

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

Applicant/Obligor:	Our Community School
Project School:	Our Community School
CDS (County – District – School) Code:	19-64733-0109934
Proposed Project Location:	10045 Jumilla Ave., Chatsworth, CA 91311
Type of Project:	Rehabilitation
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:	\$6,361,684
State Apportionment (50% Project Cost):	\$3,180,842
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$3,180,842
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$162,284
First Year of Occupancy of New Project:	2013-14

Staff Recommendation: Our Community School (OCS) is currently seeking a Proposition 1D Advance Apportionment of \$631,993 for design costs.

Staff recommends that the California School Finance Authority (Authority) Board determine that OCS is financially sound for the 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 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 OCS. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	OCS meets all eligibility criteria, including having two years of operations with its initial charter having been issued in May 2005, having a renewed charter in place through June 2015, and being in good standing with its chartering authority and in compliance with the terms of its charter. Under its renewed charter, OCS anticipates expanding to serve grades K - 8.

Demographic Information	For the current 2010-11 school year, OCS has been serving 324 students in grades K-6, which represents a greater than 100% growth since operations began in 2005. Through the addition of grades 7 and 8 in 2011-12 and 2012-13, respectively, OCS anticipates growth to 374 students and 424 students during these years, respectively. Upon project occupancy in 2013-14, OCS anticipates reaching its capacity of 428 students in grades K – 8.
Debt Service Coverage	OCS' projected debt service coverage meets the minimum Program requirement of 100.0% with 118.1% in 2014-15 and 106.9% in 2015-16.
Other Financial Factors	<ol style="list-style-type: none"> 1. Without at least 93% of its projected fund-raising and private grant revenues, OCS would not meet the Program's minimum 100% debt service coverage requirement. For 2008-09 and 2009-10, OCS received an average of \$138,000 per year in contributions, which is sufficient to meet the Program's debt service coverage requirement during the first two years of CSFP payments. 2. Projected ratios of CSFP payments to total revenues are 5.5% and 5.3% for 2014-15 and 2015-16, respectively, which is within the preferred maximum range of 10-15%. 3. Net working capital for 2009-10 of \$397,198 represented 17.1% of total expenses, which exceeds the preferred minimum of 5.0%.
Student Performance	OCS met its API growth targets for each of the past four years, and all AYP criteria for three of the past four years, not meeting all AYP criteria for the most recent 2009-10 reported year. Based on its 2009-10 API base score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools.

Program Eligibility: On February 28, 2011, the Authority received verification from the Innovation and Charter Schools Division of the Los Angeles Unified School District confirming that OCS is (1) in compliance with the terms of its charter agreement, and (2) is in good standing with its chartering authority. OCS's current charter is in effect through June 30, 2015.

Legal Status Questionnaire: Staff reviewed OCS responses to the questions contained in the Legal Status Questionnaire (LSQ). OCS answered "Not Applicable" to all LSQ questions.

Project Description: OCS has requested funding to renovate a 500-seat elementary school facility built by the Los Angeles Unified School District (LAUSD) in 1961 on 6.62 acres in the Chatsworth community of the San Fernando Valley. The facility, known as Devonshire Elementary School, located at 10045 Jumilla Avenue in Chatsworth, was "decommissioned" by LAUSD as a district school in 1984, but was leased to a private school from 1984 to 2001. OCS requested that LAUSD allow it to use at least 14 classrooms at the Devonshire site under Prop 39. LAUSD denied the request due to the Devonshire campus not having been officially designated for school use since 2001 or modernized/rehabilitated since it was first built. However, LAUSD did support the efforts of OCS to apply for Prop 1D funds to rehabilitate the site. OCS is anticipating project occupancy in 2013-14 and achieving its capacity of 428 students during that year.

Organizational Information: OCS commenced its operations in 2005, serving 154 students in grades K-6 and has consistently grown to its current enrollment of 321 students

in grades K-6. OCS operates as an independent California non-profit corporation governed by a board made up of between seven and fifteen members that include parents, staff, administrators and community member representatives. The initial board members consisted of the three founding parents, the executive director and two community members. OCS received its first charter from LAUSD on May 24, 2005. On March 2, 2010, OCS' charter was renewed and expanded to allow OCS to serve 7th and 8th grade students. The new charter will expire in 2015.

Engaging students in service learning has been a regular practice since the first year of operation. Research has shown that involvement in civic and community service increases student's commitment to school and makes them more likely to graduate high school. OCS' application presents a curriculum that uses the same framework of creating an instructional program that is informed, empowered and ethical.

