Final Apportionment under the Program. 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 immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.