

**CHARTER SCHOOL FACILITIES PROGRAM  
PROPOSITION 1D FUNDING ROUND 2009  
STAFF SUMMARY REPORT – MAY 2010**

<b>Applicant/Obligor:</b>	Davis Joint Unified School District
<b>Project School:</b>	Da Vinci Charter Academy
<b>CDS (County-District-School) Code:</b>	57 72678 0119578
<b>Proposed Project Location:</b>	1400 East 8 <sup>th</sup> Street, Davis, California
<b>Type of Project:</b>	New Construction
<b>County:</b>	Yolo County
<b>District in Which Project is Located:</b>	Davis Joint Unified School District
<b>Charter Authorizer:</b>	Davis Joint Unified School District
<b>Total OPSC Project Cost:</b>	\$856,196
<b>State Apportionment (50% Project Cost):</b>	\$428,098
<b>Lump Sum Contribution:</b>	\$428,098
<b>Total CSFP Financed Amount:</b>	N/A
<b>Length Of CSFP Funding Agreement:</b>	N/A
<b>Assumed Interest Rate:</b>	N/A
<b>Estimated Annual CSFP Payment:</b>	N/A
<b>First Year of Occupancy of New Project:</b>	2009-10

**Staff Recommendation:** Staff recommends that the California School Finance Authority (Authority) Board determine that Da Vinci Charter Academy (Da Vinci) and Davis Joint Unified School District (District), which is the obligor on behalf of the school, are financially sound for purposes of the Charter School Facilities Program (Program) Preliminary and Advance Apportionments, but not for purposes of the 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 Authority Board direct staff to 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 Da Vinci and the District which is serving as the obligor for this Program. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	Da Vinci meets Program eligibility criteria, including: 1) having a charter in place, 2) meeting the two years of charter school operating experience through the school district's public school operating experience (Cal. Code of Regs., Title 4, § 10154(c)); and 3) being in compliance with the terms of its charter and in good standing with its charter authorizer.

Da Vinci Charter Academy and Davis Joint Unified School District

<b>Demographic Information</b>	The school began instructional operations in 2009-10 and is currently serving 458 students in grades 7-12. Enrollment is projected at 540 students in 2010-11 and 570 students in both 2011-12 and 2012-13.
<b>Debt Service Coverage</b>	Not applicable. The 50% local matching share lump sum payment was provided up front by the District and the proposed project of a relocatable science classroom has been completed.
<b>Other Financial Factors</b>	The District is serving as obligor for purposes of the Program. The District's NWC percentage of expenses at June 30, 2009 was 57.5% which exceeds the Program's targeted sufficiency level of 5.0%.
<b>Student Performance</b>	Da Vinci is in its first year of operations and does not have any student performance data.

**Program Eligibility:** On December 9, 2010, staff received verification from the Superintendent of David Joint Unified School District confirming that Da Vinci Charter Academy is currently (1) in compliance with the terms of its charter agreement and (2) in good standing with its charter authorizer. Da Vinci's charter with the District was initially approved in January 2009 and is valid for four school years, expiring in June 2013.

**Legal Status Questionnaire:** Staff reviewed the school's responses to the two requests for disclosure contained in the Legal Status Questionnaires (LSQs). The principal reported "None" regarding any disclosures to provide related to material information for legal or regulatory proceedings or legal action in which it or any of its affiliates is a named party.

**Project Description:** Da Vinci Charter Academy is requesting Program funds for their new relocatable science classroom installed at its high school campus at 1400 East 8<sup>th</sup> Street, Davis, California 95616. The total square footage of the project is 1,920 which includes the 1,440 sq. ft. classroom space and a 480 sq. ft. teacher prep area. The overall capacity for the high school site was increased by 32 students by this project. The new classroom will serve approximately 280 students per year as students take the laboratory science course. The new science classroom project has already been completed and has been in use since October 2009. The school is requesting the grant portion of the Program's apportionment to reimburse the District for the costs of the facility.

**Organizational Information:** Da Vinci is a district dependent, indirect funded, charter school currently serving grades 7-12 at two District sites. The charter school operates under the jurisdiction and control of the District, which operates 16 schools, consisting of nine elementary schools, four junior high schools, two high schools, one continuation high school, one adult school, and one independent study program.

