

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

<b>Applicant:</b>	Helix High School
<b>Project School:</b>	Helix High School
<b>CDS (County – District – School) Code:</b>	37-68130-3732732
<b>[Proposed] Project Location:</b>	7323 University Ave., La Mesa, CA
<b>Type of Project:</b>	Rehabilitation
<b>County:</b>	San Diego
<b>District in which Project is Located:</b>	Grossmont Union High School District
<b>Charter Authorizer:</b>	Grossmont Union High School District
<b>Total OPSC Project Cost:</b>	\$64,872,369
<b>State Apportionment (50% Project Cost):</b>	\$32,436,185
<b>Lump Sum Contribution:</b>	\$32,436,184
<b>Total CSFP Financed Amount:</b>	\$0
<b>Length of CSFP Funding Agreement:</b>	Not Applicable
<b>Assumed Interest Rate:</b>	Not Applicable
<b>Estimated Annual CSFP Payment:</b>	Not Applicable
<b>First Year of Occupancy of New Project:</b>	2015-16

**Staff Recommendation:** Helix High School (“HHS”) is seeking a Proposition 1D Advance Apportionment of \$6,487,237 for design costs. Staff recommends that the California School Finance Authority (“CSFA”) Board determine that HHS 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.

HHS will fund its local matching share through a lump sum payment of \$32,436,184. Staff received a letter dated March 28, 2011 pledging the total \$32 million from Grossmont Union High School District (“GUHSD”) confirming the contribution of the local match through Proposition H General Obligation Bond proceeds. Additionally, staff received documentation from the GUHSD Governing Board establishing ballot language for the G.O. Bond ballot measure which sets forth that bond proceeds will be used to renovate the Helix High School. Given that the CSFP project involves the rehabilitation of a District-held facility, on an on-going basis, the GUHSD will hold title to the facility in trust to the State of California’s public education system.

Notwithstanding Staff’s recommendation for financial soundness, based on HHS’ significant anticipated net deficits for 2011-12 through 2013-14, Staff has concerns regarding HHS’ ability to sustain itself as an ongoing financially solvent concern. In making its

recommendation, Staff has considered multiple factors, including academic performance, longevity, and stability of enrollment all of which support a recommendation for financial soundness. Staff further recommends that, prior to Final Apportionment, HHS demonstrate its ability to sustain itself in the long term as a financially solvent concern.

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

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	HHS meets all Program eligibility criteria 1) the school has been in operations more than two years; 2) a charter in place through June 2015; and 3) the school is in good standing with its chartering authority and in compliance with the terms of its charter.
<b>Demographic Information</b>	For the current 2010-11 school year, HHS has grown to 2,445 students, representing a 4.6% increase from the previous year and an overall growth of 6.35% since 2005-06. HHS projects small increases in enrollment to 2,470 students in 2011-12 to a capacity of 2,475 students in 2012-13 (anticipated year of project occupancy), which staff considers as reasonable.
<b>Debt Service Coverage</b>	Not applicable, as GUHSD is making a lump sum payment to meet the local matching share obligation.
<b>Other Financial Factors</b>	<ol style="list-style-type: none"> <li>1. HHS projects net losses of \$1,485,514, \$2,192,961, and \$2,473,501 for 2011-12, 2012-13, and 2013-14, respectively</li> <li>2. As of June 30, 2009, HHS' net working capital was \$6,808,994, representing 36.5% of expenses. As of June 30, 2010 HHS' net working capital was \$5,642,166, representing to 32.3% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient.</li> </ol>
<b>Student Performance</b>	HHS met all AYP criteria for 2006-07 through 2009-10, and all API growth targets for 2007-08 through 2009-10. In addition, based on its 2009-10 base API score, HHS ranked 8 out of 10 statewide and 8 out of 10 among similar schools.

**Program Eligibility:** On December 23, 2010, verification was received from the Superintendent's Office of GUHSD, confirming that HHS is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority. HHS' charter petition was renewed on July 1, 2010 and is effective through June 30, 2015.

**Legal Status Questionnaire:** Staff reviewed HHS' responses to the questions contained in the Legal Status Questionnaire (LSQ) (dated February 28, 2011). HHS answered "None" to all LSQ questions.

Although HHS has answered “None” to all questions in the LSQ, in 2010, HHS was in jeopardy of having its charter revoked as a result of an Assistant Principal having violated a conduct code. The District claimed that the situation was mishandled because HHS failed to report potential staff misconduct to authorities. Through a settlement with the District, HHS’ charter was renewed with the requirement that the former Executive Director be removed and that HHS agree to revised terms of its relationship with the District, which are included in the agreement. As a result of the settlement, HHS agreed to dismiss a pending lawsuit over the District’s revocation effort.

