

**CHARTER SCHOOL FACILITIES PROGRAM
2010 LOTTERY FUNDING ROUND
STAFF SUMMARY REPORT – FEBRUARY 2011**

Applicant/Obligor:	Yuba River Charter School
Project School:	Yuba River Charter School
CDS (County – District – School) Code:	29-10298-0114322
Type of Project:	New Construction
Proposed Project Location:	Nevada County, California
County:	Nevada County, California
District in which Project is Located:	Grass Valley School District
Charter Authorizer:	Nevada County Office of Education
Total OPSC Project Cost:	\$8,502,512
State Apportionment (50% Project Cost):	\$4,251,256
Lump Sum Contribution:	n/a
Total CSFP Financed Amount:	\$4,251,256
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$216,896
First Year of Occupancy of New Project:	2013-14

Yuba River Charter School (Yuba River) received a Preliminary Apportionment of \$8,502,512 at the State Allocation Board meeting on May 28, 2008. At this time, Yuba River Charter School is requesting an advance fund release for site acquisition and/or design costs through the Program.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Yuba River Charter School is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) 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 Yuba River. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Yuba River meets all eligibility criteria including two years of operations, a charter in place through May 2012 and good standing with its chartering authority.
Demographic Information	Yuba River serves grade levels K-8 and has current

	enrollment of 294 students for the 2010-11 school year. Yuba River projects enrollment to be 299 by the time of occupancy of the project in 2013-14.
Debt Service Coverage	Debt service coverage for 2014-15 and 2015-16 are projected to be 165.6% and 167.5%. This indicates adequate coverage of the CSFP payment.
Other Financial Factors	The CSFP payment as a percentage of revenues in 2012-13 through 2014-15 is on average projected to be 10.5% of revenues.
Student Performance	Yuba River has not met all AYP criteria since 2006-07. Statewide and similar school rankings dropped to 2 and 1 in 2008-09 and 2009-10, respectively, from 4 and 1 in 2006-07.

Program Eligibility: In January 2011, verification was received from the Nevada County Superintendent of Schools (“NCSOS”) Office, confirming that Yuba River is: (1) in compliance with the terms of its charter agreement, and (2) is in good standing with its chartering authority.

Legal Status Questionnaire: Staff reviewed the applicant’s responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead the staff to question the financial or legal integrity of this applicant.

Project Description: Yuba River has requested funding for the purpose of building a school in order to enhance and elaborate the current curriculum. Yuba River has identified two properties which it will build its new school facilities. Yuba River purchased the property at 10320 Old Dairy Place, Grass Valley CA with a combination of capital campaign funds and debt financing. The outstanding \$185,000 note is expected to be repaid from CSFP loan proceeds. In addition, property at 11157 Rough & Ready Road, Grass Valley CA, will be purchased contingent on receipt of the CSFP advance apportionment. In January 2009, Yuba River embarked on a capital campaign to raise \$4.5 million for the purchase of a new facility. However, in June 2009, the capital campaign was discontinued due to effects of the economic downturn. Yuba River used the capital campaign funds raised, approximately \$300,000, to secure both properties for purchase in addition to acquiring the necessary permits for construction. Yuba River contemplates reinstating the capital campaign in the future but for smaller scale projects such as improvements to the new facilities. Yuba River is requesting an Advance Apportionment of \$4,251,256 to cover the costs of site acquisition, pre-design architectural costs, and planning and feasibility studies.

Organizational Information: Yuba River Charter School defines itself as a traditional Waldorf school. The philosophy of a Waldorf education is “learning interdisciplinary, integrates practical, artistic, and intellectual elements, and is coordinated with ‘natural rhythms of everyday life’. The Waldorf approach emphasizes the role of the imagination in learning, developing thinking that includes a creative as well as analytic component.” The instructional method emphasizes the whole child and frames its academic components within an artistic, creative and imaginative context. The teachers are Waldorf-trained, or are knowledgeable enough about the idea that they are able to successfully teach the child the curriculum.

Educational Management Organization: Not Applicable.

School Management: Mr. Caleb Buckley has served as Director of Yuba River since 2004. He has a B.A. in Political Science and German Literature and M.A. in Political Science from San Francisco State University. Ms. Susan Egan serves as Business Manager for Yuba River. She acted as Business Manager for Twin Ridges starting in 1994 and has a B.A. in Management from the Union Institute and University. Ms. Krissa Connelley has been Office Manager for Yuba River since 2003 and has over 15 years office manager/receptionist experience. Ms. Melissa Seibold has been the Development Director / Enrollment Coordinator since 2008.