In addition to the District's governing board, Da Vinci has a Site Advisory Committee, which includes the school principal, the District superintendent, and other members intended to represent staff, students, parents, and community members.

Da Vinci is located in District facilities with the junior high classes (grades 7-9) located at 2121 Calaveras Avenue, in Davis, and the high school classes (grades 10-12) located at

1400 East 8<sup>th</sup> Street, in Davis. The school purchases services from the District, including special education, business services, curriculum & instruction, and human resources. Also as a dependent charter, the school is expected to follow the same oversight, review and evaluation policies and procedures as each of the public schools in the District.

Da Vinci's charter indicates the curriculum is designed around a small learning community to promote learning and a positive climate where students will feel connected to teachers and with other students. The charter further describes that students will undergo a series of team-taught, core classes that are grounded in Project Based Learning with technology as the primary tool. At all times, the educational model is to reflect a business environment more than a traditional education environment. There are no class bells and the relationships between staff and student are intended to resemble facilitator to mentee rather than that of a directive teacher to compliant student. A different relationship is sought: one predicated on a higher level of trust and respect than typically found in most schools. Students will be empowered to take responsibility for their own learning as well as the culture of the school and classroom.

**Management Experience:** Da Vinci and the District's key personnel and management team demonstrate professional, experienced and qualified individuals serving in key capacities within the organizations.

Matthew Best, Da Vinci's Principal/Director, has earned a Master of Education with an emphasis in Administration Management/Preliminary Administrative Credential in 2007 from the University of LaVerne; a Single Subject California Teaching Credential (Social Studies) from National University; and a Bachelor of Arts in History and Political Science from the University of California, Davis. Mr. Best's résumé indicates school administrative experience since 2007 having served as principal at the former Leonardo da Vinci High (non-charter public continuation school) and as a Secondary Summary School Principal, both in the Davis Joint Unified School District. He also has educational experience since 2000 having served as Teacher and Lead Teacher in the District.

James Quezon Hammond, Ed.D., Superintendent of Schools for the District since 2007, has earned a Doctorate in Education from Washington State University; a Master of Art in Curriculum, Instruction, and Administration from Gonzaga University in Spokane Washington; and a Bachelor of Art in Political Science/Secondary Education from Saint Martin's College, in Washington. Dr. Hammond's résumé indicates school administrative experience at various schools: Dean of Students from 1996-97, Assistant Principal from 1997-2000, Principal from 2001-04, and Superintendent of Schools from 2007 to present. Prior to that, Dr. Hammond also served as a teacher at a junior high school in Washington from 1993 to 1995.

Bruce Colby has served as the District's Associate Superintendent of Business Services since November 2006. Mr. Colby earned a Bachelor of Science in Business Administration/Finance with Honors from the University of the Pacific, Stockton, California, and has many years of experience in a variety of financial and management positions.

**Management Experience for Schools Open Less than Two Years:** Not applicable as the school is under the governance of the Davis Joint Unified School District Board of Education. Program regulations provide that when the charter school has not operated for

at least two academic years as a charter school, the school district's experience operating public schools may be used to satisfy the requirement that an applicant charter school shall have at least two academic years of instructional operations prior to submission of the application (Cal. Code of Regs, title 4, § 10154 (c)).

**Board Experience:** The school is under the governance of a Site Advisory Committee and the District's board. The members of the Site Advisory Committee will serve at the pleasure of the District Superintendent and will serve no particular length of term. The District's governing board members, occupational experience, and term expiration are noted below.

<b>Board Member</b>	<b>Experience</b>	<b>Term Expiration</b>
Tim Taylor, President	Attorney	December 2010
Richard Harris, Vice President/Clerk	Senior Policy Advisor	December 2011
Sheila Allen	Public Health Nurse/Program Manager	December 2010
Gina Daleiden	Deputy Supervisor	December 2010
Susan Lovenburg	Community Volunteer	December 2011

**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 (ability to meet financial obligations and to provide services expected of it in the future). In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP), as reported by the California Department of Education (CDE), per the No Child Left Behind Act of 2001.

