

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITIONS 55 & 1D FUNDING ROUND
STAFF SUMMARY REPORT – APRIL 2012**

Applicant/Obligor:	Green Dot Public Schools
Project School:	Animo Pat Brown Charter High School
CDS (County – District – School) Code:	19-64733-0106849
Proposed Project Location:	8145 and 8205 Beach Street, Los Angeles
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
	Proposition 55: \$12,142,552
	<u>Proposition 1D: \$ 5,127,676</u>
Total OPSC Project Cost:	Total: \$17,270,228
State Apportionment (50% Project Cost):	\$8,635,114
Lump Sum Contribution:	\$0
	Proposition 55: \$6,071,276
	<u>Proposition 1D: \$2,563,838</u>
Total CSFP Financed Amount:	Total: \$8,635,114
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
	Proposition 55: \$309,752
	<u>Proposition 1D: \$130,805</u>
Estimated Annual CSFP Payment:	Total: \$440,557
First Year of Occupancy of New Project:	2014-15

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Green Dot Public Schools (Green Dot), on behalf of Animo Pat Brown Charter High School (Animo Pat Brown), is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) Advance Apportionment and/or Final Apportionment. This determination is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Animo Pat Brown electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. 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.

Background: Green Dot, on behalf of Animo Pat Brown, was approved by CSFA and the State Allocation Board an additional \$5.13 million of Proposition 1D financing (due to the available funds left over by other schools that have rescinded out of CSFP) in July 2011 to supplement \$12.14 million of Proposition 55 financing for which Animo Pat Brown (under its previous name, Animo Downtown Charter High School) received Preliminary Apportionment in February 2005.

During the 2009 Proposition 1D Funding Round, Green Dot, as education management organization (EMO) and co-borrower, applied for CSFP Preliminary Apportionment for three schools, including Animo Pat Brown, Animo South Los Angeles, and Animo Leadership. In addition to Animo Pat Brown, Animo South Los Angeles also previously received preliminary apportionment awards under Proposition 55, and Animo Leadership previously received a preliminary apportionment award under Proposition 47. Four other Green Dot schools, Animo Justice, Animo Jackie Robinson, Animo Venice, and Animo Oscar De La Hoya, also previously received preliminary apportionment awards under either Proposition 55 or Proposition 1D (2007 Funding Round).

Application Highlights: Below, Staff has highlighted key criteria that were evaluated when conducting the financial soundness review of Animo Pat Brown. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Animo Pat Brown meets all eligibility criteria, including having been in operations for more than two years, having a charter in place through June 2014, and being in good standing with its chartering authority and in compliance with the terms of its charter.
Demographic Information	Starting with an initial class of 145 ninth graders in 2006-07, and adding a grade each successive year up to grade 12, Animo Pat Brown has shown consistent student enrollment growth up to its enrollment for 2011-12 of 582 students in grades 9-12. Animo Pat Brown anticipates maintaining its current level of student enrollment through 2016-17.
Debt Service Coverage	Debt service coverage from school revenues is projected to be 212.9% and 213.7% in 2015-16 and 2016-17, respectively.
Other Financial Factors	<ol style="list-style-type: none"> 1. The CSFP lease would be supported by Green Dot, as EMO and co-borrower. 2. Animo Pat Brown's Net Working Capital as of June 30, 2011 was \$1,087,417, or 22.9% of total expenses, which is above the minimum 5.0% level necessary to be considered sufficient.
Student Performance	Animo Pat Brown met all AYP criteria for the past three of four years, 2007-08 through 2009-10 (Not making in 2010-11), as well as its API growth targets in three of the past four years, 2007-08, 2009-10, and 2010-11. Based on its API base scores 2010-11, Animo Pat Brown achieved statewide and similar schools rankings of "8" and "10" ("10" = best), respectively.

Program Eligibility: Animo Pat Brown's current charter, which was renewed in June 2009, is valid through June 2014. On February 2, 2012, staff received verification from the Charter School Division of Los Angeles Unified School District, confirming that Animo Pat Brown is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority.

Legal Status Questionnaire: Staff reviewed the Applicant's responses, dated March 22, 2012, to the questions contained in the Legal Status Questionnaire (LSQ). Green Dot answered "None" to all LSQ questions.

