

**CHARTER SCHOOLS FACILITIES PROGRAM
2011 LOTTERY FUNDING ROUND
STAFF SUMMARY REPORT – MARCH 2011**

Applicant:	The Accelerated Schools
Project School:	Accelerated Charter Elementary School
Proposed Project Location:	101 E. Martin Luther King Jr. Blvd, Los Angeles
County:	Los Angeles
School District:	Los Angeles Unified School District
Chartering Entity:	Los Angeles Unified School District
OPSC Project Cost:	\$11,756,256
Total State Apportionment:	\$5,878,128
Lump Sum Contribution:	\$0
Source of Contribution:	N/A
Total CSFP Lease Amount:	\$5,878,128
Length of CSFP Lease Payments:	30 years
Assumed Interest Rate on Lease:	3.0%
Estimated Annual CSFP Lease Payment:	\$299,898
First Year of Occupancy of New Project:	2013-14

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that The Accelerated Schools (“Accelerated”) on behalf of the Accelerated Elementary School (“ACES”) 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 Accelerated. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Accelerated meets all eligibility criteria including two years of operations, a charter in place through June 2014 and good standing with its chartering authority.

Demographic Information	Accelerated serves grade levels K-12 and has current enrollment of 1,332 students for the 2010-11 school year. Accelerated projects enrollment to be 1,552 by the time of CSFP facility occupancy in 2013-14.
Debt Service Coverage	Debt service coverage for 2014-15 and 2015-16 are projected to be 182.0% and 233.0%. This indicates adequate coverage of the CSFP payment.
Other Financial Factors	The CSFP payment as a percentage of revenues in 2014-15 through 2015-16 is on average projected to be 2.3% of revenues.
Student Performance	ACES has met all AYP criteria since 2006-07. Statewide rankings increased to 2 from 1 in 2008-09 and 2009-10, but are still noted for having not enough student participation for an accurate state ranking.

Program Eligibility: In December 2010, at CSFA staff’s request, verification was received from the Los Angeles Unified School District Innovation and Charter School Division, confirming that ACES is (1) in compliance with the terms of its charter agreement, and (2) in good standing with its charter authority. ACES’ current charter is good through June 30, 2014.

Legal Status Questionnaire: In December 2010, staff received Accelerated’s response to the requests for disclosure contained in the Legal Status Questionnaire (LSQ), which included signatures of the ACES’s Lead Administrator, Joaquin Hernandez II, and Chair of Accelerated’s Governing Board, Eric C. Johnson. Accelerated did not disclose any material information relating to legal or regulatory proceedings or legal action in which it or any of its affiliates is a named party.

Project Description: The Accelerated School (or Accelerated) is a group of schools that serve grades Pre-K through 12 in South Los Angeles. The Schools are clustered around the intersection of Martin Luther King Jr. Blvd. and Main Street. The original Accelerated School, also named The Accelerated School, was a K-6 charter that was established in 1994. In 1997-98, The Accelerated School served 140 students grades kindergarten through 6; the proposed idea was to add a seventh grade for the 1998-99 school years and then increase the population slowly year by year. The model of growth used by the organization now has well over 1,400 students in grades Pre-K through 12th attending 4 different schools (The Accelerated School, Accelerated Charter Elementary School, The Wallis Annenberg High School, and the W.M. Keck Early Learning Center). Currently, Accelerated has a waiting list of over 8,500 students.

Accelerated requested funding, and was approved with a preliminary status for a CSFP award of \$11,756,256 in 2004, to construct a facility for its second elementary school in South Los Angeles – Accelerated Charter Elementary School (ACES). At this point in time, Accelerated is now requesting \$5,878,128 in advance apportionment for site costs.

ACES is currently located at 119 E. 37th Street in South Los Angeles where it occupies the classrooms adjacent to St. Stephen’s Catholic Church. The location was originally built for Sunday school classes and religious instruction. The site consists of two small offices, a

kitchen, a single bungalow divided into two classrooms and the hall divided into four classrooms. The site location for the construction of the new ACES facility has been identified as 101 E. Martin Luther King Jr. Blvd in Los Angeles. The construction of this facility would take approximately 14 months beginning in July 2012 and ending in August 2013; the first year of occupancy of the facility would be 2013-14.

ACES commenced instructional operations in September 2004 with 59 students in Kindergarten and first grade. Subsequently, the school has added a grade level per year for a current total student population of 132; 2008-09 brought the first graduating class of ACES 5th graders. Accelerated seeks to serve 360 students with the construction of the aforementioned ACES facility project located on 101 E. Martin Luther King Jr. Blvd. Accelerated expects to complete the project in time for the 2013-14 school year; its lease payment obligation would commence in 2014-15.