Management Experience: Christine Ferris currently serves as Principal for OCS. Ms. Ferris joined OCS in May 2005 and became principal in June 2006. In addition to serving as the educational leader of the school, Ms. Ferris is responsible for budget oversight, evaluation of all school staff and policies, and long-term planning for OCS. Ms. Ferris has approximately 20 years of educational experience. Ms. Ferris earned a B.A. from Hampshire College and an M.S. in Education from Bank Street College.

Beth Wolfsbauer is currently Assistant Principal for OCS. Ms. Wolfsbauer joined OCS in 2005 and works alongside Ms. Ferris in the operation of OCS. Ms. Wolfbauer maintains an extensive educational background as an instructor and assistant school director at Valley Community Charter School, prior to her position with OCS. Ms. Wolfbauer earned a B.A. in Child Development and an M.S. in Family Environmental Sciences from California State University Northridge.

Board Experience: The current Board is represented by the following table.

NAME	OCCUPATION	COUNTY OF RESIDENCE	TERM
Hilary Anderson	OCS Teacher	Los Angeles	7/1/09 – 6/30/11
Laura Bauer	Business Leader	Los Angeles	7/1/10 – 6/30/12
Susan Freidman, Board Secretary	Resource Teacher with LAUSD	Los Angeles	7/1/10 – 6/30/12
Jana Harper, Board Chair	Community Volunteer	Los Angeles	7/1/10 – 6/30/12
Bill Maxwell, Assistant Chair and Governance Committee Chair	Community Activist	Los Angeles	7/1/10 – 6/30/12
Elizabeth Ostrom, Development Committee Chair	Charter School Curriculum Director	Los Angeles	7/1/10 – 6/30/12
Janaka Perera, Finance Committee Chair	Business Leader	Los Angeles	10/1/10 – 9/30/12
Darryl Seif	General Contractor	Los Angeles	7/1/10 – 6/30/12
Scott Spooner	Business Consultant	Los Angeles	7/1/09 – 6/30/11

Among the Board’s responsibilities are the following: strategic planning; annual budget development and approval; fiscal oversight; oversight of curricular and extra-curricular programs; and oversight of faculty and staff.

Management Experience for Schools Open Less than Two Years: Not applicable. OCS began instructional operations in 2005-06 and exceeds the minimum instructional requirements of two years.

Student Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school’s financial position. Schools with improving student performance trends are viewed favorably, especially if these trends exceed threshold goals set by the school or the California Department of Education (CDE). In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by the CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of federal Title I funds.

OCS 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.

Our Community School	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	No
Criteria Met / Required Criteria	9 / 9	13 / 13	15 / 15	16 / 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	No	No
Met Both Schoolwide & CI Growth Targets?	Yes	Yes	No	No
API Base Statewide Rank (10 = best)	4	6	8	8
API Base Similar Schools Rank (10 = best)	N/A	N/A	10	10
School's Actual Growth	55	64	7	3
Similar Schools Median of Actual Growth	N/A	9	15	7
Did School's Growth Exceed Median?	N/A	Yes	No	No

OCS had API growth scores of 769, 833, 842, and 845 from 2006-07 through 2009-10, respectively, and met its API schoolwide growth target for each of these years. Although OCS did not meet all AYP criteria for 2009-10, OCS met all AYP criteria from 2006-07 through 2008-09. Although OCS did not meet its API comparable growth target for 2008-09 and 2009-10, it did meet its API school-wide growth target for 2006-07 and 2007-08. Based on its 2009-10 base API score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools. Overall, staff considers OCS’ academic performance to be favorable for purposes of a recommendation for financial soundness.

Enrollment and Retention Rates: OCS has exhibited consistent student enrollment growth since its inception in 2005-06 with growth from 154 students in grades K-6 to 184, 193, 236, 276, and 324 students for 2006-07 through 2010-11, respectively, representing an

overall growth of over 100% since inception. With project occupancy expected in 2013-14 and OCS’ renewed charter authorizing the inclusion of grades 7 and 8, OCS anticipates enrollment to grow to 374 students in grades K-7 in 2011-12, 424 students in grades K-8 in 2012-13, up to a maximum of 428 students in grades K-8 in 2013-14, 2014-15, and 2015-16.

Based on the P1 Report for 2010-11, OCS achieved an average daily attendance (ADA) of 97% for the current year. For the past four years, 2006-07 through 2009-10, OCS achieved ADA rates of 95%, 94%, 95%, and 95%, respectively. OCS has 200 students on its current wait list, and has a year-to-year retention rate of approximately 95% for the current school year. Given OCS’ expansion of grades to include grades 7 and 8, OCS’ current wait list, and OCS’ student capacity upon project completion, Staff considers OCS’ student enrollment projections to be reasonable.

Financial Analysis: Highlighted in this section are financial data and credit indicators used to evaluate OCS’ ability to meet its CSFP obligations. The table below summarizes key aspects of the school’s past and projected financial performance.