**Project Description:** HHS is located at 7323 University Avenue, in the City of La Mesa. The facility consists of 238,889 square feet in a site that totals 55 acres. HHS has requested funding for the modernization of 17 buildings, including the administration building and 58 classrooms, for a total of 146,507 square feet. HHS anticipates complete project occupancy by 2015-16 with occupancy by phase as follows:

- Phase 1 - completed and occupied in 2008-09;
- Phase 2 – currently under construction, with occupancy expected in 2011-12;
- Phase 3 – currently in design, with occupancy expected in 2013-14; and
- Phase 4 – currently in design, with occupancy expected in 2015-16.

Phase 1, 2A, and 2B of the project include upgrades/replacement of water, sewer, storm drain, electrical and gas lines as well as wet and dry utility systems and health and safety work. Modernization of approximately 33 standard classrooms, and associated restrooms and library, and Americans with Disabilities Act work will also take place. Phase 1 and 2A constitute approximately 19% of project cost, and Phase 2B constitutes approximately 28% of project cost.

Phase 3 is separated into parts A, B, and C depending on the priority of the buildings to be renovated. Phase 3A of the project includes modernization of existing science classrooms and labs. Modernization of specialty classrooms (such as art, etc.) or other high priority buildings are included in phase 3B. Phase 3C includes the remaining facilities per the funding agreement. Phase 3A, 3B, and 3C constitute approximately 15%, 19%, and 19% of total project cost, respectively.

**Organizational Information:** Helix High School is a California nonprofit public benefit corporation pursuant to section 501(c)(3) of the Internal Revenue Code and has conducted operations as a charter school since 1998. Its current charter is due to expire in June 2015.

Based on the information provided by HHS, HHS aims to “graduate citizens who think constructively, communicate clearly, decide objectively, and produce effectively”, and has an educational focus designed to foster each individual student’s capacity for self-development and personal responsibility. HHS seeks to provide the academic background and experience that will prepare students to perform successfully in college without remediation. HHS graduates complete the CSU/UC course entrance requirements and are offered a range of educational choices that allows them flexibility in designing a personal program of study.

HHS operates around a set of “Five Fundamental Principles,” as follows:

1. All students are connected to school and learning through greater personalization and interaction among peers and adults;
2. All students are active learners; all teachers are facilitators of student learning;
3. All students demonstrate powerful learning through the production of significant work; all teachers design powerful curriculum;
4. All students, through interdisciplinary work, transfer knowledge to real-world situations; and,
5. All students achieve and stay in school because they see a connection between schoolwork and the world of work.

HHS assesses pupil outcomes in performance based skills, the California State Content Standards, and life-long learning skills, seeking to provide measurable results through a combination of standardized tests and school specific initiatives.

**Management Experience:** The resumes of HHS’ personnel and management team demonstrate professional, experienced and qualified individuals serving in key capacities within the organization.

Rani Goyal has served as Executive Director of HHS since 2010. Prior to this position, Ms. Goyal served as Principal of Temecula Valley High School (2007 - 2010), Assistant Principal of Temecula Valley High School (2006 - 2007), Principal of Leadership Public Schools-East San Jose High School and LPS-Richmond (2004 - 2006), and Assistant Principal of George C. Marshall High School, Fairfax, Virginia (2000 – 2004). Ms. Goyal holds an M.A. in Education from George Mason University.

Ms. Elena Christian has served as Assistant Principal of HHS since 2008. Prior to this position, Ms. Christian served as an English teacher at HHS for over 10 years. Ms. Christian holds a Masters in Special Education from the University of San Diego.

**Board Experience:** HHS’ Board is represented by the following table.

<b>Name</b>	<b>Occupation</b>	<b>Title</b>	<b>County of Residence</b>	<b>Term</b>
Bruce Crenshaw	Middle School Counselor	Community Member	San Diego	2010-13
Michael Ried	Educator	Certified Staff Member	San Diego	2011-14
Michael Harris	Educator	Parent-at-Large Member	San Diego	2011-14
Brian Kick	Teacher	Board Chair	San Diego	2010-13
Judy Kirk	Classified School Employee	Classified Staff Member	San Diego	2009-12
Larry Loschen		PTSA Member	San Diego	2009-12
Leslie Hays	Educator	Community Member	San Diego	2011-14

Richard Sutton	Educator	Certified Staff Member	San Diego	2010-13
John Van Cleef	Captain, Salvation Army	Community Member	San Diego	2011-14

The Board’s key responsibilities include, but are not limited to, the following: upholding the mission and vision of the charter school; overseeing the implementation of the charter; approving all operational policies as well as the implementation of those policies; approving and monitoring the budget and the charter school’s fiscal practices, including the receipt of grants and donations; approving and monitoring the instructional programs and materials; approving all contracts; and evaluating the Executive Director and members of the management team.

