

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

Applicant/Obligor:	Camino Nuevo Charter Academy
Project School:	Camino Nuevo Charter Academy
CDS (County – District – School) Code:	19-64733-0122861
[Proposed] Project Location:	635 S. Harvard Blvd, Los Angeles
Type of Project:	New Construction
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Total OPSC Project Cost:	\$15,700,100
State Apportionment (50% Project Cost):	\$7,850,050
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$7,850,050
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$400,504
First Year of Occupancy of New Project:	2013-14

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Camino Nuevo Charter Academy – Harvard (Harvard) 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 Harvard. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Harvard has met all eligibility criteria for the Program including: 1) having a charter is in place, 2) meeting the requirement for at least two years of instructional operations through operations of a sister school, and 3) being in compliance with the terms of its charter and in good standing with its chartering authority.

Demographic Information	Harvard currently serves 465 students and projects no additional enrollment growth for the foreseeable future.
Debt Service Coverage	Debt service coverage ratios for Harvard in 2014-15 and 2015-16 are projected to be 119.7% and 121.1%, respectively.
Other Financial Factors	CSFP payments are projected to represent, on average, 9.4% of total revenues in 2014-15 and 2015-16, which are below recommended maximum 10-15% threshold levels.
Student Performance	API growth scores and met AYP criteria indicates strong student performance from Harvard. Harvard has met all AYP criteria over the past four years while also meeting all API growth score targets over the same period. In 2009-10, Harvard achieved an API growth score of 859.

Program Eligibility: In December 2010, at CSFA staff’s request, verification was received from the Superintendent’s Office of LAUSD, confirming that Harvard is (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. Harvard’s charter is valid through June 2013.

Legal Status Questionnaire: Staff reviewed Harvard’s responses to the questions contained in the Legal Status Questionnaire (LSQ). Harvard answered “No” to all LSQ questions.

Project Description: Harvard has requested funding for a new elementary school (K-8) facility to accommodate 480 students. The site for the new facility will be located at 635 S. Harvard Blvd. Los Angeles, which is west of downtown Los Angeles in the densely populated neighborhoods of MacArthur Park and mid-Wilshire. The Harvard project will replace its leased facility at the same location. Harvard expects to complete the CSFP-funded project in 2013-14.

Organizational Information: Camino Nuevo Charter Academy (CNCA), the parent organization for Harvard, is a 501(c)(3) non-profit, public-benefit corporation.

CNCA was founded in August 2000 by Pueblo Nuevo Development, a non-profit community development corporation in the MacArthur Park neighborhood west of downtown Los Angeles. CNCA first opened a K-5 campus in 2000 and then opened a middle school campus in 2001. Currently, CNCA operates four academies in a focused geographical region just west of downtown Los Angeles, the MacArthur Park and Mid-Wilshire Koreatown neighborhoods. The student population is drawn from the poorest quartile of minority residents in Los Angeles in the most densely populated communities. The census tract for the area reveals that this is one of the most overcrowded neighborhoods for high school students in the City of Los Angeles, and 96% of the households are renters.

Approximately 97% of the overall CNCA student body is eligible for Free/Reduced Price Lunch. At Harvard, 99% of students are eligible for Free/Reduced Lunch. The students and their families are challenged by limited English proficiency, with the percentage of English

Learners averaging 66% in grades K-8. An estimated 81% of students live at or below the poverty rate for all of CNCA.

CNCA embraces the challenge of demonstrating that public education in a low-income, immigrant, multilingual area can succeed. The mission of the school is to educate students in a college preparatory program to be literate, critical thinkers and independent problem solvers. To accomplish this mission, CNCA incorporates a comprehensive educational program that includes rigorous academics aligned with the California State Standards, incorporation of the arts, emphasis on environmental education, after school enrichment programs, and extensive parent and community outreach.

