

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

Applicant/Obligor:	Camino Nuevo Charter High School
Project School:	Camino Nuevo Charter High School
CDS (County – District – School) Code:	19-64733-0106435
[Proposed] Project Location:	11 th Street and Burlington Ave.
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:	\$26,409,520
State Apportionment (50% Project Cost):	\$13,204,760
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$13,204,760
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$673,697
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 High School (CNHS) is financially sound for 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.

Given that the CSFP project involves facilities held by Los Angeles Unified School District (District), upon project completion, the District will continue to hold title to the facilities in trust to the State of California's public education system.

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

Criteria	Comments
Eligibility Criteria	CNHS has met all eligibility criteria for the Program: 1) a charter is in place, 2) has at least two years of instructional operations, and 3) is in compliance with the terms of its charter and in good standing with its chartering authority.

Demographic Information	CNHS currently serves 442 students and projects modest enrollment growth of 10 students in 2011-12. CNHS projects no additional student enrollment growth for the foreseeable future.
Debt Service Coverage	The debt service coverage ratios for CNHS in 2014-15 and 2015-16 are 123.5% and 121.1%, respectively.
Other Financial Factors	CSFP payments are projected to represent 15.7% and 15.2% of total revenues in 2014-15 and 2015-16, which are slightly above recommended 10-15% threshold levels.
Student Performance	CNHS has met all AYP criteria over the past four years while not meeting API growth score targets only once over the same period. In 2009-10, CNHS achieved an API growth score of 788 as well as statewide and similar schools rankings of “8” and “10”, respectively.

Program Eligibility: On December 2010, the Charter Schools Division of Los Angeles Unified School District verified that CNHS is: 1) in compliance with the terms of its charter agreement, and 2) is in good standing with its chartering authority. CNHS received its original charter March 23, 2004 from the Los Angeles Unified School District. CNHS renewed its charter through June 2014.

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

Project Description: CNHS is requesting financing for purchasing a site and constructing a permanent high school facility (9-12) on property located within the District’s boundaries. The school has identified a location for the new facility near 11th Street and Burlington Ave. in the MacArthur Park/Pico-Union area of Los Angeles. CNHS has not yet identified or acquired a site for the new facility, but will seek a site that is 2 acres. CNHS plans to construct a facility that will house up to 500 students. The 30,000 square foot facility will include 22 classrooms, four of which will contain science labs. The facility will house administration offices, an indoor fitness studio and dining court. About ½ acre will be dedicated to outdoor physical education activities. CNHS plans to occupy the new construction facility in 2013-14.

Organizational Information: Camino Nuevo Charter Academy is a 501 (c) (3) nonprofit, public-benefit corporation with 501 (c)(3) status.

Consisting of four academies, Camino Nuevo Charter Academy (CNCA) is a charter management organization that operates CNCA Harvard, CNCA Burlington, CNHS and Jose A. Castellanos Elementary Campus. CNCA was founded in August 2000 by Pueblo Nuevo Development, a nonprofit community development corporation in the MacArthur Park neighborhood west of downtown Los Angeles, to promote access to schools with high student achievement. CNCA first opened a K-5 campus in 2000 and then opened its middle school campus in 2001. CNCA operates multiple sites 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 Priced Lunch. At CNHS, 91% 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 30% in grades 9-12. An estimated 81% of students live at or below the poverty rate.

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.

CNHS 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, CNHS 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: Refer to "Organizational Information" above.

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 Camino Nuevo Charter Academy as well as overseeing the development of instructional programs. Prior to joining Camino Nuevo, 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. Ms. Ponce also earned a M.Ed. in Administrative Studies at the University of California, Los Angeles.

Hoa Truong is Chief Operating Officer for Camino Nuevo Charter Academy. Mr. Truong began his career as a strategy and business consultant at Arthur Andersen & Co. After four years at Arthur Andersen & Co., Mr. Truong 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 school's Board Chair. Subsequently, Mr. Truong served for five years as Vice President of Operations at Green Dot Public Schools. Mr. Truong holds an M.B.A. from the UCLA Anderson School of Management and is a graduate of the Broad Residency in Urban Education.

Mary Funaoka, Ed.D., is Director of Academic Affairs. Dr. Funaoka supports each CNCA school with day to day operations and acts as the District liaison in the development and partnership of new schools. She began her career with Teach For America, teaching high

school English in Lynwood. Dr. Funaoka received her B.A. in English from UCLA, earned a 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.

