

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

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| <b>Applicant/Obligor:</b>                      | College Elementary School District     |
| <b>Project School:</b>                         | Santa Ynez Valley Charter School       |
| <b>CDS (County – District – School) Code:</b>  | 42-69179-6118434                       |
| <b>[Proposed] Project Location:</b>            | 3525 Pine Street, Santa Ynez, CA 93460 |
| <b>County:</b>                                 | Santa Barbara                          |
| <b>Type of Project:</b>                        | New Construction                       |
| <b>District in which Project is Located:</b>   | College Elementary School District     |
| <b>Charter Authorizer:</b>                     | College Elementary School District     |
| <b>Total OPSC Project Cost:</b>                | \$21,324,496                           |
| <b>State Apportionment (50% Project Cost):</b> | \$10,662,248                           |
| <b>Lump Sum Contribution:</b>                  | \$10,662,248                           |
| <b>Total CSFP Financed Amount:</b>             | \$0                                    |
| <b>Length of CSFP Funding Agreement:</b>       | N/A                                    |
| <b>Assumed Interest Rate:</b>                  | N/A                                    |
| <b>Estimated Annual CSFP Payment:</b>          | N/A                                    |
| <b>First Year of Occupancy of New Project:</b> | 2014-15*                               |

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| <b>Project School:</b>                         | Santa Ynez Valley Charter School       |
| <b>CDS (County – District – School) Code:</b>  | 42-69179-6118434                       |
| <b>[Proposed] Project Location:</b>            | 3525 Pine Street, Santa Ynez, CA 93460 |
| <b>County:</b>                                 | Santa Barbara                          |
| <b>Type of Project:</b>                        | Rehabilitation                         |
| <b>District in which Project is Located:</b>   | College Elementary School District     |
| <b>Charter Authorizer:</b>                     | College Elementary School District     |
| <b>Total OPSC Project Cost:</b>                | \$1,443,202                            |
| <b>State Apportionment (50% Project Cost):</b> | \$721,601                              |
| <b>Lump Sum Contribution:</b>                  | \$721,601                              |
| <b>Total CSFP Financed Amount:</b>             | \$0                                    |
| <b>Length of CSFP Funding Agreement:</b>       | N/A                                    |
| <b>Assumed Interest Rate:</b>                  | N/A                                    |
| <b>Estimated Annual CSFP Payment:</b>          | N/A                                    |
| <b>First Year of Occupancy of New Project:</b> | 2009-2010                              |

*\*The new construction has been implemented in three phases. Occupancy for phase 1 and 2 began in 2009-10, and is projected to be finalized in 2015-16.*

*As a district-dependent charter school, CSFA staff reviewed the financial and operational indicators of the College Elementary School District (as the obligor and entity making the lump sum payment on behalf of the project) and Santa Ynez Valley Charter School.*

**Staff Recommendation:** Santa Ynez Valley Charter School (SYVCS) is seeking a Proposition 1D Final Apportionment of \$721,601 for rehabilitation and a Proposition 1D Advance Apportionment of \$6,580,454.40 for new construction. The requested Advance Apportionment consists of \$803,565.40 for design costs and \$5,806,889.00 for site acquisition.

With respect to SYVCS' rehabilitation project, staff recommends that the California School Finance Authority ("Authority") Board determine that SYVCS is financially sound for purposes of the Charter School Facilities Program ("Program" or "CSFP") Final Apportionment. This determination as it relates to a Final 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.

With respect to SYVCS' new construction project, Staff recommends that the CSFA Board determine that SYVCS is financially sound for purposes of the CSFP 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.

Staff received a letter from the District dated April 4, 2011 pledging a lump sum payment of up to \$11,383,849 of general obligation bond and Certificates of Participation proceeds. Given that the CSFP projects involve District-held facilities, the District will hold title to the facilities in trust to the State of California's public education system.