Our Community School	Actual FY 2007/08	Actual FY 2008/09	Actual FY 2009/10	Actual FY 2010/11	Budgeted FY 2011/12	Projected FY 2012/13	Projected FY 2013/14	Projected FY 2014/15	Projected FY 2015/16
ENROLLMENT PROJECTIONS									
Enrollment	193	236	276	324	374	424	428	428	428
Average Daily Attendance	182	224	263	313	355	403	407	407	407
Average Daily Attendance (%)	94%	95%	95%	97%	95%	95%	95%	95%	95%
FINANCIAL PROJECTIONS									
Total Revenues Available for CSFP Payment	\$ 1,746,561	\$ 2,048,397	\$ 2,044,314	\$ 2,451,281	\$ 2,486,044	\$ 2,813,976	\$ 2,906,635	\$ 2,962,893	\$ 3,034,330
Total Expenses Paid Before CSFP Payment	1,703,482	1,877,143	1,917,857	2,300,269	2,427,185	2,621,690	2,693,547	2,772,942	2,862,521
Accounting Adjustments	-	-	-	1,478	1,628	1,628	1,628	1,628	1,628
Net Revenues Available for CSFP Payment	\$ 43,079	\$ 171,254	\$ 126,457	\$ 152,490	\$ 60,487	\$ 193,914	\$ 214,716	\$ 191,579	\$ 173,437
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,284	\$ 162,284
Net Revenues After CSFP Payment	\$ 43,079	\$ 171,254	\$ 126,457	\$ 152,490	\$ 60,487	\$ 193,914	\$ 214,716	\$ 29,295	\$ 11,153
FINANCIAL INDICATORS									
Net Revenues Available for CSFP Payment	\$ 43,079	\$ 171,254	\$ 126,457	\$ 152,490	\$ 60,487	\$ 193,914	\$ 214,716	\$ 191,579	\$ 173,437
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	118.1%	106.9%
Contributions	\$ 70,396	\$ 141,230	\$ 134,517	\$ 111,000	\$ 136,080	\$ 138,202	\$ 140,366	\$ 142,573	\$ 144,824
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30.2%	17.6%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.5%	5.3%
Contributions / Revenues	4.0%	6.9%	6.6%	4.5%	5.5%	4.9%	4.8%	4.8%	4.8%
Net Revenues After CSFP Payment / Revenues	2.5%	8.4%	6.2%	6.2%	2.4%	6.9%	7.4%	1.0%	0.4%
Revenues / ADA	\$ 9,596	\$ 9,145	\$ 7,773	\$ 7,832	\$ 6,997	\$ 6,986	\$ 7,149	\$ 7,287	\$ 7,463
Expenses / ADA	\$ 9,360	\$ 8,380	\$ 7,292	\$ 7,349	\$ 6,831	\$ 6,509	\$ 6,625	\$ 7,219	\$ 7,439
Surplus (Deficit) / ADA	\$ 237	\$ 765	\$ 481	\$ 482	\$ 166	\$ 477	\$ 524	\$ 68	\$ 23
Net Working Capital	\$ 56,409	\$ 149,488	\$ 270,742	\$ 397,198					
Net Working Capital / Expenses	3.3%	8.0%	14.1%	17.3%					

Staff’s financial review of OCS is based on four years of audited financial statements (2006-07 through 2009-10), OCS’ 2010-11 Second Interim Budget, and multi-year financial projections for 2011-12 through 2015-16, as provided by OCS.

OCS’ financial projections are based upon the following assumptions: (1) project occupancy in 2013-14; (2) increases in enrollment as described above (under “Enrollment and Retention Rates”); (3) 2010-11 funding rates for charter school general purpose block grant of \$4,769 (grades K-3), \$4,841 (grades 4-6), and \$4,980 (grades 7-8); (4) projected ADA rates of 95%, which is consistent with OCS’ historical performance; (5) cost of living adjustment (COLA) on charter school general purpose block grant and other State charter school entitlements of 0.0%, 1.9%, 2.0%, 2.4%, and 3.0% for 2011-12 through 2015-16, respectively; (6) COLA to salaries of 1.0% for each of the projected years; and (7) COLA to all other expenses of 2.0% for all projected years.

