

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

Applicant:	New Jerusalem Elementary School District
Project School:	New Jerusalem Charter School
CDS (County-District-School) Code:	39-68627-0117796
Proposed Project Location:	31400 South Koster Road, Tracy, CA
Type of Project:	New Construction
County:	San Joaquin County
School District Where Located:	New Jerusalem Elementary School District
Chartering Entity:	New Jerusalem Elementary School District
OPSC Project Cost:	\$3,013,492
Total State Apportionment:	\$1,506,746
Lump Sum Contribution:	\$1,506,746
Total CSFP Lease Amount:	Not Applicable
Length Of CSFP Lease Payments:	Not Applicable
Assumed Interest Rate On Obligation:	Not Applicable
Estimated Annual CSFP Lease Payment:	Not Applicable
First Year Of Occupancy Of New Project:	2012-13

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that New Jerusalem Elementary School District (NJESD) and New Jerusalem Charter School (New Jerusalem) are financially sound for purposes of Charter School Facilities Program (Program) an Advance Apportionment for New Jerusalem Charter School project. 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.

Background: On March 23, 2010, the Authority determined that NJESD and New Jerusalem were financially sound for purposes of a Preliminary Apportionment. The State Allocation Board subsequently awarded a Preliminary Apportionment in the amount of \$3,013,492. NJESD is now requesting an Advance Apportionment for design in the amount of \$301,349.

Application Highlights: Highlighted below are key criteria that were evaluated when conducting the financial soundness review of the charter school, New Jerusalem, and NJESD. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	New Jerusalem met Program eligibility criteria, including: 1) having a charter in place, 2) fulfilling the requirement for

	two academic years of operations through its district who applied on the school's behalf, and 3) being in compliance with its charter and in good standing with its chartering authorizer.
Demographic Information	<ul style="list-style-type: none"> • New Jerusalem is currently serving 222 students in 1st through 8th grade, and is projected to increase its enrollment to 250 during 2012-13, the first year of CSFP project occupancy and to 265 by 2013-14, and remains stable thereafter. • NJESD encompasses 3 schools (Delta Charter, New Jerusalem Charter School and New Jerusalem Elementary School) and is currently serving 686 students in grades K through 12.
Debt Service Coverage	Not applicable. New Jerusalem will satisfy the 50% local match requirement by making an upfront payment of \$1,506,746 from funds from the NJESD. Proceeds from the Qualified School Construction Bond Sale will make up the lump sum payment.
Student Performance	New Jerusalem did not meet its API growth target for the 2009-10 school year, and did not meet AYP criteria during 2008-09 and 2009-10 school years. For the most recent reported year, 2009-10, based on its API base score, New Jerusalem ranked "4" statewide and "3" against similar schools ("10" = best).

Program Eligibility: On June 1, 2011, staff received verification from the Superintendent of NJESD confirming that New Jerusalem School is currently (1) in compliance with the terms of its charter agreement and (2) in good standing with its chartering authority. New Jerusalem's charter was initially approved in 2008 with a one year term. The charter was subsequently renewed for a five-year term and is valid until June 2014.

Legal Status Questionnaire: Staff reviewed the responses provided on the Legal Status Questionnaire dated May 6, 2011. New Jerusalem reported „None' to the two statements in the Questionnaire requesting disclosure regarding material information relating to legal or regulatory proceedings or legal action in which the school (or any of its affiliates) is a named party.

Project Description: The proposed facility designated to receive funds under CSFP includes classrooms for the charter school and district office additions. The project consists of building a 10,000 square feet of classrooms and office space. The classrooms and office space include a music room, a state-of-the-art science classroom, uniquely designed special education facilities, a library, a computer lab, a general-purpose classroom, and centralized office space for the school's administration. The project buildings are scheduled to begin construction this summer, with a projected occupancy of August 2012.