**Management Experience for Schools Open Less than Two Years:** Not applicable, as HHS began instructional operations in 1998-99 and exceeds the minimum instructional requirement 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.

HHS 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.

Helix High School	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>				
Met All AYP Criteria?	Yes	Yes	Yes	Yes
Criteria Met / Required Criteria	22 / 22	22 / 22	22 / 22	22 / 22
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	Yes	Yes	Yes	Yes
<b>ACADEMIC PERFORMANCE INDEX (API)</b>				
Met Schoolwide Growth Target?	No	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	No	Yes	No	No
Met Both Schoolwide & CI Growth Targets?	No	Yes	No	No
API Base Statewide Rank (10 = best)	7	6	7	8
API Base Similar Schools Rank (10 = best)	9	6	7	8
School's Actual Growth	-13	29	24	20
Similar Schools Median of Actual Growth	4	12	13	11
Did School's Growth Exceed Median?	No	Yes	Yes	Yes

HHS has met all AYP criteria for each of the past four years, 2006-07 through 2009-10. In addition, HHS met its API growth targets for the past three years, 2007-08 through 2009-10, with API growth scores of 749, 773, and 795, respectively. Based on HHS' API base scores, for both statewide and similar schools' rankings, HHS ranked 7 out of 7 and 8 out of 8 for 2008-09 and 2009-10, respectively.

**Student Enrollment and Retention Rates:** HHS' enrollment grew from 2,299 students in 2005-06 to 2,496 students in 2006-07, representing an 8.5% increase from the previous year. Following this increase, HHS exhibited decreases in enrollment to 2,395 in 2007-08, 2,387 in 2008-09, and 2,337 in 2009-10, representing decreases of 4.0%, 0.0%, and 2.1%, respectively. However, for the current 2010-11 school year, HHS has grown to 2,445 students, representing a 4.6% increase from the previous year and an overall growth of 6.35% since 2005-06. HHS projects small increases in enrollment to 2,470 students in 2011-12 and to a capacity of 2,475 students in 2012-13. Given HHS' overall historical growth, staff considers the projected small growth in enrollment to be reasonable. It is noteworthy that because approximately half of the special education students are subsidized by the District, representing about 95 students each year, the enrollment figures incorporated into the financial analysis below are reduced by this number of students. Staff does not consider that this reduction for the financial analysis affects the reasonability of the enrollment projections.

Based on the P2 for historical average daily attendance (ADA), HHS has achieved ADA rates of approximately 94%, 95%, 97%, and 95% for 2007-08, 2008-09, 2009-10, and 2010-11, which is consistent with the assumption of 94% to 95% in the multi-year projections used in the "Financial Analysis" section below.<sup>1</sup> HHS achieved a year-to-year retention rate of 93.5% for the current school year, and has no students on its current wait list.

**Financial Analysis:** *Despite having cash on hand to satisfy the local matching share, staff conducts an analysis of the school to ensure the financial solvency of the school once the project school is operational.* Highlighted below are selected financial data and credit indicators used to evaluate Vaughn's ability to sustain itself as an ongoing financially solvent concern.

Staff's review of HHS' financial performance is based on three years of audited financial statements (2007-08 through 2009-10), 2010-11 second interim budget projections, and financial projections from 2011-12 through 2013-14 as provided by HHS. The school expects to occupy the project in four phases with final occupancy expected in 2015-16.

HHS' financial projections are based upon the following assumptions: (1) increases in enrollment to 2,470 students in 2011-12 and to a capacity of 2,475 students in 2012-13; (2) projected ADA rates of 94% for 2011-12, and 95% for 2012-13 and 2013-14; (3) general purpose block grant rate for 2010-11 of \$6,148; (4) cost of living adjustments (COLAs) to the general purpose block grant rate of 0% (minus \$380), 1.8% for 2012-13, and 2.3% for 2013-14; and (5) 0% COLA to certificated salaries through the projected years of 2011-12 through 2013-14.

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<sup>1</sup> As the historical P2 data did not incorporate the special education students sponsored by the District (approximately 95 each year), the ADA percentages were computed based on the reduction of total enrollment by these students.