Organizational Information: Accelerated is a nonprofit, public-benefit corporation with 501(c)(3) status. All of Accelerated's schools, including ACES, base their program on the Accelerated School Model developed in 1986 by Dr. Henry Levin. All Accelerated schools rely upon involved parents, committed and talented teachers, high expectations for students and parents, strong school leadership, supportive and experienced board members, shared decision-making, and accountability.

A primary goal of ACES is to prepare students to succeed in rigorous college preparatory middle and high schools. The curriculum is based on the Accelerated Schools Model, a rigorous, nationally recognized, standards-based curriculum dedicated to the idea that all children can accelerate their progress and achieve at high levels. Other goals include providing students with better educational opportunities than what are typically available in their areas; providing additional student seats in an impacted area; training local educators in the use of effective teaching practices; and encouraging innovation in other public schools that serve educationally disadvantaged students.

Educational Management Organization, if applicable: Not Applicable.

School Management: The resumes of the school's personnel and management team demonstrate professional, experienced, and qualified individuals serving in key capacities within the organization.

Jonathan Williams co-founded and implemented Accelerated as a charter school in 1994. Mr. Williams began teaching in 1990. His experiences combined with a background in sales and banking inspired him to become a pioneer in education reform. Mr. Williams is also the President of Accelerated's Board of Trustees and has extensive experience in the field of education. He has served on the California State Board of Education, the Los Angeles City Board of Recreation and Parks Commission and currently serves on the boards of the Black Alliance for Education Options (BAEO), California Charter Schools Association (CCSA), and the National Alliance for Public Charter Schools (NAPCS).

ACES is organized and run by Susan Raudry, who has served as the Principal since 2009. Susan is an experienced bilingual educator with a successful track record of providing leadership with administration, school personnel, and parents. Before her post as Principal of ACES, Susan held the position of Assistant Principal and Elementary Instructional

Specialist at Arlington Heights Elementary School from March 2008 to June 2009. She holds a Bachelor of Arts degree in Psychology from Loyola Marymount University and a Master in Education degree from the University of California, Los Angeles.

Board Experience: Accelerated’s Board of Trustees is responsible for ensuring the School’s legal and fiscal viability. The Board meets six times a year. Specific decisions that require Board approval include budgets, audits, legal authorizations and expulsions. The Board also evaluates the Chief Executive Officer. The Board is made up of parent representatives, school community representatives, and representatives from the business and education communities. The Board may elect to grow as large as 15 members and, with the assistance of the Nominating Committee, is planning to add two to three more members over the next 12 to 18 months. New members will be recruited based on the Board’s needs in terms of expertise, experience, resources, and diversity.

2010-2011 Board Members:

Mike Garcia—Insurance Broker
Parent Representative—TAS
Los Angeles—1 year term

Charles Oppenheim—Attorney
Hooper, Lundy & Bookman Inc
Los Angeles—3 year term

Erick Johnson—Real Estate Developer
Victex Inc./Crail-Johnson Foundation
Palos Verdes—3 year term

Dr. Simeon Slovacek—Professor
Accelerated School Center, CSULA
Los Angeles—3 year term

Peter Morrison—Attorney
Skadden, Arps, Slate, Meagher & Flom LLP
Santa Monica—3 year term

Tonya N Stockton—Corporate Real Estate
Wells Fargo Bank
Los Angeles—3 year term

Enrollment: Accelerated currently enrolls 1,332 students at its three schools, serving grades K-12. Accelerated doesn’t anticipate any future enrollment growth at The Accelerated School (“TAS”) or Wallis Annenberg High School (“WAHS”) for the foreseeable future. Current enrollment for TAS and WAHS are 464 and 736 students, respectively. ACES currently enrolls 132 students and anticipates maintaining this level of enrollment through 2012-13. In 2013-14, when ACES anticipates occupying the CSFP facility, Accelerated projects a marked increase in enrollment from 132 students to 360. The substantial increase in enrollment is supported by ACES’ current waitlist of 105 students along with Accelerated’s sizable 8,500 student main waitlist. Many parents put their students on the main waitlist assuming their student is in line to attend ACES as well. Accelerated anticipates meeting its enrollment projections due to the capacity of the CSFP facility meeting the current student demand of ACES. However, staff views Accelerated’s enrollment assumptions as somewhat aggressive, although attainable.