Organizational Information: New Jerusalem is a conversion charter school serving grades K-8. NJESD encompasses three schools located adjacent to each other on the same campus complex. The organization-wide enrollment has grown steadily each year,

with the totals for each individual school fluctuating. A previous charter school with a home-school component, similarly named New Jerusalem Charter School, ceased operations in 2006-07. In 2007-08, the enrollment for the two remaining district schools (one charter and one regular public school) increased greatly; then a conversion charter was granted for New Jerusalem Charter School for the 2008-09 school year and the organization-wide enrollment was redistributed again. In the 2010-11 school year, New Jerusalem Elementary School (a regular public school) served 27 students in Kindergarten only, Delta Charter School (a non-sited based, independent study program) served students in grades K-12, and New Jerusalem School served 222 students in grades 1-8. In 2010-11, the district-wide enrollment for all three schools is 686 K – 12th grade students.

The school's educational philosophy focuses on academic rigor and preparation for high school success. The school has established music and art programs, sports programs, and various clubs which meet at the school. New Jerusalem Charter School reports that it is attractive to many students outside the district's boundaries because of the district's rigorous academic programs and unique "country school" atmosphere.

Educational Management Organization, if applicable: Not applicable.

Management Experience for Schools Open Less than Two Years: Not applicable, as the application was submitted by the school district, which has both regular and charter experience through the oversight of two charter schools and one regular public school.

Management Experience: The resumes of the school's and the district's personnel and management team are outlined below and demonstrate that qualified individuals are serving in key roles within the District. David Thoming has served as the Superintendent/Charter Schools Director for NJESD since 2003 and taught for the district from 2001 to 2003. Prior to that, he worked from 1995 to 2001 as the Agribusiness Manager for Ed Thoming & Sons, Inc. Mr. Thoming is currently pursuing his Master's Degree in School Administration. Steve Payne is the principal for both New Jerusalem School (charter) and New Jerusalem Elementary School (non-charter). Mr. Payne served as Director of Student Services for Linden Unified School District from 2004 to 2007, and was a teacher at McKinley Elementary School, with Tracy Unified School District, from 2001 to 2004. Lisa McHugh has served as the Business Manager for NJESD since 2003. Ms. McHugh previously served as the Business Manager at West High School, with Tracy Unified School District, from 2001 to 2003 and as Human Resources Technician from 1999 to 2001 for the Tracy Unified School District.

Rounding out the management team for the district and its schools is Stephanie Lytle who has served since 2007 as principal of Delta Charter School and is currently the Secretary of the Board for NJESD's Board of Directors.

Board Experience: New Jerusalem Charter School is under the governance of a Board of Directors consisting of five members, with terms not to exceed three years each, who shall be appointed by the governing board of New Jerusalem Elementary School District. The board membership for the charter school is listed below.

Name	Occupation	City	Term
Stephanie Lytle	School Principal	Tracy, CA	Current to 2012
Steve Payne	School Principal	Tracy, CA	Current to 2012
Chris Patterson	Home Maker	Tracy, CA	Current to 2012
Robert Rucker	Food Service Manager	Tracy, CA	Current to 2012
Steve Abercrombie	City Council Member	Tracy, CA	Current to 2012

Student Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school's sustainability. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP), as reported by the California Department of Education (CDE), per the No Child Left Behind Act of 2001.

New Jerusalem Charter School	FY 2008/09	FY 2009/10
ADEQUATE YEARLY PROGRESS (AYP)		
Met All AYP Criteria?	No	No
Criteria Met / Required Criteria	14 / 17	12 / 17
Met API Indicator for AYP?	Yes	Yes
Met Graduation Rate?	N/A	N/A
ACADEMIC PERFORMANCE INDEX (API)		
Met Schoolwide Growth Target?	N/A	No
Met Comparable Improvement Growth Target?	N/A	No
Met Both Schoolwide & CI Growth Targets?	N/A	No
API Base Statewide Rank (10 = best)	N/A	4
API Base Similar Schools Rank (10 = best)	N/A	3
School's Actual Growth	N/A	-2
Similar Schools Median of Actual Growth	N/A	9
Did School's Growth Exceed Median?	N/A	No