Educational Management Organization: CNCA began operations in August 2000 and was established as part of a community development strategy of Pueblo Nuevo Development (PND), a non-profit community development corporation. CNCA was created in response to a demand for access to schools with high student achievement. CNCA has contracted with ExED, for business services including accounting, accounts payable/receivable, facilities and financial strategic planning. ExED's goal is to improve the quality of public education by creating access to high achieving schools in low income areas. ExED has been working with California charter schools since 2000. CNCA, as an EMO, is not being reviewed for financial soundness as CNCA is not the obligor for the CSFP lease payment.

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

Ana Ponce is the Executive Director of the Camino Nuevo Charter Academies, and is responsible for directing and supervising CNCA as well as overseeing the development of instructional programs. Prior to joining CNCA, Ms. Ponce taught at the elementary school level and served in various school administrative positions. Ms. Ponce graduated with a B.A. in Spanish and Italian from Middlebury College, an M.A. in Bilingual/Bicultural Education from Teachers College at Columbia University, and she also earned an M.Ed. in Administrative Studies at the University of California, Los Angeles.

Hoa Truong is Chief Operating Officer for Camino Nuevo Charter Academy. He has a business background, having graduated from UC Berkeley with a B.S. degree in Business Administration. Mr. Hoa began his career as a strategy and business consultant at Arthur Andersen, including 15 months as a consultant with the Los Angeles Unified School District. After four years at Arthur Andersen, Hoa attended the UCLA Anderson School of Management and earned his MBA. Upon graduating, he worked in Strategic Marketing for an audio visual services firm in Long Beach, and also joined KIPP Los Angeles College Preparatory School as a Founding Board Member, where he served as the Board Chair. Hoa then spent five years at Green Dot Public Schools as the Vice President of Operations, and is also a graduate of The Broad Residency in Urban Education.

Mary Funaoka, Ed.D., serves as the Director of Academic Affairs. Dr. Funaoka's supports each of CNCA's school with day-to-day operations and acts as the LAUSD liaison in the development and partnership of new schools. She began her career with Teach For

America teaching high school English and AVID in Lynwood. Dr. Funaoka received her B.A. in English from UCLA, earned an M.A. in Education from Loyola Marymount University and completed her doctorate in Educational Leadership with a concentration in Teacher Education in Multicultural Societies at USC.

Heather McManus is currently in her fourth year as the Principal of of CNCA schools. Prior to becoming principal, she spent three years as assistant principal of CNCA schools. Ms. McManus taught in grades 6-12 and served as a school director at Markham Middle School and a professional learning team facilitator through Teach For America. Ms. McManus earned Bachelor degrees in English, Psychology, and Secondary Education from the University of Michigan. She received her Master's degree in Educational Leadership and Policy Studies from California State University, Northridge.

Board Experience: Harvard shares the CNCA fourteen-member Board of Directors which brings with it a strong educational background and an understanding of community needs. Mark Dalzell, a portfolio manager, is the active Chairman of the Board. CNHS' board includes President, Phillip Lance who also serves as Executive Director of Pueblo Nuevo Development; Paul Cummins who works as President of New Visions Foundation; Secretary Shiho Ito, who is a community activist; and Elliot Ponchick, president of the William C. Bennerman Foundation, is the CNCA board treasurer. Other board members include Samar Bloomingdale, George Eisner, Alicia Maldonado, L. Michael Russell, William E.B. Siart (founder and chairman of ExED), Patti Phillips, Cindy Lee Smet, Robert Ronus and Robert Kaplan. These board members bring a wide variety of experience and knowledge to Camino Nuevo Charter Academy. Their professions include the areas of entertainment, education, investment, public affairs, and non-profit organizations.

Management Experience for Schools Open Less than Two Years: Harvard commenced operations in 2010-11 when the former CNCA K-8 school divided into two schools: Harvard and the CNCA Burlington K-8 campus. Harvard meets the necessary requirements for schools with less than two years operation through the prior charter school experience of CNCA K-8 staff and management.

Enrollment: Harvard currently enrolls 465 students in grades K-8 and future enrollment projections indicate no enrollment growth in projected years. The former CNCA K-8 school divided into two separate schools in 2010-11. CNCA K-8 school recorded enrollment of 930, 925, and 984 in 2007-08, 2008-09, and 2009-10, respectively. Harvard maintains a waitlist of approximately 400 students. Harvard is not depending on enrollment growth in order to support the projected CSFP payment, which is viewed as a positive for financial soundness.