*Despite having its local matching share obligation met by the District, staff analyzed the financial and operational condition of both the District and SYVCS to ensure on-going solvency of both entities once the CSFP project is operational.*

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

| <b>Criteria</b>                | <b>Comments</b>   |
|--------------------------------|---|
| <b>Eligibility Criteria</b>    | SYVCS meets all Program eligibility criteria: 1) SYVCS has two years of operations; 2) a charter currently in place through June 2010; 3) the school is in good standing with its chartering authority and in compliance with the terms of its charter agreement. |
| <b>Demographic Information</b> | SYVCS serves grade levels K-8. Operating since 2000, SYVCS has shown stable enrollment over the past four years with 182, 173, 187, and 192 K-8 grade students for 2006-07 through 2009-10, respectively. SYVCS projects  |

|                                |  |
|--------------------------------|--|
|                                | enrollment of 191, 201, 206, 208, and 214 K-8 grade students for 2010-11 through 2014-15, respectively.  |
| <b>Debt Service Coverage</b>   | The District will meet the local match with a lump sum payment so no debt service coverage is required.  |
| <b>Other Financial Factors</b> | <ol style="list-style-type: none"> <li>1. As of June 30, 2010, the District's Net Working Capital was \$1,622,630, representing 42.4% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient.</li> <li>2. The District experienced net gains of \$99,011, \$75,842 and \$193,746 for 2007-08 through 2009-10, respectively, and projects a net gain of \$263,973 for 2010-11.</li> <li>3. The District projects net losses of \$109,108 and \$91,898 for 2011-12 and 2012-13, respectively.</li> <li>4. The District is a basic aid district and is likely to withstand reductions in statewide funding.</li> </ol> |
| <b>Student Performance</b>     | SYCVS met all AYP criteria and API growth targets for 2006-07 through 2009-10, and achieved API scores of over 800 each year. Based on its base API score, SYCVS ranked 9 out of 10 and 6 out of 10 statewide for 2008-09 and 2009-10, respectively.   |

**Program Eligibility:** On March 11, 2011, verification was received from College Elementary School District, confirming that SYVCS is (1) in compliance with the terms of the charter agreements and (2) is in good standing with its chartering authority. SYVCS' charter petition was renewed on July 1, 2010 and is effective through June 30, 2015.

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

**Project Description:** Currently SYVCS and College Elementary School share the same facilities with an expectation that eventually the site will be utilized by SYVCS exclusively. SYVCS is seeking CSFP funds to meet its portion of rehabilitation and construction costs, which includes the purchase of a site adjacent to the current facilities. The new construction project consists of adding 11 classrooms and a kitchen at a new facility, while the rehabilitation project consists of the replacement of four existing classrooms. Both projects will provide a combined capacity of 250 students.

The District has spent approximately \$3,000,000 for phases 1 and 2 of the new construction project, which were completed in 2008, and intends to spend an additional \$7,000,000 to complete phase 3, which is due for completion in 2013-14. The rehabilitation project was completed in 2009 and was occupied in 2009-10.

The rehabilitation project and a portion of the new construction project have been initially financed through the issuance of certificates of participation (COPs - Series 2007). SYVCS plans to use the fund appointed by the State for the purpose of defeasance of the SYVCS's portion of the COPs. CSFA staff conferred with OPSC regarding the permissible uses of CSFP funds and whether funds can be used to defease the District's outstanding COPs.

OPSC staff and counsel have confirmed that this is a permissible use under the Program. As of June 30, 2010, the District's principal balance outstanding on COPs was \$3,190,000. In addition to bond proceeds, the District will use the available fund balances in the designated capital facilities fund to pay project costs.

**Organizational Information:** SYVCS has been operating as independent charter school with 501(c)(3) non-profit status since 2000-01. SYVCS has grown from 80 students in 2000-01 to 191 students in grades K-8 for the current 2010-11 school year.

SYVCS emphasizes preparation of its students for a successful and rewarding future by developing both academic and nonacademic skills, including community involvement and social skills. SYVCS is a public school of choice, in which participants enjoy the benefits of a small learning community that is enhanced by the educational, administrative, and budgetary flexibility afforded by the Charter School Law.