As Da Vinci is in its first year of instructional operations, it does not have any reported API or AYP data. Also, as Da Vinci is the District's only charter school, there are no similar schools that allow for student performance at another District charter school to be used for compared.

Based on 2008-09 data posted by CDE, 64% of the District's schools met API growth targets, 29% of the schools achieved some API growth even though the API targets were not met, and 7% of the schools' API scores either remained the same or declined. These District percentages in each category show overall greater results when compared to the State's overall API percentages of 59%, 21%, and 21%, respectively.

**Enrollment:** Da Vinci started its first year in 2009-10 with 458 students in grades 8–12. The projected enrollment for 2010-11 is 540 students and is expected to grow to 570 students in 2011-12 and 2012-13.

District-wide enrollment seems to be increasing quicker than anticipated. In October 2008, the District's projected enrollment for 2009-10 was 8,203 students. However, district-wide enrollment collected on October 4, 2009 was actually reported to CDE as 8,526. The District provided projections indicating increased overall enrollment each year for the next several years.

**Financial Analysis:** Selected financial indicators related to the District's eligibility to meet Program criteria for being found financially sound for purposes of the Program are highlighted below.

Although Da Vinci represents the project school for CSFP, the District is serving as financial obligor and therefore is evaluated for financial soundness.

Staff's financial review of the District is based on three years of audited financial statements (2006-07 through 2008-09) and multi-year financial projections for 2009-10 through 2011-12 as provided by the District. Financial assumptions are based on: 1) project occupancy in 2009-10; 2) increases in enrollment as described above; and 3) the District's willingness to provide up front the lump sum needed to satisfy the 50% local matching share requirement.

**Performance/Change in Net Assets:** The District recorded increases to net assets of \$4.84 million and \$5.19 million in 2006-07 and 2007-08, respectively. The District also recorded a decrease in net assets of \$336,312 in 2008-09. As a result, the District's ending net assets increased from \$32.44 million to \$35.92 million during the three year period noted. Additionally, the projections indicate decreases in net assets of \$1.37 million in 2009-10; \$1.56 million in 2010-11; and \$2.27 million in 2011-12. As a result of these projections, ending net assets would decrease from \$7.07 million in 2009-10 to \$3.24 million in 2011-12.

In response to staff's question to the District regarding the projected decreasing fund balances, the District provided the following statement, in part:

In these challenging economic times, school districts have been tasked with creating operating budgets with far less revenue. As such, districts have been advised to lower net fund balances, while maintaining student programming and achievement. Our District has done that. While our fund balances are decreasing by design, the District has structured its multi-year budget to continue to operate within its means, including making budget reduction as necessary. The Board has approved over \$5.0 million in reductions for the 2010-11 school year. The district is maintaining reserves above the state required 3% reserve for economic uncertainties throughout the budget projection cycle.

**Debt Service Coverage:** The District is satisfying the 50% local matching share requirement through a lump sum payment that has already been expended to complete the project. The District provided its 2009-10 Capital Facilities Fund Revenues, Expenditures, and Changes in Fund Balance Form indicating the Capital Outlay for the project. Despite having satisfied its the local matching share with project expenditures, staff conducts an analysis of the District to ensure the financial solvency of the District once the project school is operational.

**Asset Position and Liquidity:** As of June 30, 2009, the District held a total of \$50.44 million in cash and cash equivalents. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. The District's NWC at June 30, 2009 was \$40.43 million or 57.5% as a percentage of expenses. The District exceeds the Program's targeted sufficiency level of 5.0%.

**Strengths, Weaknesses and Mitigants:**

- + The District provided the funds needed to satisfy the lump sum requirement for the 50% local matching share.
- + Although the District recorded a decrease in its net assets in 2008-09 and provided projections indicating continued decreases in net assets for the next few years, its ending net assets each year are still positive.
- + Da Vinci began its first year (2009-10) with greater enrollment than anticipated. Additionally, the District also experienced greater enrollment in 2009-10 than projected.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that Da Vinci Charter Academy and Davis Joint Unified School District (Obligor) are financially sound for purposes of the Charter School Facilities Program Preliminary and Advance Apportionments, but not for purposes of the 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 Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.