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 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 1 funds.

Item 4.4 and 5.4 – Camino Nuevo Charter Academy

Camino Nuevo Charter Academy (K-8) CDS:19-64733-6117667	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	17 / 17	17 / 17	17 / 17	17 / 17
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	3	4	6	7
API Base Similar Schools Rank	9	10	10	10
School's Actual Growth	49	36	38	44
Similar Schools Median of Actual Growth	7	27	11	16
Did School's Growth Exceed Median?	Yes	Yes	Yes	Yes

Harvard is in its first year and does not have any student performance data available yet. However, CNCA K-8 exhibited strong academic performance for the period between 2006-07 and 2009-10. The school met all AYP criteria over the four year period along with meeting schoolwide and similar schools API growth targets four out of the last four years. In 2009-10, and achieved an API growth score of 859. The school has ranked among the highest when compared to similar schools with 10 out of 10 rankings from 2006-07 through 2009-10. The school's statewide rank steadily increased from 3 out of 10 in 2006-07 to 7 out of 10 in 2009-10. CNCA's history of strong academic performance is a positive indicator 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.

CNCA K-8 / Harvard – Financial Model

Camino Nuevo Charter Academy - K-8 / Harvard	Actual FY 2008-09	Actual FY 2009-10	2nd 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	925	984	465	465	465	465	465	465
Average Daily Attendance	925	951	442	442	442	442	442	442
Average Daily Attendance (%)	100%	97%	95%	95%	95%	95%	95%	95%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Lease Payment	\$ 10,382,336	\$ 9,796,541	\$ 4,060,677	\$ 3,901,279	\$ 3,949,227	\$ 4,000,372	\$ 4,062,268	\$ 4,126,356
Total Expenses Paid Before CSFP Lease Payment	9,753,275	9,847,204	4,049,842	3,989,800	4,090,785	3,550,306	3,608,532	3,663,268
Accounting Adjustments	142,401	159,899	49,303	41,907	35,621	30,278	25,736	21,876
Net Revenues Available for CSFP Lease Payment	\$ 771,462	\$ 109,236	\$ 60,138	\$ (46,614)	\$ (105,937)	\$ 480,344	\$ 479,472	\$ 484,964
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,504	\$ 400,504
Net Revenues After CSFP Lease Payment	\$ 771,462	\$ 109,236	\$ 60,138	\$ (46,614)	\$ (105,937)	\$ 480,344	\$ 78,968	\$ 84,460
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Lease Payment	\$ 771,462	\$ 109,236	\$ 60,138	\$ (46,614)	\$ (105,937)	\$ 480,344	\$ 479,472	\$ 484,964
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	119.7%	121.1%
Contributions	\$ 49,142	\$ 81,873	\$ 111,500	\$ 111,500	\$ 111,500	\$ 111,500	\$ 111,500	\$ 111,500
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	91.9%	93.2%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	9.9%	9.7%
Contributions / Revenues	0.5%	0.8%	2.7%	2.9%	2.8%	2.8%	2.7%	2.7%
Net Revenues After CSFP Lease Payment / Revenues	7.4%	1.1%	1.5%	-1.2%	-2.7%	12.0%	1.9%	2.0%
Revenues / ADA	\$ 11,224	\$ 10,302	\$ 9,192	\$ 8,831	\$ 8,940	\$ 9,056	\$ 9,196	\$ 9,341
Expenses / ADA	\$ 10,544	\$ 10,356	\$ 9,168	\$ 9,032	\$ 9,260	\$ 8,037	\$ 9,075	\$ 9,199
Surplus (Deficit) / ADA	\$ 680	\$ (53)	\$ 25	\$ (200)	\$ (320)	\$ 1,019	\$ 121	\$ 142
Net Working Capital	\$ 4,142,483	\$ 4,065,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Working Capital / Expenses	42.5%	41.3%	N/A	N/A	N/A	N/A	N/A	N/A

Staff's financial review of Harvard is based on three years of audited financial statements (2007-08 through 2009-10) for CNCA K-8, Harvard's second interim budget for 2010-11, and financial projections from 2011-12 through 2015-2016 as provided by Harvard. The school expects to occupy the project in 2013-14, by which time enrollment is projected to remain unchanged from 465 students in grades K-8. Staff evaluated the financial performance for CNCA K-8 as an indicator of Harvard's financial soundness.