SYVCS' primary focus is to help students grow into individuals capable of becoming self-motivated, highly focused, culturally sensitive, lifelong learners. State adopted textbooks and materials are purchased and used with an integrated approach to curriculum, enhanced by the creative teaching styles and additional learning activities created by classroom teachers. Instruction is differentiated and accelerated to meet student needs, while adhering to state content standards for each grade level. Multi-grade involvement and instruction is implemented throughout the school.

SYVCS believes that parent involvement is a key to the success of the school. Each family signs a Family Participation Agreement upon enrollment to contribute a minimum of three hours per month for one child, or five hours for two or more children.

**Educational Management Organization:** Not applicable.

**Management Experience:** Ms. Colleen Million has served as Director of SYVCS since 2009. Prior to this position, Ms. Million served as a teacher with Goleta Union School District for over ten years. Ms. Million has a Master in Education from the University of California at Santa Barbara.

**Board Experience:** As provided in SYVCS's application, the Board of Directors for SYVCS consists of nine board members. With the exception of the School Director and the District Superintendent, who are ongoing members of the Board, all Board members are elected for a limited term. The current Board is represented by the following table.

| <b>NAME/BOARD POSITION</b>       | <b>OCCUPATION</b> | <b>RESIDENCE</b> | <b>TERM OF OFFICE (years)</b> |
|----------------------------------|-------------------|------------------|-------------------------------|
| Erik Raney, Chair                | Sheriff           | Santa Barbara    | 2008-11                       |
| Leah Meyer, Secretary            | Accountant        | Santa Barbara    | 2008-11                       |
| Brooke Blunt, Treasurer          | Business Owner    | Santa Barbara    | 2008-11                       |
| Leah Watson, Member-At-Large     | Parent            | Santa Barbara    | 2010-13                       |
| Chrystine Urban, Member-At-Large | Talent Agent      | Santa Barbara    | 2009-11                       |

|   |                         |               |         |
|---|-------------------------|---------------|---------|
| Kevin Affolter, Member-At-Large         | Engineer                | Santa Barbara | 2009-11 |
| Debbie Trujillo, Teacher Representative | Charter School Teacher  | Santa Barbara | 2010-11 |
| Colleen Million                         | School Director         | Santa Barbara | N/A     |
| James Brown                             | District Superintendent | Santa Barbara | N/A     |

**Management Experience for Schools Open Less than Two Years:** Not applicable; SYVCS began instructional operation with the 2001-02 school year, exceeding two years of operation.

**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 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.

SYVCS 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.

| Santa Ynez Valley Charter 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          | 9 / 9      | 9 / 9      | 9 / 9      | 9 / 9      |
| Met API Indicator for AYP?                | Yes        | Yes        | Yes        | Yes        |
| Met Graduation Rate?                      | N/A        | N/A        | N/A        | N/A        |
| <b>ACADEMIC PERFORMANCE INDEX (API)</b>   |            |            |            |            |
| 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)       | 8          | 8          | 9          | 9          |
| API Base Similar Schools Rank (10 = best) | 3          | 1          | 9          | 6          |
| School's Actual Growth                    | -6         | 64         | 4          | -1         |
| Similar Schools Median of Actual Growth   | -3         | 9          | 13         | 6          |
| Did School's Growth Exceed Median?        | No         | Yes        | No         | No         |

SYVCS has continually shown strong student performance data as reported by the California Department of Education. SYVCS has met all AYP criteria for each of the past four years, 2006-07 through 2009-10. In addition, SYVCS has achieved high merits in the Academic Performance Index (API) Base Statewide Rankings, having met its API growth target for each of the past four years with API growth scores of 856, 873, 874, and 895 for 2006-07 through 2009-10, respectively. With ten being the maximum points possible, based on its API base scores, SYVCS has achieved statewide rankings of “9” for each of

the past two years, and similar schools rankings of “9” and “6” for 2008-09 and 2009-10, respectively.