Board Experience: Per Yuba River's application, Yuba River's charter council consists of six voting and two non-voting members. Ms. Torrie Mudd is the charter council chair and a parent representative. Mr. Dan Martinez, Ms. Doris Rainville, and Ms. Liela Barber are all teachers and faculty representatives. Mr. Robert Wallis, an architect, serves as a parent representative. Mr. Mariana Nielsen is an insurance professional and a parent member on the council. Mr. Newman S. Peery Jr. is a professor emeritus and community member. Mr. Caleb Buckley, Yuba River Director, and Ms. Susan Egan, Yuba River Business Manager, are both non-voting members on the council.

Management Experience for Schools Open Less than Two Years: Not applicable; Yuba River initially began instructional activities during the 1994-95 school year. Yuba River's current charter went into effect on May 8, 2007 and will expire May 7, 2012.

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.

Staff has received four years of reported AYP scores for Yuba River. The following table summarizes scores available for Yuba River and illustrates trends in student performance.

Yuba River Charter School	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	No	No	No
Criteria Met / Required Criteria	9 / 9	10 / 13	10 / 12	10 / 13
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	N/A	No	Yes
Met Comparable Improvement Growth Target?	Yes	N/A	No	Yes
Met Both Schoolwide & CI Growth Targets?	Yes	N/A	No	Yes
API Base Statewide Rank (10 = best)	4	6	2	2
API Base Similar Schools Rank (10 = best)	1	1	1	1
School's Actual Growth	33	N/A	-5	N/A
Similar Schools Median of Actual Growth	1	N/A	10	N/A
Did School's Growth Exceed Median?	Yes	N/A	No	N/A

In 2006-07, Yuba River met the API growth target of 5, with an API growth score of 769. In that year, Yuba River met all 9 AYP criteria and ranked 4 out of 10 in API base ranking. For 2007-08 and 2008-09, Yuba met 10 out of 13 and 10 out of 12 AYP criteria. In 2009-10, for the third year in a row, Yuba River failed to meet all AYP criteria (10 out of 13). Yuba River's growth API data was not available for 2007-08 due to the change in charter authorizer from Twin Ridges to NCSOS. In 2009-10, Yuba River's API score rose from a 706 to 727, and met its school-wide and all subgroup API targets. *Staff requested an explanation from the school regarding its failure to meet all AYP criteria. A response is forthcoming and will be forwarded to board members later today.*

Enrollment: Yuba River has shown a history of gradual consistent enrollment growth, averaging 244 students since 2003-04. Yuba River's recent growth to 294 students is due to higher enrollment of home study students. Yuba River's enrollment projections are viewed as conservative given the current enrollment of 294 and the projected enrollment of 299 with occupancy of the project. The school's enrollment history and projections are viewed as positive financial indicators for financial soundness.

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 following table excerpted from the financial model created for each applicant summarizes key aspects of the school's past and projected financial performance.

Staff's financial review of Yuba River is based on four years of audited financial statements (2006-07 through 2009-10), the 2010-11 budget, and financial projections through 2015-16 as provided by Twin Ridges, NCSOS and Yuba River. Yuba River expects to occupy the project in 2013-14, by which time their enrollment will have increased to 299 students from 294 students (grades K-8) in the current year, and does not anticipate any future increases in enrollment.

Yuba River Charter School	Actual FY 2008-09	Actual FY 2009-10	Budgeted FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15	Projected FY 2015-16
ENROLLMENT PROJECTIONS								
Enrollment	246	255	294	290	295	299	299	299
Average Daily Attendance	226	235	278	269	274	277	277	277
Average Daily Attendance (%)	92%	92%	95%	93%	93%	93%	93%	93%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Lease Payment	\$ 1,768,556	\$ 1,690,868	\$ 1,932,889	\$ 1,875,036	\$ 1,936,653	\$ 1,997,113	\$ 2,043,526	\$ 2,079,583
Total Expenses Paid Before CSFP Lease Payment	1,730,168	1,866,762	1,819,747	1,832,665	1,892,791	1,734,967	1,684,312	1,716,207
Accounting Adjustments	38,313	237,859	9,323	-	-	-	-	-
Net Revenues Available for CSFP Lease Payment	\$ 76,702	\$ 61,965	\$ 122,465	\$ 42,371	\$ 43,862	\$ 262,146	\$ 359,214	\$ 363,376
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,896	\$ 216,896
Net Revenues After CSFP Lease Payment	\$ 76,702	\$ 61,965	\$ 122,465	\$ 42,371	\$ 43,862	\$ 262,146	\$ 142,318	\$ 146,480
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Lease Payment	\$ 76,702	\$ 61,965	\$ 122,465	\$ 42,371	\$ 43,862	\$ 262,146	\$ 359,214	\$ 363,376
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	165.6%	167.5%
Contributions	\$ -	\$ -	\$ 151,407	\$ 129,298	\$ 129,298	\$ 129,298	\$ 129,298	\$ 129,298
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	106.0%	107.9%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	10.6%	10.4%
Contributions / Revenues	N/A	N/A	7.8%	6.9%	6.7%	6.5%	6.3%	6.2%
Net Revenues After CSFP Lease Payment / Revenues	4.3%	3.7%	6.3%	2.3%	2.3%	13.1%	7.0%	7.0%
Revenues / ADA	\$ 7,825	\$ 7,207	\$ 6,953	\$ 6,970	\$ 7,079	\$ 7,210	\$ 7,377	\$ 7,508
Expenses / ADA	\$ 7,656	\$ 7,957	\$ 6,546	\$ 6,813	\$ 6,919	\$ 6,263	\$ 6,081	\$ 6,196
Surplus (Deficit) / ADA	\$ 170	\$ (750)	\$ 407	\$ 158	\$ 160	\$ 946	\$ 1,297	\$ 1,312
Net Working Capital	\$ -	\$ 296,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Working Capital / Expenses	N/A	15.9%						