New Jerusalem achieved API scores of 765 and 762 in 2008-09 and 2009-10, respectively. Additionally, the school did not meet its API growth target in the last year reported (2009-10). For the most recent reported year, 2009-10, based on its API base score, New Jerusalem ranked “4” statewide and “3” against similar schools (“10” = best). The School has not met AYP in the last two academic years. *Staff is seeking a response from the District regarding its student performance, and will present an explanation during the board meeting.*

Enrollment and Retention Rates: Total district-wide enrollment is increasing each year from 614 in 2007-08 to 686 in the current year (2010-11). Enrollment within each of the district schools has fluctuated, which is likely a significant factor in the trends shown in student performance as noted above. New Jerusalem is currently serving 222 students in grades 1-8, and is projected to increase its enrollment at 250 through 2012-13, when the new facility is completed, and remain stable thereafter. The retention rate for returning students to New Jerusalem for the current 2010-11 academic year is 96%.

NJESD recently notified staff that the district will be overseeing a new independent charter school, Great Valley Academy (GVA). GVA Great Valley Academy is a newly authorized K-8 charter school opening in the Fall of 2011 with 460 students with a waiting list of 120. When staff inquired about the relationship of GVA and NJESD, NJESD stated, “GVA is the first charter in the district that wasn’t started by staff from within the district. As such, the relationship will be different than with the current charters (New Jerusalem and Delta). It will actually be a more traditional district/charter relationship, in which people from outside the district are running and governing the charter. NJESD will be providing oversight which is called for in the education code which includes ensuring they are financially responsible, compliant with special education, and are operating in accordance with their charter. NJESD is confident this will happen as the same operators have been successfully running a charter in a different district for three years.” The enrollment growth in the 2011-12 and 2012-13 school years will be increasing due to GVA, with minimal increases being attributed to the current schools in the district.

NJESD – Enrollment by Year						
School	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
New Jerusalem Charter	-	230.00	238.00	222.00	220.00	250.00
New Jerusalem Elem.	247.00	28.00	23.00	27.00	28.00	28.00
Delta Charter	367.00	382.00	501.00	437.00	520.00	530.00
Great Valley Academy	-	-	-	-	460.00	460.00
Total	614.00	640.00	762.00	686.00	1,228.00	1,268.00

Financial Analysis: New Jerusalem Elementary School District (NJESD) is the financial obligor and will be providing a lump sum payment for local matching share obligation for purposes of the CSFP apportionment. Therefore, staff conducted a balanced review of financial information related to NJESD’s financial soundness for purposes of the full lump sum payment of \$1,506,746. The lump sum payment will be made from the proceeds of the recent public offering of Qualified School Construction Bonds (QSCB’s). NJESD was allocated and issued \$5.1 million in QSCB’s (April 2011) for modernizing their current campus. Of the \$5.1 million, \$4.1 million is allocated for the construction of a multipurpose room. The remaining allocation (\$1 million) has been set aside for the CSFP lump sum payment, with the remaining balance (~\$500K) coming from the general fund cash on hand. *Despite having cash on hand to satisfy the local matching share, staff conducts an analysis of the obligor to ensure the financial solvency of the charter school once the project school is operational.*

Highlighted below are selected financial data and credit indicators used to evaluate NJESD’s and the school’s ability to meet the criteria for financial soundness for purposes of the program. Staff’s evaluation of financial performance is based on review of the following

documents: (1) NJESD’s audited financial statements for 2007-08 through 2009-10; (2) NJESD’s General Fund multi-year budget projections for 2011-12 and 2012-13; (3) NJESD’s (all schools combined) current enrollment and enrollment projections through 2012-13; (4) and the school’s 2nd interim budget.