**Student Enrollment and Retention Rates:** SYVCS has shown stable enrollment over the past four years with 182, 173, 187, and 192 K-8 grade students for 2006-07 through 2009-10, respectively. SYVCS projects enrollment of 191, 201, 206, 208, and 214 K-8 grade students for 2010-11 through 2014-15, respectively. Additionally, the District has shown stable enrollment over the past three years with 396, 395, and 404 students for 2007-08 through 2009-10, respectively. The District current has 411 students in grades K-8 and anticipates 424, 441, and 451 students for 2011-12 through 2013-14, respectively. Staff considers the District’s and SYVCS’ anticipated modest growth in student in enrollment to be reasonable.

Based on the P1 Report for 2010-11, SYVCS achieved an average daily attendance (ADA) of 97% for the current year. For the past three years, 2007-08 through 2009-10, the District as a whole achieved ADA rates of 96%, 96%, and 94%, respectively. SYVCS has 26 students on its current wait list, and has a year-to-year retention rate of 100% for the current school year.

**Financial Analysis:** *Despite having its local matching share obligation met by the District, staff analyzes the financial and operational condition of SYVCS to ensure on-going solvency of the school once the CSFP Project is operational.*

Staff’s review of the District’s financial performance is based on the review of three years of audited financial statements (2007-08 through 2009-10, and the District’s 2010-11 Second Interim Budget, which includes the financial projections for 2011-12 and 2012-13. SYVCS has completed occupancy of the rehabilitation project and the first two phases of the new construction project. Occupancy of the third and final phase of the new construction project is scheduled for 2014-15.

The District’s financial projections are based upon the following assumptions: (1) District enrollment as set forth above under “Student Enrollment and Retention Rates”; (2) projected ADA rates of 95%; and (3) cost of living adjustments (COLAs) to the District’s revenue limit sources of -0.03% and 0.00% for the projected years of 2011-12 and 2012-13, respectively.

*Item 5.16 and Item 8-Santa Ynez Valley Charter School*

| <b>College Elementary School District</b>                   |                   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>Actual</b>     | <b>Actual</b>     | <b>Actual</b>     | <b>Actual</b>     | <b>Projected</b>  | <b>Projected</b>  |
|   | <b>FY 2007-08</b> | <b>FY 2008-09</b> | <b>FY 2009-10</b> | <b>FY 2010-11</b> | <b>FY 2011-12</b> | <b>FY 2012-13</b> |
| <b>ENROLLMENT PROJECTIONS</b>                               |                   |                   |                   |                   |                   |                   |
| Enrollment  | 396               | 395               | 404               | 411               | 424               | 441               |
| Average Daily Attendance                                    | 380               | 380               | 381               | 390               | 403               | 419               |
| Average Daily Attendance (%)                                | 96%               | 96%               | 94%               | 95%               | 95%               | 95%               |
| <b>FINANCIAL PROJECTIONS</b>                                |                   |                   |                   |                   |                   |                   |
| Total Revenues Available for CSFP Payment                   | \$ 3,846,752      | \$ 3,876,484      | \$ 4,017,057      | \$ 4,078,772      | \$ 4,033,576      | \$ 4,033,312      |
| Total Expenses Paid Before CSFP Payment                     | 3,747,741         | 3,800,642         | 3,823,311         | 3,814,799         | 4,142,684         | 4,125,210         |
| Accounting Adjustments                                      | -                 | -                 | 161,140           | 11,205            | -                 | -                 |
| Net Revenues Available for CSFP Payment                     | \$ 99,011         | \$ 75,842         | \$ 354,886        | \$ 275,178        | \$ (109,108)      | \$ (91,898)       |
| CSFP Payment  | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Net Revenues After CSFP Payment                             | \$ 99,011         | \$ 75,842         | \$ 354,886        | \$ 275,178        | \$ (109,108)      | \$ (91,898)       |
| <b>FINANCIAL INDICATORS</b>                                 |                   |                   |                   |                   |                   |                   |
| Net Revenues Available for CSFP Payment                     | \$ 99,011         | \$ 75,842         | \$ 354,886        | \$ 275,178        | \$ (109,108)      | \$ (91,898)       |
| Debt Service Coverage by Net Revenues                       | 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               |
| CSFP Payment / Revenues                                     | 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               |
| Net Revenues After CSFP Payment / Revenues                  | N/A               | N/A               | N/A               | N/A               | N/A               | N/A               |
| Revenues / ADA  | \$ 10,123         | \$ 10,201         | \$ 10,543         | \$ 10,446         | \$ 10,014         | \$ 9,627          |
| Adjusted Expenses / ADA                                     | \$ 9,862          | \$ 10,002         | \$ 10,458         | \$ 9,799          | \$ 10,285         | \$ 9,847          |
| Net Revenues After CSFP Payment / ADA                       | \$ 261            | \$ 200            | \$ 86             | \$ 647            | \$ (271)          | \$ (219)          |
| Net Working Capital   | \$ 1,353,132      | \$ 1,428,974      | \$ 1,622,630      | \$ -              | \$ -              | \$ -              |
| Net Working Capital / Expenses                              | 36.1%             | 37.6%             | 42.4%             | N/A               | N/A               | N/A               |