Financial Performance: Staff's analysis of financial performance includes expenses for capital outlay and loan repayment; therefore, our results may differ from audited figures. As of June 30, 2010, CNCA K-8 did not have any long-term obligations. However, CNCA K-8 did have long-term lease agreements with PND for their facilities.

In 2007-08, CNCA K-8 produced revenue of \$9.22 million and incurred expenses of \$8.62 million. After contributions of \$102,315, CNCA K-8 increased net assets by \$709,209. In 2008-09, CNCA K-8 increased net assets by 629,061 based on revenue (excluding contributions) of \$10.33 million, \$49,142 in contributions, and expenses of \$9.75 million. However, CNCA K-8 operated at a net loss in 2009-10. This was as a result of \$9.71 million in revenues, \$81,873 in contributions, and \$9.85 million in expenses. Operating services and expenses increased by 12% from the prior year while overall revenues decreased. Harvard expects to marginally increase net assets by \$10,835 in 2010-11.

Harvard's financial projections assume an ADA rate of 95%, which is consistent with the school's average ADA rate over the last three years. Harvard utilizes general purpose block grant per ADA rates of \$4,700, \$4,776, and \$4,922 for grades K-3, 4-6, and 7-8. This represents, on average, a 6.8% decrease from the 2010-11 funding rates of \$5,054, 5,128 and \$5,278 for those grades. The projected block grant funding rates assume a reduction in funding rates due to the possible expiration of taxes supporting California education. Harvard has assumed funding growth rates of -6.8%, 1.9%, 2.0%, 2.4%, and 2.4% in 2011-12 through 2015-16. With the exception of 2011-12 where certified salaries are expected to decrease by 6.5%, certified/classified salaries and books/supplies are projected to increase by roughly 2.0% annually.

Projected Debt Service Coverage: Harvard's financial projections indicate the school will be able to afford the projected annual CSFP payments. 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 project cost of \$15,700,000, an interest rate of 3.00%, and a 30-year repayment period, Harvard's annual CSFP payment is projected to be \$400,504 beginning in 2014-15. Harvard projected net revenues of \$479,472 and \$484,964 would provide debt service coverage of 119.7% and 121.1% in 2014-15 and 2015-16. Harvard anticipates revenue of \$111,500 (2.6% of revenues) in 2014-15 and 2015-16 from contributions and fundraising. Harvard does expect some reliance on contributions in order to meet the minimum debt service coverage ratios of 100%. Debt service coverage ratios without contributions are projected to be 91.9% and 93.2% in 2014-15 and 2015-16, respectively. The CSFP payment is projected to represent, on average, 9.4% of revenues in 2014-15 and 2015-16. Such indicator is below the preferred maximum range of 10-15%.

Liquidity: Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. CNCA K-8's NWC for 2009-10 was \$4.07 million or 41.3% of expenses. Staff considers CNCA K-8 NWC to be sufficient as NWC as a percentage of expenses is in excess of staff's recommended threshold of 5.0%. As of June 30, 2010, CNCA K-8 maintained a cash balance of \$2.33 million.

Strengths, Weaknesses and Mitigants:

- + Harvard is projected to meet its requirement of 100% debt service coverage; debt service coverage ratios are 119.7% and 121.1% in its first two years of CSFP payments.
- + API growth scores and met AYP criteria indicate very strong academic performance.
- + Harvard is not dependent on enrollment growth in order to afford projected CSFP lease payment.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Camino Nuevo High School Harvard K-8 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 CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.