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. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) per the No Child Left Behind Act of 2001.

Item 4.1 – The Accelerated Schools

Accelerated Elementary School	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	Yes
Criteria Met / Required Criteria	5 / 5	5 / 5	5 / 5	5 / 5
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	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	Yes	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	Yes	Yes	Yes	Yes
API Base Statewide Rank (10 = best)	1	1	1	2
API Base Similar Schools Rank (10 = best)	N/A	N/A	N/A	N/A
School's Actual Growth	117	55	39	26
Similar Schools Median of Actual Growth	N/A	N/A	N/A	N/A
Did School's Growth Exceed Median?	N/A	N/A	N/A	N/A

The base API score for ACES in FY 2005-06 was 508. ACES achieved API growth scores of 625, 674, 723, and 749 for 2006-07, 2007-08, 2008-09, and 2009-10, respectively. Additionally, the school has met all AYP criteria from 2006-07 through 2009-10. With respect to academic rankings, during 2006-07 through 2009-10, out of a best possible rank of 10, ACES ranked 1, 1, 1, and 2 statewide, respectively. In recording ACES API statewide rankings, CDE notes not having enough student participation for an accurate state ranking.

While Accelerated's other schools have struggled to consistently meet all AYP criteria, API growth scores have shown marked improvement over the past six years. WAHS and TAS achieved API growth scores of 740 and 776 in 2009-10, respectively. This resulted in total API growth score improvement of 106 and 227 points from 2004-05 for both schools.

FY	Wallis Annenberg High School			The Accelerated School		
	API Growth Scores	API Base Rank (Statewide/ Similar Schools)	Met All AYP Criteria	API Growth Scores	API Base Rank (Statewide/ Similar Schools)	Met All AYP Criteria
2005	634	NA	Yes	539	NA	No
2006	623	3/8	Yes	684	4/7	No
2007	689	3/8	Yes	717	2/8	No
2008	711	5/10	Yes	715	3/9	No
2009	716	5/9	No	701	2/6	No
2010	740	5/7	No	776	2/1	No

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 summarizes key aspects of the school's past and projected financial performance.

Staff's financial review of Accelerated is based on four years of audited financial statements (2006-07 through 2009-10), 2010-11 budget, and financial projections through 2015-16 as provided by Accelerated. Accelerated expects to occupy the project in 2013-14, by which time enrollment will have increased to 1,552 students from 1,332 students (grades K-12) in the current year, and does not anticipate any future increases in enrollment.

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The Accelerated Schools	Actual FY 2008-09	Actual FY 2009-10	1st Interim 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	1,347	1,288	1,332	1,324	1,324	1,552	1,552	1,552
Average Daily Attendance	1,306	1,248	1,265	1,258	1,231	1,474	1,443	1,443
Average Daily Attendance (%)	97%	97%	95%	95%	93%	95%	93%	93%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Lease Payment	\$ 15,671,114	\$ 13,344,008	\$ 12,020,242	\$ 11,624,485	\$ 11,456,514	\$ 13,220,987	\$ 13,231,046	\$ 12,961,679
Total Expenses Paid Before CSFP Lease Payment	13,782,917	14,659,636	12,059,372	11,970,029	11,772,924	12,728,580	12,685,254	12,262,817
Accounting Adjustments								
Net Revenues Available for CSFP Lease Payment	\$ 1,888,197	\$(1,315,628)	\$ (39,130)	\$ (345,544)	\$ (316,410)	\$ 492,407	\$ 545,792	\$ 698,862
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 299,898	\$ 299,898
Net Revenues After CSFP Lease Payment	\$ 1,888,197	\$(1,315,628)	\$ (39,130)	\$ (345,544)	\$ (316,410)	\$ 492,407	\$ 245,894	\$ 398,964
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Lease Payment	\$ 1,888,197	\$(1,315,628)	\$ (39,130)	\$ (345,544)	\$ (316,410)	\$ 492,407	\$ 545,792	\$ 698,862
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	182.0%	233.0%
Contributions	\$ 147,705	\$ 286,500	\$ 268,000	\$ 268,000	\$ 293,000	\$ 293,000	\$ 245,000	\$ 245,000
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	100.3%	151.3%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	2.3%	2.3%
Contributions / Revenues	0.9%	2.1%	2.2%	2.3%	2.6%	2.2%	1.9%	1.9%
Net Revenues After CSFP Lease Payment / Revenues	12.0%	-9.9%	-0.3%	-3.0%	-2.8%	3.7%	1.9%	3.1%
Revenues / ADA	\$ 11,999	\$ 10,692	\$ 9,499	\$ 9,242	\$ 9,304	\$ 8,967	\$ 9,167	\$ 8,980
Expenses / ADA	\$ 10,554	\$ 11,747	\$ 9,530	\$ 9,517	\$ 9,561	\$ 8,633	\$ 8,996	\$ 8,704
Surplus (Deficit) / ADA	\$ 1,446	\$ (1,054)	\$ (31)	\$ (275)	\$ (257)	\$ 334	\$ 170	\$ 276
Net Working Capital	\$ 6,001,705	\$ 5,866,594						
Net Working Capital / Expenses	43.5%	40.0%						