**Long Term Debt:** As of June 30, 2010, the District had a principal balance of \$3,190,000 on Certificates of Participation that it issued in 2007 to finance construction and modernization of facilities. The COPs have an interest rate between 3.8% and 4.85%. The District is currently making annual payments against its COPs through its Deferred Maintenance Fund and Capital Facilities Fund, with anticipated completion of all payments by 2023.

**Financial Performance/Change in Net Assets:** For the current 2010-11 fiscal year, the District anticipates increases in revenues of \$263,973 for a total of \$4.08 million in revenues and \$3.81 million in expenses, resulting in a fund balance of \$1,886,693. Notwithstanding the anticipated net gain for the current year, the District projects net deficits in 2011-12 and 2012-13 of \$109,108 and \$91,898, respectively, resulting in an ending fund balance of \$1,685,687. Although the District anticipates net losses for two consecutive years (2011-12 and 2012-13) given the District's historical performance, staff considers the District, and correspondingly SYVCS, to have a strong likelihood of financial viability in the long-term. It is noteworthy that, as a basic aid district, the District is less reliant on state funding, as the majority of general fund revenues are from property tax revenues. As such, the District's future performance is likely to have a greater resistance to the effects of statewide reductions in the general purpose block grant rates or reduced overall funding from state tax revenues.

**Projected Debt Service Coverage:** The District will meet its matching share via a lump sum payment. Staff received documentation from the District indicating such commitment. As such, Staff did not conduct a debt service coverage test for the District or SYVCS.

**Liquidity:** Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. As of June 30, 2009, the District's NWC was \$1,428,974, representing 37.7% of expenses. As of June 30, 2010 the District's NWC was \$1,622,630, representing 42.4% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient. As of June 30, 2010, the District held

\$1,866,985 in cash. It is noteworthy that the vast majority of the District's general fund net assets are restricted to address periods of economic uncertainty.

**Strengths, Weaknesses and Mitigants**

- + The District will meet its matching share via a lump sum payment of \$11,383,849.
- + It is noteworthy that, as a basic aid district, the District is less reliant on state funding, as the majority of general fund revenues are from property tax revenues. As such, the District's future performance is likely to have a greater resistance to the effects of statewide reductions in the general purpose block grant rates or reduced overall funding from state tax revenues.
- + SYCVS met all AYP criteria and API growth targets for 2006-07 through 2009-10, and achieved API scores of over 800 each year.
- + SYVCS has shown stable enrollment over the past four years with 182, 173, 187, and 192 K-8 grade students for 2006-07 through 2009-10, respectively.
- + The vast majority of the District's general fund net assets are restricted to address periods of economic uncertainty.
- the District projects net deficits in 2011-12 and 2012-13 of \$109,108 and \$91,898, respectively.

**Staff Recommendation:** With respect to SYVCS' rehabilitation project, Staff recommends that the California School Finance Authority (Authority) Board determine that SYVCS is financially sound for the purposes of the Charter School Facilities Program ("Program" or "CSFP") Final Apportionment. This determination as it relates to a Final 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.

With respect to CYVCS' new construction project, Staff recommends that the CSFA Board determine that SYVCS is financially sound for the purposes of CSFP 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.