New Jerusalem Elementary School District (New Jerusalem Charter S	Actual FY 2007/08	Actual FY 2008/09	Actual FY 2009/10	2nd Interim FY 2010/11	Projected FY 2011/12	Projected FY 2012/13
ENROLLMENT PROJECTIONS						
Enrollment	614	640	762	686	1,228	1,268
Average Daily Attendance	599	625	717	655	1,179	1,217
Average Daily Attendance (%)	98%	98%	94%	95%	96%	96%
FINANCIAL PROJECTIONS						
Total Revenues Available for CSFP Payment	\$ 2,305,284	\$ 2,331,935	\$ 3,844,578	\$ 4,306,715	\$ 4,059,898	\$ 4,073,192
Total Expenses Paid Before CSFP Payment	2,322,372	1,370,943	3,202,375	4,081,245	3,915,353	3,910,054
Accounting Adjustments	243,523	-	-	191,292	64,781	53,927
Net Revenues Available for CSFP Payment	\$ 226,435	\$ 960,992	\$ 642,203	\$ 416,762	\$ 209,326	\$ 217,065
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenues After CSFP Payment	\$ 226,435	\$ 960,992	\$ 642,203	\$ 416,762	\$ 209,326	\$ 217,065
FINANCIAL INDICATORS						
Net Revenues Available for CSFP Payment	\$ 226,435	\$ 960,992	\$ 642,203	\$ 416,762	\$ 209,326	\$ 217,065
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 Lease 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	9.8%	41.2%	16.7%	9.7%	5.2%	5.3%
Revenues / ADA	\$ 3,850	\$ 3,734	\$ 5,359	\$ 6,575	\$ 3,444	\$ 3,346
Expenses / ADA	\$ 3,879	\$ 2,195	\$ 4,464	\$ 6,231	\$ 3,321	\$ 3,212
Surplus (Deficit) / ADA	\$ (29)	\$ 1,539	\$ 895	\$ 344	\$ 123	\$ 134
Net Working Capital	\$ 792,544	\$ 1,753,536	\$ 2,395,739	\$ -	\$ -	\$ -
Net Working Capital / Expenses	34.1%	127.9%	74.8%	N/A	N/A	N/A

Financial projections are based upon the following assumptions: (1) NJESD will provide the full 50 percent local matching share obligation of \$1,506,746; (2) project occupancy in 2012-13; (3) increases in district-wide total enrollment; (3) projected ADA rates of 96%; and (4) NJESD’s stated COLA (cost of living adjustments) for K-12 and COE Revenue Limits of -5.7% in 2011-12; and -0.1% in 2012-13; and (5) debt service QSCB payments are included in the expenses of NJESD.

Performance/Change in Net Assets: NJESD recorded net changes in the audited fund balances for its General Fund for the last three years of (\$17,088), \$960,992, and \$642,203 for 2007-08 through 2009-10, respectively. In addition, NJESD projects a net decrease in 2010-11 of (\$2.0) million, and net increases of \$136,936 and \$155,465 for 2011-12 and 2012-13, respectively. The large net decrease for the current 2010-11 school year is due to NJESD allocating \$2.25 million for QSCB repayment and construction overruns that may occur during the length of the project.

Asset Position and Liquidity: As of June 30, 2010, NJESD’s General Fund held \$1,417,944 in cash and cash equivalents, with \$698,156 in account receivables, and \$800,234 due from other funds, for a total of \$2,916,334 in current assets, offset by \$520,595 in current liabilities. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. The NWC percentage of expenses at June 30, 2010 was 75%, which exceeds the program sufficiency level of 5.0%.

Strengths, Weaknesses and Mitigants:

- + New Jerusalem is meeting its local matching share with a lump sum payment from the New Jerusalem Elementary School District. This contribution will be coming from the recent sale of QSCB's, with the remaining balance met with cash on hand.

- New Jerusalem student performance did not meet all of its AYP criteria in both 2008-09 and 2009-10, and failed to meet its API growth target for the 2009-10 school year.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that New Jerusalem School and New Jerusalem Elementary School District are financially sound for purposes of the Charter School Facilities Program Advance Apportionment. Staff's financial soundness recommendation is based on the District having cash on hand to meet its local matching share. This determination as it relates to the Advance Apportionment shall be in place for six months barring any material financial or operational changes that would impact the financial viability of the School or the District as the obligor for a lump sum payment. 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.