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.

Accelerated long-term obligations consist of an outstanding loan from LAUSD. As of June 30, 2010, the outstanding loan balance was \$6,405,284. Accelerated anticipates making annual principal payments of \$465,840 along with interest payments through 2023-24.

In 2006-07, Accelerated received revenues of \$13.1 million and incurred expenses of \$10.6 million. which increased net assets by \$2.5 million. Accelerated’s increase to net assets was bolstered by \$2.1 million in contributions. Increases to net assets in 2007-08 were \$1.4 million. Revenues excluding contributions were roughly equal to expenses but contributions of \$1.4 million assisted Accelerated’s increase to net assets. For 2008-09, Accelerated recorded contributions of \$147,000 but showed increases in net assets of \$1.9 million from revenues and expenses of \$15.5 million and \$13.8 million, respectively. The 2008-09 audit did note that Accelerated’s past financial statements overstated current net assets by \$1.6 million. Accelerated modified its approach to calculating depreciation which resulted in this one-time adjustment. In the following 2009-10 year, Accelerated operated at a net loss of \$1.3 million. Accelerate experienced a drop in revenues while seeing an increase in expense categories such as salaries and operating services.

Accelerated’s financial projections assume an ADA rate of 93.0% to 95%, which is conservative compared to Accelerated’s average ADA rate of 96.0% over the last four years. Accelerated utilizes general purpose block grant per ADA rates of \$4,769, \$4,841, \$4,980 and \$5,781 for grades K-3, 4-6, 7-8, and 9-12. Accelerated has assumed growth rates of 0% in projected years 2011-12 through 2015-16 on per ADA basis. Increases to expenses are also assumed to be 0% on a per ADA basis for the financial projections. Accelerated’s aggressive expensive assumptions are coupled with very conservative per ADA funding rates along with ADA attendance rates. Accelerated’s projections of operating

at a net profit in 2014-15 and 2015-16 are contingent on maintaining control over total expenses.

For 2010-11, Accelerated is expecting a net loss of \$39,130, which is based on \$12.0 million in revenue and \$12.1 million in expenses. Revenue for 2010-11 is inclusive of \$268,000 in contributions, which is comparable to prior year contribution receipts. Going forward, Accelerated projects annual contributions of \$268,000 through 2012-13 and 293,000 through 2015-16.

Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liability from current assets. Accelerated's NWC for 2009-10 was \$5.9 million. NWC as a percentage of expenses in 2009-10 was 40.0%, which is above the preferred threshold of 5.0%.

Projected Debt Service Coverage – Accelerated's financial projections indicate that they will be able to afford the projected annual CSFP lease payment of \$299,898 as evidenced by the debt service coverage ratios of 182.0% and 233.0% projected for 2014-15 and 2015-16. Contributions are projected to be a small percentage of Accelerated's budget at approximately 2.0% of total revenue in 2014-15 and 2015-16. Projected debt service coverage ratios excluding contributions are expected to be 100.3% and 151.3% in those years. With CSFP payments to be on average 2.5% 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:

- + Accelerated's financial projections indicate that they will be able to afford the annual lease payments, as evidenced by the debt service coverage ratios of 182.0% and 233.0% projected for 2014-15 and 2015-16.
- ACES enrollment assumptions for 2013-14 of 360 students from prior year's 132 students is viewed as somewhat aggressive, although attainable due to other factors supporting student demand.
- + Good student performance, with ACES having met all AYP over the last four years. However, statewide rankings of API growth scores remain relatively low.
- + Accelerated maintains a strong liquidity position, including cash balances of \$5.5 million and \$5.6 million in 2008-09 and 2009-10, respectively, and NWC as a percentage of expenses at 40%.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that the Accelerated Schools 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.