

MEMORANDUM

Date: March 14, 2012

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 12-10 Financially Sound Status of New Jerusalem Elementary School District (NJESD) and New Jerusalem Charter School (New Jerusalem)

This Staff Summary serves to support Resolution No. 12-10, approving that NJESD and New Jerusalem has maintained a financially sound status for purposes of a Final Apportionment of \$2,712,143 for construction and design relating to its rehabilitation project under the Charter School Facilities Program (Program).

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. On June 2011, NJESD had requested an Advance Apportionment for design in the amount of \$301,349. On June 8, 2011, pursuant to the Authority's Resolution 11-28, the Authority has reviewed and determined that NJESD found to be financially sound for an advance apportionment.

Because NJESD's submission of updated information does not reflect any material changes to its financial status, lump-sum contribution to its local matching share, projected student enrollment, or project scope and status, the Authority conducted a reassessment of NJESD's financial soundness based on updated financial information as well as newly available academic performance information.

With total Program project costs of \$3,013,492, New Jerusalem Elementary School District (NJESD) is the financial obligor and will be providing a lump sum payment for the total 50 percent local matching share obligation for purposes of the CSFP apportionment.

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, 2010-11, New Jerusalem achieved an API growth score of 800 with a growth of 39 points. Based on its API base score for 2010-11, New Jerusalem has met its growth target for both schoolwide and all student groups but did not meet AYP criteria. Notwithstanding its failure to meet all AYP criteria, given its improvement in meeting its API growth target and its substantial API growth for 2010-11, staff considers New Jerusalem's academic performance satisfactory for purposes of being found financially sound at this time.

Financial Analysis:

Staff's evaluation of financial performance is based on review of the following documents: (1) NJESD's audited financial statements for 2007-08 through 2010-11; (2) NJESD's 2011-12 First Interim Report; (3) NJESD's General Fund multi-year budget projections for 2012-13 and 2013-14; (4) NJESD's (all schools combined) current enrollment and enrollment projections through 2012-13;

Total district-wide enrollment increased each year from 614 in 2007-08 to 686 in the current year (2011-12). 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's 2011-12 First Interim Report showed a significant increase in the revenue limit source from its' original budget of \$1,498,056 to their projected year total of \$2,625,191 due to the addition of Great Valley Academy (GVA). GVA is a newly authorized K-8 charter school opening in the Fall of 2011 with 460 students with a waiting list of 120. It is a more traditional district/charter relationship, in which an organization not affiliated with the district is running and governing the charter. NJESD will be providing oversight, per the education code, which includes ensuring they are financially responsible, compliant with special education, and are operating in accordance with their charter.

New Jerusalem Elementary School District (NJESD) is the financial obligor and will be providing a lump sum payment for the total 50 percent local matching share obligation for purposes of the CSFP apportionment. Therefore, staff conducted a review of financial information related to the district'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.

Highlighted below are key criteria that were evaluated when conducting the financial soundness review of the charter school, New Jerusalem, and NJESD.

<i>Criteria</i>	<i>Comments</i>
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	New Jerusalem is currently serving 222 students in 1 st through 8 th 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 4 schools (Delta Charter, New Jerusalem Charter School, New Jerusalem Elementary School and Great Valley Academy) and is currently serving 1,121 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, 2010-11, New Jerusalem met its API growth target but did not meet its AYP criteria. Based on its API base score, New Jerusalem ranked "3" statewide and "2" against similar schools ("10" = best).

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that New Jerusalem Elementary School District (NJESD), applying on behalf of New Jerusalem Charter School (New Jerusalem), is financially sound for purposes of the Charter School Facilities Program (CSFP or the Program) Final Apportionment Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.