

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

Applicant/Obligor:	Santa Rosa City Schools
Project School:	Santa Rosa School for the Arts
CDS (County – District – School) Code:	49-70912-0113530
Type of Project:	New Construction
Proposed Project Location:	756 Humboldt Street, Santa Rosa
County:	Sonoma County
District in which Project is Located:	Santa Rosa Elementary District
Charter Authorizer:	Santa Rosa City Schools
Total OPSC Project Cost:	\$5,591,224
State Apportionment (50% Project Cost):	\$2,795,612
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$2,795,612
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$142,630
First Year of Occupancy of New Project:	2013-14

Applicant/Obligor:	Santa Rosa City Schools
Project School:	Santa Rosa School for the Arts
CDS (County – District – School) Code:	49-70912-0113530
Type of Project:	Rehabilitation
Proposed Project Location:	756 Humboldt Street, Santa Rosa
County:	Sonoma County
District in which Project is Located:	Santa Rosa Elementary District
Charter Authorizer:	Santa Rosa City Schools
Total OPSC Project Cost:	\$4,751,806
State Apportionment (50% Project Cost):	\$2,375,903
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$2,375,903
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$121,217
First Year of Occupancy of New Project:	2013-14

Santa Rosa Charter School for the Arts (SRCSA) received Preliminary Apportionments of \$5,591,224 for new construction and \$4,751,806 for rehabilitation at the State Allocation Board meeting on May 28, 2008. At this time, SRCSA is requesting an advance fund release for design costs through the Program.

Staff Recommendation: Staff recommends that the California School Finance Authority (Authority) Board determine that Santa Rosa Charter School for the Arts (SRCSA) and Santa Rosa City Schools (District), which is serving as obligor for the school, are financially sound for purposes of the Charter School Facilities Program (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 Authority members 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 SRCSA and the District. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	SRCSA meets Program eligibility criteria including 1) having a charter in place; 2) meeting two years of operating experience; and 3) being in compliance with the terms of its charter and in good standing with its charter authorizer.
Demographic Information	The school began instructional operations in 2007-08 and is currently serving 319 students in grades K–8. Enrollment is projected to be 405 students by project occupancy in 2013-14 and to be 426 students the next year, 2014-15.
Debt Service Coverage	Debt service coverage for 2014-15 and 2015-16 are projected to be 3,695.8% and 3,823.4%. This indicates satisfactory coverage of the CSFP payment.
Other Financial Factors	The District is serving as obligor for purposes of the Program. The District's NWC percentage of expenses at June 30, 2010 was 11.0% which exceeds the Program's targeted sufficiency level of 5.0%. The CSFP payment as a percentage of revenues in 2014-15 and 2015-16 is on average projected to be 0.25% of revenues.
Student Performance	In operation for three years, SRCSA achieved API scores of 756, 846, and 813 in 2007-08 to 2009-10, respectively. The school met all AYP criteria in its first two years and most recently met 15 of 17 in 2009-10.

Program Eligibility: In December 2010, verification was received from the Associate Superintendent, Santa Rosa City Schools, confirming SRCSA is: (1) in compliance with the

terms of its charter agreement, and (2) in good standing with its chartering authority. The charter was initially approved in October 2006 and is currently valid through in June 2015.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the two requests for disclosure contained in the Legal Status Questionnaire (LSQs). No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: SRCSA has requested an Advance Apportionment for design costs. The planned project incorporates Preliminary Apportionments for both New Construction and for Rehabilitation of a District-owned school facility located on the former Fremont Elementary School campus, 756 Humboldt Street, Santa Rosa, California. The District describes the proposed project as construction of two 2-story buildings that will include the replacement of six classrooms and the addition of seven classrooms for a net addition of seven classrooms and the construction of two elevators. The project also consists of the replacement of the administration area, staff work room, restrooms, and small instruction areas.

Additionally, the District plans to demolish the east and west classroom wings and replace with multi-story buildings of permanent construction. The west wing currently has two teaching stations, restrooms, and office space. The west wing multi-story replacement building will add three teaching stations to this wing. The east wing currently has six classrooms (four standard classrooms and two small group instruction classrooms, administration and toilet area. The east wing multi-story replacement building will include four additional teaching stations. In total, the replacement buildings will provide seven additional teaching stations. The new student capacity is estimated to be 352 after the described improvements. In addition, there have been four portable classrooms added to the site bring the total capacity for the campus to approximately 440 students. Occupancy of the CSFP-funded facility is targeted for August 2013.

Organizational Information: SRCSA is a district-run charter school serving 319 students in grades K through 8. The chartering authorizer and governing board, Santa Rosa City Schools (comprised of Santa Rosa City Elementary School District and Santa Rosa City High School District), is governed by a seven-member Board of Education and currently operates ten elementary schools, one satellite elementary, five middle schools, five comprehensive high schools, one opportunity school, one continuation school, four necessary small continuation schools, and two charter schools.