Helix Charter High School	Actual FY 2007-08	Actual FY 2008-09	Actual FY 2009-10	Actual FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14
<b>ENROLLMENT PROJECTIONS</b>							
Enrollment	2,300	2,292	2,242	2,350	2,375	2,380	2,380
Average Daily Attendance	2,172	2,177	2,177	2,225	2,237	2,252	2,255
Average Daily Attendance (%)	94%	95%	97%	95%	94%	95%	95%
<b>FINANCIAL PROJECTIONS</b>							
Total Revenues Available for CSFP Payment	\$ 18,098,115	\$ 19,874,653	\$ 16,110,501	\$ 16,674,564	\$ 16,445,700	\$ 16,304,745	\$ 16,663,632
Total Expenses Paid Before CSFP Payment	18,529,642	18,635,471	17,464,447	16,620,618	17,931,214	18,497,706	19,137,133
Accounting Adjustments	175,402	191,710	187,121	43,200	53,200	53,200	53,200
Net Revenues Available for CSFP Payment	\$ (256,125)	\$ 1,430,892	\$ (1,166,825)	\$ 97,146	\$ (1,432,314)	\$ (2,139,761)	\$ (2,420,301)
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenues After CSFP Payment	\$ (256,125)	\$ 1,430,892	\$ (1,166,825)	\$ 97,146	\$ (1,432,314)	\$ (2,139,761)	\$ (2,420,301)
<b>FINANCIAL INDICATORS</b>							
Net Revenues Available for CSFP Payment	\$ (256,125)	\$ 1,430,892	\$ (1,166,825)	\$ 97,146	\$ (1,432,314)	\$ (2,139,761)	\$ (2,420,301)
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CSFP Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revenues / ADA	\$ 8,332	\$ 9,129	\$ 7,400	\$ 7,494	\$ 7,352	\$ 7,240	\$ 7,390
Adjusted Expenses / ADA	\$ 8,612	\$ 8,648	\$ 8,108	\$ 7,489	\$ 8,040	\$ 8,238	\$ 8,510
Net Revenues After CSFP Payment / ADA	\$ (279)	\$ 481	\$ (708)	\$ 5	\$ (688)	\$ (997)	\$ (1,120)
Net Working Capital	\$ 5,405,394	\$ 6,808,994	\$ 5,642,166	\$ -	\$ -	\$ -	\$ -
Net Working Capital / Expenses	29.2%	36.5%	32.3%	N/A	N/A	N/A	N/A

Please note: Enrollment figures for each year reflect a reduction of 95 special education students who are subsidized by the District.

**Long Term Debt:** Based on the 2009-10 financial audit report, HHS had no long-term debt as of June 30, 2010. In addition, HHS currently has no long-term debt.

**Financial Performance/Change in Net Assets:** For 2007-08, HHS recorded a net loss of \$431,527 on \$18,098,115 in revenues and \$18,529,642 in expenses, resulting in an ending fund balance of \$6,501,134. For 2008-09, HHS recorded a gain in net revenues of \$1,239,182 on \$18,758,083 in revenues and \$17,518,901 in expenses, resulting in an ending fund balances of \$7,740,306. For 2009-10, HHS recorded a net loss of \$1,353,946 on \$16,110,501 in revenues and \$17,464,447 in expenses, resulting in an ending fund balance of \$6,386,370.

Although HHS anticipates a gain in net revenues of \$53,946 for the current 2010-11 year, based on the Second Interim Report, HHS also anticipates net loss for each of the projected years, as follows: a net loss of \$1,485,514 for 2011-12; a net loss of \$2,192,961 for 2012-13; and a net loss of \$2,473,501 for 2013-14, resulting in an ending fund balance of \$288,340. Based on HHS' multi-year projections, staff has concerns regarding HHS' ability to sustain itself as an ongoing financially solvent concern.

**Projected Debt Service Coverage – Not Applicable.**

**Liquidity:** Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. As of June 30, 2009, HHS' NWC was \$6,808,994, representing 36.5% of expenses. As of June 30, 2010 HHS' NWC was \$5,642,166, representing to 32.3% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient. As of June 30, 2010, HHS held \$3,631,013 in cash.

**Strengths, Weaknesses and Mitigants**

- + HHS has strong academic indicators by meeting all AYP criteria for 2006-07 through 2009-10 and all API growth targets for 2007-08 through 2009-10. These factors along with the future renovations to school facilities show strong future prospects for HHS.
- + GUHSD has committed and is prepared to fund the CSFP match on behalf of HHS with proceeds from Proposition H General Obligation Bonds with a lump sum payment of \$32,436,185. A letter was sent to CSFA confirming this pledge of G.O. Bond proceeds.
- + HHS has operated as a charter school since 1998,
- + HHS' current Principal has more than ten years of public school administrative experience.
- HHS projects net losses of \$1,485,514, \$2,192,961, and \$2,473,501 for 2011-12, 2012-13, and 2013-14, respectively
- Staff further recommends that, prior to Final Apportionment, HHS demonstrate its ability to sustain itself in the long term as a financially solvent concern.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that Helix High 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.