Scott Weatherford, Principal, started as the founding assistant principal at Camino Nuevo High School. Prior to CNHS, Mr. Weatherford taught at Crenshaw High School. In 2002, Mr. Weatherford was a founding teacher of TechBoston Academy, a new technology focused pilot school in the Dorchester neighborhood of Boston. Mr. Weatherford helped open a new middle school in LAUSD, serving as instructional coach before returning to CNHS as the principal in 2009. Mr. Weatherford earned his Masters in Education from UCLA's Center X, and his Doctorate in Education from UCLA Educational Leadership Program.

Board Experience: CNHS 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 also includes Board President, Phillip Lance, who also serves as Executive Director of Pueblo Nuevo Development; Paul Cummins, who works as President of New Visions Foundation; Board Secretary Shiho Ito, who is a community activist; and Board Treasurer Elliot Ponchick, who serves as the President of the William C. Bennerman Foundation. 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.

Enrollment: CNHS currently enrolls 442 students in grades 9-12. Future enrollment projections indicate no sizable enrollment growth in projected years as CNHS has indicated total enrollment of 452 students for the foreseeable future. While 2004-05 through 2007-08 represented a period of rapid enrollment growth (137 to 432 students) for the school, future years project maintenance of current enrollment levels. CNHS is not depending on substantial enrollment growth in order to produce revenues to support the projected CSFP payment. The school's enrollment projections are viewed as a credit 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 favorable, 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 4.5 – Camino Nuevo Charter High School

Camino Nuevo High School Charter (9-12) CDS:19-64733-0106435	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	6 / 6	14 / 14	14 / 14	14 / 14
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	Yes	Yes	Yes	Yes
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	Yes	No	Yes	Yes
Met Comparable Improvement Growth Target?	Yes	No	Yes	No
Met Both Schoolwide & CI Growth Targets?	Yes	No	Yes	No
API Base Statewide Rank	7	8	7	8
API Base Similar Schools Rank	10	10	10	10
School's Actual Growth	24	-1	16	11
Similar Schools Median of Actual Growth	5	13	12	20
Did School's Growth Exceed Median?	Yes	No	Yes	No

CNHS exhibited strong academic performance for the period between 2006-07 and 2009-10. CNHS met all AYP criteria over the four year period along with meeting schoolwide API growth targets three out of the last four years. The only year CNHS did not meet its API growth score targets was in 2007-08. In 2009-10, CNHS achieved an API growth score of 788. 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 varied between 7 and 8 out of 10 for the same period. CNHS' strong academic is a positive financial indicator for the school's 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 summarizes key aspects of the school's past and projected financial performance.

CNCA High School – Financial Model

Camino Nuevo Charter High School	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	432	429	442	452	452	452	452	452
Average Daily Attendance	399	410	420	429	429	429	429	429
Average Daily Attendance (%)	92%	95%	95%	95%	95%	95%	95%	95%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Lease Payment	\$ 4,597,094	\$ 4,455,569	\$ 4,184,626	\$ 4,165,436	\$ 4,222,491	\$ 4,279,746	\$ 4,279,746	\$ 4,421,588
Total Expenses Paid Before CSFP Lease Payment	4,552,047	4,317,502	4,011,675	4,052,468	4,140,430	3,552,093	3,552,093	3,709,979
Accounting Adjustments	84,301	96,006	104,108	104,108	104,108	104,108	104,108	104,108
Net Revenues Available for CSFP Lease Payment	\$ 129,348	\$ 234,073	\$ 277,058	\$ 217,076	\$ 186,169	\$ 831,760	\$ 831,760	\$ 815,717
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 673,697	\$ 673,697
Net Revenues After CSFP Lease Payment	\$ 129,348	\$ 234,073	\$ 277,058	\$ 217,076	\$ 186,169	\$ 831,760	\$ 158,063	\$ 142,020
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Lease Payment	\$ 129,348	\$ 234,073	\$ 277,058	\$ 217,076	\$ 186,169	\$ 831,760	\$ 831,760	\$ 815,717
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	123.5%	121.1%
Contributions	40,701	15,775	36,000	-	-	-	-	-
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	123.5%	121.1%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	15.7%	15.2%
Contributions / Revenues	0.9%	0.4%	0.9%	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	2.8%	5.3%	6.6%	5.2%	4.4%	19.4%	3.7%	3.2%
Revenues / ADA	\$11,529	\$10,880	\$9,966	\$9,701	\$9,833	\$9,967	\$9,967	\$10,297
Expenses / ADA	\$11,627	\$10,777	\$9,802	\$9,680	\$9,885	\$8,515	\$10,084	\$10,451
Surplus (Deficit) / ADA	\$(98)	\$103	\$164	\$21	\$(51)	\$1,452	\$(117)	\$(154)
Net Working Capital	\$ 548,083	\$ 796,160						
Net Working Capital / Expenses	12.0%	18.4%						