Based on the materials provided by the applicant, SRCSA's mission is to provide K – 8 grade students from the Santa Rosa community with an innovative, high quality education that focuses on the arts through a challenging, integrated, standards-based academic program. The ultimate goal of the school is to give students a lifetime appreciation of learning through the lens of the visual and performing arts. SRCSA provides a basic framework for a standards-based core curriculum that infuses the arts at every level. The core contents areas of English-language arts, mathematics, science, and social science are to be standards-based to allow students to transition from the charter school to local high schools in the area.

Management Experience for Schools Open Less than Two Years: Not applicable.

Educational Management Organization: Not applicable because the school has been operated by the Santa Rosa City Schools Board of Education since 2007.

School Management: SRCSA’s and the District’s key personnel and management team demonstrate professional, experienced and qualified individuals serving in key capacities within the organizations.

Key staff members include Dr. Sharon Liddell, Superintendent of Santa Rosa City Schools since 2005; Mr. Greg Espinoza, Assistant Superintendent since 2005; and Ms. Anna Maria Guzman, who has served as principal of SRCSA since its inception in August 2007.

Dr. Liddell has served as Superintendent of Santa Rosa City Schools since 2005. Her career includes experience as an Assistant Superintendent; Administrator in the San Juan Unified School District, and as a teacher. Dr. Liddell earned her Doctor in Education degree from the University of Southern California and was awarded the Dissertation of the Year Award in 2000. She holds a Master of Science degree in Leadership and Counseling from National University and a Bachelor of Arts in Education from the University of North Texas.

Mr. Espinoza has served as Assistant Superintendent since 2005. His experience includes serving as Director of State and Federal programs; School Principal; Project Manager; and teacher. Mr. Espinoza earned a Bachelor of Arts degree in Social Science from San Diego State University and a Master of Arts degree in Reading from Sonoma State University.

Previously, Ms. Guzman served as Principal of Fremont Elementary in 2006-07, Assistant Principal of Santa Rosa High School in 2005-06, and as a middle and high school instructor from 1995 to 2005. Ms. Guzman earned a Bachelor of Arts in English and a Master of Arts in Education from Sonoma State University, and holds a Single Subject Credential – English, and a Professional Administrative Services Credential.

Board Experience: The seven members of the Board of Education of Santa Rosa City Schools are elected at-large to serve four-year terms. The board members are responsible for establishing district policy; adopting annual district budgets; approving expenditures; authorizing employment of all personnel; approving curricula and textbooks; and approving all contracts.

The District’s governing board members, occupational experience, and term expiration are listed below.

Board Member	Occupational Experience	Term Expiration
Frank Pugh, President	Counselor and instructor	December 2014
Larry Haenel, Vice-President	English instructor	December 2012
Bill Carle, Clerk	Legal counsel	December 2014
Laura Gonzalez	Instructor	December 2012
Donna Jeye	Parent	December 2012

Ron Kristof	Instructor and business	December 2014
Ted Wakefield	Instructor	December 2012

Enrollment and Student Retention Rates: SRCSA has shown consistent enrollment growth each year beginning with 179 students in 2007-08, to its current 319 students in 2010-11, and anticipates continued growth to about 426 students in 2014-15. The district, in contrast, reported 16,694 total students district-wide in 2007-08, dropped to 16,039 in 2010-11, and reports a projected low of 15,995 in 2011-12 before increasing again to about 16,200 in 2014-15.

The school's reported average daily attendance is improving each year, increasing from 92% to 96% in the three years from 2007-08 to 2009-10. Its annual retention rates, however, for returning students in subsequent school years are low with 86% in 2008, 92.1% in 2009, and 89.1% in 2010. The District provided the following response to staff's question related to the school's retention rates, in part: "In this economic climate, the district's families are affected by increased unemployment, struggling local businesses, home foreclosures, declining home value and other signs of the times. The mobility rate among our students has increased as families struggle to preserve their families in these situations. This has resulted in greater movement for our students from one school to another as well as from one district to another. Santa Rosa Charter for the Arts is a K-8 school. Their retention rate was 89.1% for 2010. However, for grades K-6, the school's 2010 retention rate was 96%. All of the other K-6 elementary schools in the district had a combined retention rate of 86%. There is obviously an increased mobility rate in grades 7 and 8 at the Charter School, but as they work to strengthen their program in these grades, the expectation is that their retention rate will improve also."

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.