Financial Performance – Staff’s analysis of financial performance includes expense adjustments for capital outlay and loan repayment; therefore, our results may differ from audited figures.

In 2006-07, Yuba River received revenues of \$1.58 million and expenses of \$1.42 million. Net assets for the period increased by \$161,494 before transfers. After net transfers out of \$171,697, net assets decreased by \$10,203. Revenues of \$1.71 million and expenses of \$1.66 million were recorded in 2007-08 which produced net revenues of \$43,976. In 2008-09, Yuba River increased net revenues to \$76,702 after accounting adjustments. Excluding the school’s capital outlay expenses in 2009-10, Yuba River recorded available net revenues of \$61,695 after \$1.69 million in revenue and \$1.63 million in expenses.

Yuba River’s financial projections assume an ADA rate of 92.7%, which is consistent with Yuba River’s average ADA rate of 92.5% over the last four years. Yuba River utilizes general purpose block grant per ADA rates of \$5,054, \$5,128, and \$5,278 for grades K-3, 4-6, and 7-8. Yuba River has assumed growth rates of 0%, 2.4%, 2.8%, 3.1%, and 2.4% in years 2011-12 through 2015-16. Certified and classified salaries increase in the financial projections by 2.0% to 4.0% with books, supplies, and services cost increasing annually at 1.0% to 2.0%.

For 2010-11, Yuba River is expecting net revenue of \$122,465, which is based on \$1.93 million in revenue and \$1.82 million in expenses. Revenue for 2010-11 is inclusive of \$150,000 in contributions, which is comparable to prior year contribution receipts. Going forward, Yuba River projects annual contributions of \$129,298 through 2015-16. Yuba River’s current facilities lease payments are approximately \$250,000 in 2011-12 through 2012-13. The estimated CSFP lease payment is \$35,000 less than Yuba River’s current lease payment, which has shown to be affordable for Yuba River.

Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liability from current assets. Yuba River’s NWC for 2009-10 was \$296,582. In the case of Yuba River, NWC equates to the schools net assets due to all assets and liabilities

categorized as current. NWC as a percentage of expenses in 2009-10 was 15.9%, which is above the preferred threshold of 5.0%.

Projected Debt Service Coverage – Yuba River’s financial projections indicate that they will be able to afford the projected annual CSFP lease payment of \$216,896 as evidenced by the debt service coverage ratios of 165.6% and 167.5% projected for 2014-15 and 2015-16. Debt service coverage excluding contributions is projected to be over 100% at 106.0% and 107.9% in 2014-15 and 2015-16. With CSFP payments to be on average 10.5% of projected revenues for 2014-15 and 2015-16, staff believes that the CSFP payment will not significantly reduce the school’s flexibility to fund unforeseen costs during the term of repayment.

Strengths, Weaknesses and Mitigants

- + Yuba River’s financial projections indicate that they will be able to afford the annual lease payments, as evidenced by the debt service coverage ratios of 183.6% and 186.0% projected for 2014-15 and 2015-16.
- + With CSFP payments expected to average 10.5% of projected revenues, staff believes that the CSFP obligation will not significantly reduce the school’s flexibility to fund unforeseen costs during the term of repayment.
- /+ Yuba River failed to meet all applicable AYP requirements in the last three years. However, the school’s 2009-10 API score rose from 706 to 727 and the school met its school-wide and all subgroup growth scores as well. This student performance issue as it relates to AYP has not impeded Yuba River’s ability to enroll and maintain students. Staff will continue to monitor the student performance data at Yuba River as the school moves toward Final Apportionment.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that the Yuba River Charter School is financially sound for the purposes of the Charter School Facilities Program 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 Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.