Staff's financial review of CNHS is based on four years of audited financial statements (2006-07 through 2009-10), the second interim budget for 2010-11, and financial projections

from 2011-12 through 2015-2016 as provided by CNHS. The school expects to occupy the project in 2013-14, by which time their enrollment is projected to be 452 students in grades 9-12.

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, CNHS did not have any long-term obligations. However, CNHS does have long-term leasing agreements with Pueblo Nuevo Development. The high school facility has an annual lease of \$630,324.

Over the past four years (2006-07 through 2009-10), CNHS has operated at a net profit. In 2006-07, CNHS produced revenue of \$3.23 million and incurred expenses of \$3.06 million. In 2007-08, revenue and expenses increased to \$4.31 million and \$3.94 million, respectively. As CNHS added grades 11 and 12 in 2006-07 and 2007-08, respectively, the school successfully handled increases in enrollment and expenses to complete these years with an increase to net assets of \$173,870 and \$404,335, respectively. CNHS increased net assets by \$45,047 based on \$4.56 million in revenue and \$4.55 million expenses in 2008-09. In 2009-10, the school continued to operate at a net profit of \$138,067 based on revenue and expenses of \$4.44 million and \$4.32 million. Revenue actually decreased in 2009-10 but the school was able to sufficiently lower expenses. Contributions through fundraising and grants constitute a minuscule percentage of revenues for CNHS (less than 1%) in past years.

CNHS' financial projections assume an ADA rate of 95%, which is consistent with the school's average ADA rate over the last three years. CNHS utilizes general purpose block grant per ADA rates of \$5,767 for grades 9-12. This represents a 6.1% decrease from the 2010-11 funding rate of \$6,142. The projected block grant funding rates assume a reduction in funding rates due to the possible expiration of taxes supporting California education. CNHS has assumed funding growth rates of -6.1%, 1.9%, 2.0%, 2.4%, and 2.4% in 2011-12 through 2015-16, respectively. Certified/classified salaries and books/supplies are projected to increase by 2.0% annually.

Projected Debt Service Coverage: CNHS' 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 \$26,409,520, an interest rate of 3.00%, and a 30-year repayment period, CNHS' annual CSFP payment is projected to be \$673,697 beginning 2014-15, which is one year following expected occupancy of the CSFP project in 2013-14. CNHS' projected net revenues of \$831,760 and \$815,717 would provide debt service coverage of 123.5% and 121.1% in 2014-15 and 2015-16. CNHS does not anticipate any reliance on contributions in order to meet the minimum debt service coverage ratios of 100%. The CSFP payment is projected to represent 15.7% of projected revenues in 2014-15 and 15.2% in 2015-16. Such indicator is slightly above 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. CNHS NWC for 2009-10 was \$796,160 or

18.4% of expenses. Staff considers CNHS' NWC to be sufficient as NWC as a percentage of expenses is in excess of staff's recommended threshold of 5.0%. However, as of June 30, 2010, CNHS maintained a cash balance of \$1.00. CNCA attributes the cash balance in for the year ending 2010 to State revenue deferrals. The cash balance as of February 2011 is at \$510,000 and is anticipated to end 2010-11 at \$55,000. CNCA monitors their schools' cash position monthly and is prepared to utilize their \$1.00 million line of credit from Wells Fargo, if necessary.

Strengths, Weaknesses and Mitigants:

- + CNHS will be able to meet its requirement of 100% debt service coverage; debt service coverage ratios are 123.5% and 121.1% in its first two years of CSFP payments.
- + CNHS has shown strong academic performance by meeting all AYP criteria for the each of the past four years, meeting its API growth targets for three out of the past four years, and achieving API statewide and similar schools rankings of "8" and "10," respectively ("10" = best).
- + CNHS is not dependent on enrollment growth or contributions in order to afford the projected CSFP lease payment.

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