Based on data posted by the California Department of Education (CDE), SRCSA's API scores exceeded 800 for two of its first three years of operations, with scores of 756 in 2007-08; 846 in 2008-09; and 813 in 2009-10. In its first two years, for which data is available, SRCSA achieved API Statewide and Similar School ranks of 5 Statewide and 1 Similar Schools in 2007-08 and 8 Statewide and 8 Similar Schools in 2008-09.

Staff has received three years of reported AYP scores for SRCSA. In 2007-08 and 2008-09, the school met all AYP criteria. However, in 2009-10, SRCSA met 15 of 17 AYP criteria, with the two missed criteria both related to the percent proficient rate for English-Language Arts. The following table summarizes scores available and illustrates trends in student performance at SRCSA.

*Item 4.14 & 4.15 – Santa Rosa Charter School for the Arts
Santa Rosa City Schools*

Santa Rosa Charter School for the Arts	FY 2007/08	FY 2008/09	FY 2009/10
ADEQUATE YEARLY PROGRESS (AYP)			
Met All AYP Criteria?	Yes	Yes	No
Criteria Met / Required Criteria	9 / 9	13 / 13	15 / 17
Met API Indicator for AYP?	Yes	Yes	Yes
Met Graduation Rate?	NA	NA	NA
ACADEMIC PERFORMANCE INDEX (API)			
Met Schoolwide Growth Target?		Yes	Yes
Met Comparable Improvement Growth Target?		Yes	No
Met Both Schoolwide & CI Growth Targets?		Yes	No
API Base Statewide Rank (10 = best)	5	8	N/A
API Base Similar Schools Rank (10 = best)	1	8	N/A
School's Actual Growth		86	-33
Similar Schools Median of Actual Growth		16	4
Did School's Growth Exceed Median?		Yes	No

In response to staff's request for an explanation/response for the changes to API and AYP in 2009-10, the District provided the following response, in part: "The initial baseline for the spring 2008 test scores was 756. This score was recalculated to a 2008 Base API score of 760. The school showed more than significant improvement by achieving a 2009 Growth API score of 846, an increase of 86 points from the previous year. Although the school's 2010 Growth Score was 813, a decrease of 33 points, the school still remains above 800 – the target for all State Schools. In addition, over the two years of API Growth, the school had demonstrated a growth of 57 points for API. During that same time span, the socio-economically disadvantaged population of the school has increased by 64%. This subgroup did not meet the AYP ELA target. In addition, a new subgroup for the school, our Hispanic students, also did not meet the AYP ELA target. Many of these students fall into both subgroups. Staff has worked this year to identify these students and to focus instruction on strategies that will assist them in attaining proficiency." Staff will continue to monitor student performance trends at SRCSA.

Financial Analysis: Highlighted in this section are financial data and credit indicators used to evaluate the applicant's ability to meet its CSFP obligations.

Financial Performance: SRCSA is a district-operated, dependent charter school. Therefore, the financial status of the District is relied upon to determine the financial soundness of the charter school. Highlighted below are selected financial data and credit indicators to evaluate the ability of the District to meet this CSFP obligation. The District's audited financial statements for three years from 2007-08 through 2009-10; its adopted budget for 2010-11; and its budgeted projections for 2010-11 through 2015-16 were used to determine financial soundness. Because Preliminary Apportionments were awarded for both "New Construction" and "Rehabilitation" components of the proposed project, the components of both have been combined for purposes of this determination of financial soundness for an Advance Apportionment.

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

*Item 4.14 & 4.15 – Santa Rosa Charter School for the Arts
Santa Rosa City Schools*