Project Description: Green Dot, on behalf of Animo Pat Brown, received Preliminary Apportionment of \$12.14 million under Proposition 55 for new construction of permanent facilities for Animo Pat Brown. Green Dot applied for \$5.13 million of additional funding under Proposition 1D (2009 Funding Round) for new construction, based on additional project costs, and was subsequently approved by CSFA and the State Allocation Board for the additional amount. The project consists of the new construction of facilities located at 8145 and 8205 Beach Street in the City of Los Angeles. Green Dot expects that the facilities will consist of between 30,000 and 45,000 square feet, for a student population of approximately 580 students in grades nine through twelve. Green Dot anticipates project completion and initial project occupancy in September 2014. Animo Pat Brown is currently leasing temporary space at 8255 Beach St. in Los Angeles.

Animo Pat Brown, along with Animo Justice, Animo Ralph Bunche, Animo Jackie Robinson, and Animo Film & Theater Arts (no longer in operated Green Dot Public Schools), were opened in 2006-07 as part of Green Dot's Jefferson High School transformation project, after five previous Green Dot schools were established from 2000-01 through 2005-06. Green Dot's basic high school model involves each school opening with a ninth grade of approximately 140 students, adding a new grade in each year, and reaching a maximum of approximately 525 students in grades 9-12 in the fourth year of operations. Although Animo Pat Brown has generally followed this model, its current enrollment of 582 now exceeds the model, and Animo Pat Brown is expected to maintain this level of enrollment in the future. Program guidelines have been revised to accommodate more students due to high student demand, facility capacity, and fiscal constraints from the State budget.

Educational Management Organization: Green Dot (legal name Green Dot Educational Project, Inc.) is a 501(c)(3) nonprofit public benefit California Corporation, incorporated in 1999. In 2011-12, Green Dot operates 18 charter high schools in the Los Angeles area. Green Dot has moderated school growth projections to approximately 20-25 high schools by 2012-13 compared to prior projections of 31 schools by 2010-11.

Although Green Dot has listed itself as guarantor on all its schools' applications, Green Dot is formally a co-borrower rather than guarantor, since the organization is not legally separated from the school. In the event of lease default, the CSFA would have recourse first to the school's assets, and then recourse on parity with other creditors to Green Dot as an EMO. Other creditors would have first recourse to schools with associated obligations under the Green Dot umbrella. Green Dot's management has over two years of charter school management experience. Green Dot's management is discussed in staff's review of Green Dot as an EMO, under separate cover.

School Management Experience: Joshua Hartford has served as Principal of Animo Pat Brown since August 2009. Previously, Mr. Hartford was a School Coordinator for Los Angeles Unified School District in addition to teaching science at Alain Leroy Locke High School. Mr. Hartford graduated with a Masters in Secondary Education from Loyola Marymount University and a received a B.S. in Biochemistry and Molecular Biology from Brown University.

Educational Management Organization: Green Dot's home office is responsible for developing new schools, back-office management, fundraising, and advocacy initiatives. Green Dot's home office management costs are paid through fundraising and through a

management fee of 8% of individual school revenues. The organization has stated that school management fees will be subordinated to support any CSFP lease payments. Green Dot also has a teachers’ union – the Asociacion de Maestros Unidos. Green Dot believes the presence of a union is advantageous in attracting qualified teachers and in improving relations with LAUSD. Green Dot is governed by a board of directors, chaired by Marlene Canter, a former LAUSD Board Chairman. Marco Petruzzi, President and Chief Executive Officer, joined Green Dot in January 2007. Mr. Petruzzi previously founded an organization providing management and administrative services to charter school management organizations, following fifteen years in management consulting.

Management Experience for Schools Open Less than Two Years: Not applicable since Animo Pat Brown has been in operation as a charter school since 2006, and Green Dot has been managing actively operating charter schools since 1999.

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.

Animo Pat Brown	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	No
Criteria Met / Required Criteria	18 / 18	18 / 18	17 / 17	15 / 17
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	Yes	Yes	N/A	N/A
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 (10 = best)	4	7	7	8
API Base Similar Schools Rank (10 = best)	10	10	10	10
School's Actual Growth	N/A	4	37	6
Similar Schools Median of Actual Growth	N/A	12	28	16
Did School's Growth Exceed Median?	N/A	No	Yes	No

Animo Pat Brown has four years of reported API results and four years of reported AYP results. Animo Pat Brown met all AYP criteria for the past three of four years, 2007-08 through 2009-10, and meeting 15 of 17 in 2010-11. In addition, Animo Pat Brown met its API growth targets in three of the past four years, 2007-08, 2009-10, and 2010-11. Animo received API growth scores of 749, 753, 790, and 794 for 2007-08 through 2010-11, respectively. Based on its API base scores for 2010-11, Animo Pat Brown achieved statewide and similar schools rankings of “8” and “10” (“10” = best), respectively.