Contributions: Based on discussion with OCS' Director of Operations and OCS' accounting and financial services contractor, ExED, the projected contributions included in OCS' multi-year financial projections represent contributions through fund raising and grants, the majority from parent contributions through fund raising, with the assumptions that OCS raises sufficient funds each year to cover the costs of student field trips and fund-raising and approximately \$30,000 of its contributions each year will be available for operations. Although OCS received contributions of only \$579 and \$70,396 during its first two years of operations, 2005-06 and 2006-07, respectively, during 2008-09 and 2009-10, OCS received contributions of \$141,230 and \$134,517, respectively. For the current school year, 2010-11, as of March 31, 2011, OCS had raised \$111,000 from fund raising and grants, and anticipates earning approximately \$134,000 by year end. Based on its multi-year financial projections, OCS anticipates contributions of \$136,080, \$138,202, \$140,366, \$142,573, and \$144,824 for 2011-12 through 2015-16, respectively. For the projected years, contributions represent between 4.5% and 5.5% of revenues. Given that, for the past two years, OCS has received an average of approximately \$138,000 per year in contributions, Staff considers OCS' projected level of contributions to be reasonable.

Long-Term Liabilities: OCS has no long-term liabilities.

Financial Performance: OCS recorded net revenues of \$37,350 on revenues of \$1.69 million and expenses of \$1.65 million in 2006-07. Operations for 2007-08 resulted net revenues of \$43,079 on revenues of \$1.68 million, expenses of \$1.70 million, and contributions of \$70,396. For 2008-09, OCS recorded net revenues of \$171,254 on \$1.91 million in revenues, \$1.88 million in expenses, and \$141,231 in contributions. For 2009-10, OCS recorded net revenues of \$126,457 on \$1.91 million in revenues, \$1.92 million in expenses, and \$134,517 in contributions. For the current year, based on OCS' Second Interim Report, OCS is anticipating net revenues of \$151,012 on \$2.34 million in revenues, \$2.30 million in expenses, and \$111,000 in contributions. For 2009-10, OCS had an ending fund balance of \$397,199, and for the current 2010-11 year, OCS anticipates an ending fund balance of \$548,211. For 2011-12 through 2013-14 (first year of occupancy), OCS anticipates net revenues of \$58,859, \$192,286, and \$213,088, respectively. For the first two years of CSFP payments, 2014-15 and 2015-16, OCS anticipates net revenues of \$189,951 and \$171,809, respectively. Also for 2013-14 through 2015-16, OCS anticipates ending fund balances of \$1,012,444, \$1,202,395, and \$1,374,204, respectively.

Projected Debt Service Coverage of CSFP Payments Assuming a 3.0% interest rate and 30-year repayment period, as well as an estimated project cost of \$6,361,684, OCS' annual CSFP payment will be \$162,284 beginning in 2014-15, one year following expected occupancy of the project. OCS' CSFP payment is anticipated to represent 5.5% and 5.3% of OCS' revenues during 2014-15 and 2015-16, respectively, which is within the preferred maximum range of 10-15%. OCS' available net revenues of \$191,579 and \$173,437 for 2014-15 and 2015-16, respectively, will provide debt service coverage of 118.1% and 106.9% for these respective years. During the first two years of CSFP payments, OCS would be able to sustain a reduction in contributions of only 7% and still meet the Program's minimum 100% debt-service coverage requirement. Hence, OCS is reliant on contributions to meet the Program's debt service coverage requirement. However, If OCS were to achieve its average level of contributions of \$138,000 for the past two years, OCS would still meet the Program's debt service coverage requirement. Given OCS' record of contributions for the past two years, OCS' substantial anticipated fund balance, and OCS' conservative assumptions regarding COLAs to revenues, Staff believes that OCS is able

to afford its CSFP obligation and that this obligation will not reduce its flexibility to fund unforeseen costs during the term of repayment. Staff recommends that, prior to a recommendation of financial soundness for Final Apportionment, OCS further demonstrate its consistency in meeting its anticipated levels of contributions.

Liquidity – Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. OCS' NWC for 2008-09 and 2009-10 was \$270,742 and \$397,198, respectively, representing 14.1% and 17.3% of total expenses for these years. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient. On June 30, 2010, OCS reported holding \$96,669 in cash.

Strengths, Weaknesses and Mitigants

- + OCS has projected debt service coverage of 118.1% and 106.9% for 2014-15 and 2015-16, respectively, the first two years of CSFP payments.
- + OCS met its API growth targets for each of the past four years and all AYP criteria for three of the past four years. Based on its 2009-10 base API score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools.
- + OCS has shown consistent growth in student enrollment since it commenced operations in 2005 with a greater than 100% growth from its first year to the current 2010-11 school year.
- +/- OCS relies on private contributions to meet its CSFP obligation. Nonetheless, for the past two years, OCS has achieved average annual contributions of \$138,000, which would be sufficient to meet the Program's minimum debt service coverage requirement.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Our Community School is financially sound for the purposes of the Charter School Facilities Program (Program) Advance Apportionment, but not for purposes of Final Apportionment under the Program. 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 immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.