Santa Rosa Charter School for the Arts	Actual	Actual	Actual	Budget	Projected	Projected	Projected	Projected	Projected
	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
ENROLLMENT PROJECTIONS									
Enrollment	16,694	16,750	16,577	16,039	15,995	16,077	16,112	16,200	16,200
Average Daily Attendance	15,404	15,551	15,156	14,595	14,555	14,630	14,662	14,742	14,742
Average Daily Attendance (%)	92%	93%	91%	91%	91%	91%	91%	91%	91%
FINANCIAL PROJECTIONS									
Total Revenues Available for CSFP Payment	\$ 140,867,250	\$ 134,959,823	\$ 129,367,677	\$ 80,301,414	\$ 97,882,990	\$ 99,915,472	\$ 102,349,130	\$ 105,229,044	\$ 107,752,574
Total Expenses Paid Before CSFP Payment	139,949,219	137,485,255	134,926,942	85,363,355	86,090,761	91,462,828	93,488,900	95,491,276	97,678,192
Accounting Adjustments	11,336,441	875,314	231,341	37,500	43,500	13,500	13,500	13,500	13,500
Net Revenues Available for CSFP Payment	\$ 12,254,472	\$(1,650,118)	\$(5,327,924)	\$(5,024,441)	\$ 11,835,729	\$ 8,466,144	\$ 8,873,730	\$ 9,751,268	\$ 10,087,882
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,847	\$ 263,847
Net Revenues After CSFP Payment	\$ 12,254,472	\$(1,650,118)	\$(5,327,924)	\$(5,024,441)	\$ 11,835,729	\$ 8,466,144	\$ 8,873,730	\$ 9,487,421	\$ 9,824,035
FINANCIAL INDICATORS									
Net Revenues Available for CSFP Payment	\$ 12,254,472	\$(1,650,118)	\$(5,327,924)	\$(5,024,441)	\$ 11,835,729	\$ 8,466,144	\$ 8,873,730	\$ 9,751,268	\$ 10,087,882
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3695.8%	3823.4%
Contributions	\$ -	\$ -	\$ -	\$(14,118,583)	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contribut	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3695.8%	3823.4%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.3%	0.2%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Payment / Revenues	8.7%	-1.2%	-4.1%	-6.3%	12.1%	8.5%	8.7%	9.0%	9.1%
Revenues / ADA	\$ 9,145	\$ 8,679	\$ 8,536	\$ 5,502	\$ 6,725	\$ 6,829	\$ 6,981	\$ 7,138	\$ 7,309
Expenses / ADA	\$ 9,085	\$ 8,841	\$ 8,903	\$ 5,849	\$ 5,915	\$ 6,252	\$ 6,376	\$ 6,495	\$ 6,644
Surplus (Deficit) / ADA	\$ 60	\$(162)	\$(367)	\$(347)	\$ 810	\$ 578	\$ 604	\$ 643	\$ 665
Net Working Capital	\$ 22,233,745	\$ 20,315,440	\$ 14,798,202						
Net Working Capital / Expenses	15.9%	14.8%	11.0%						

Performance/Change in Net Assets: The District recorded changes (decreases) in its audited general fund balances for the last three years of \$918,031; (\$1,918,305); and (\$5,517,238) for 2007-08 through 2009-10, respectively. In addition, the District projected net decreases for this year and the next two of (\$5,061,941); (\$1,994,763); and (\$68,888) for 2010-11 through 2012-13, respectively. However, beginning in 2013-14, the District is projecting net changes each year through 2015-16 of \$61,346; \$252,561; and (\$24,703).

These net changes in the general fund result in an audited ending fund balance in 2009-10 of \$14,798,202 and in projected ending fund balances in 2011-12 through 2015-16 each of \$2,399,328; \$4,287,489; \$4,218,601; \$4,279,947; \$4,532,508; and \$4,507,805; respectively.

Based on these projections, the District anticipates its total fund balance during the first year of CSFP payments in 2014-15 to be \$4,532,508; with revenues per ADA of \$7,138, and adjusted expenses per ADA of \$6,495.

Debt Service Coverage: Staff's financial analysis of the District's projections indicates that it will be able to afford the 50 percent local matching share through lease repayments. 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.

Assuming a 3.0% interest rate, 30-year repayment period, and total combined project costs of \$10,343,030, the annual CSFP payment would be \$263,847 beginning in 2014-15, the first year after project occupancy. The District's projected general fund net revenues available for the first two years of CSFP payments are \$9,751,268 and \$10,087,882, respectively, which would provide corresponding debt service coverage ratios of 3,695.8% and 3,823.4%, respectively.

Asset Position and Liquidity: As of June 30, 2010, the District's general fund held a total of \$12,489,442 in cash and cash equivalents; \$7,581,023 in accounts receivables; \$7,337,578 due from other funds; and \$67,545 in stores inventory; for a total of \$27,475,588 in current

assets, offset by \$12,677,386 in current liabilities. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. The District's NWC percentage of expenses at June 30, 2010 was 11.0%, which is a drop from the NWC percentage of expense as of June 30, 2009 of 14.8%. Both of these, however, meet the targeted NWC sufficiency level of 5.0%.

Strengths, Weaknesses and Mitigants:

- + The District's financial projections indicate it will be able to afford the annual lease payments of \$263,847, as evidenced by the debt service coverage ratios of 3,695.8% and 3,823.4% projected for 2014-15 and 2015-16.
- + The District's NWC percentage of expenses at June 30, 2009 and June 30, 2010 were 14.8% and 11.0%, respectively, both of which meet the targeted NWC sufficiency level of 5.0%.
- /+ SRCSA experienced a decline in student achievement in 2009-10, but the school achieved API scores above 800 in the last two years.
- /+ SRCSA reports an 89.07% average student retention rate and ADA of 94.8% since the school's inception in 2007-08.

Staff Recommendation: Staff recommends that the California School Finance Authority (Authority) members determine that Santa Rosa Charter School for the Arts and Santa Rosa City Schools District, which is the obligor on behalf of the school, are financially sound for purposes of the Charter School Facilities Program 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.