Notwithstanding Animo Pat Brown’s consistent achievement with AYP for the past three of four years, Staff notes that the percent-proficient threshold requirement for AYP, both for English-language arts and mathematics, in accordance with the Elementary and Secondary Education Act (ESEA), reflects increases each year and will continue to reflect increases until 2014. Therefore, with each successive year, public schools are increasingly challenged in “making AYP” (meeting all AYP criteria). This requirement applies to both schoolwide performance and performance of each numerically significant subgroup within any public school, including charter schools. As an example, since 2002, the percent-proficient requirements for English-language arts (elementary schools, middle schools, and elementary school districts) are as follows: 13.6% for each of 2001-02, 2002-03, and 2003-04; 24.4% for each of 2004-05, 2005-06, and 2006-07; 35.2% for 2007-08; 46.0% for 2008-09; and 56.8% for 2009-10. This specific requirement will increase up until 2014 with the following percent-proficient thresholds: 67.6% for 2010-11; 78.4% for 2011-12; 89.2% for 2012-13; and 100.0% for 2013-14. The English-language arts percent-proficient requirement for high schools shows a similar trend, as do the percent-proficient requirements for mathematics for both elementary schools and high schools. Given that each numerically significant subgroup within a school must meet the percent-proficient requirement in English-language arts and mathematics in order for the school to make AYP, and given the high prevalence of English-language learners in California, public schools are faced with increasing difficulty in making AYP.¹

School Enrollment: Animo Pat Brown began operations in 2006-07, with an initial class of 145 ninth graders. Since the start of operations, in adding a grade each year up to the addition of grade 12, Animo Pat Brown has shown consistent growth with 284 students in grades 9 and 10 in 2007-08, 403 students in grades 9–11 in 2008-09, 526 students in grades 9-12 in 2009-10, 588 students in grades 9-12 in 2010-11, and 582 students for the current 2011-12 school year. Animo Pat Brown projects having approximately 580 students in 2012-13 and in all projected years.

Green Dot reports that Animo Pat Brown’s average ADA as a percent of total enrollment was about 94% over the past four years (2007-08 through 2010-11), which provides support for the school’s 95% ADA assumption in its financial forecasts. Per the 2011-12 P-1 report, Animo Pat Brown’s ADA is 559 or 96.1% of enrollment. However, as the 2011-12 ADA figure is based on average enrollment for the year rather than on the school’s initial enrollment, the ADA is likely to be higher. For the most recent 2011-12 school year, Animo Pat Brown achieved a 92.5% year-to-year retention rate, and has a current waitlist of 460 students.

Financial Performance: Highlighted in this section are financial data and credit indicators used to evaluate the Animo Pat Brown’s ability to meet its CSFP obligations. The table below summarizes key aspects of the school’s past and projected financial performance. Please note that the revenue, expenditure and changes to net assets recorded in financial audits and provided in Animo Pat Brown’s financial projections have been modified by staff, where necessary, to include capital outlays, operating leases and repayment of debt and other significant obligations, and to exclude non-cash items such as depreciation.

¹ Information regarding AYP requirements are derived from the California Department of Education’s “2010 Adequate Yearly Progress Report Information Guide.”

Item 6 – Animo Pat Brown Charter High School

Staff’s review of Animo Pat Brown’s financial performance is based on audited financial statements for fiscal years 2007-08 through 2010-11, 2011-12 budget, and financial projections from 2012-13 through 2016-17, as provided by Green Dot. Animo Pat Brown’s financial projections are based upon the following assumptions: (1) project occupancy beginning in 2014-15; (2) student enrollment at 580 throughout the projected years; (3) general purpose block grant funding rate of \$6,148 (grades 9-12) beginning in 2011-12; (4) projected ADA rates of 95%, which is consistent with Animo Pat Brown’s historical performance; and (5) cost of living adjustment (COLA) on charter school general purpose block grant and other State charter school entitlements of 0.0% for the years 2012-13 through 2014-15, 2.5% for 2015-16, and 0% for 2016-17.

Animo Pat Brown	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	Projected FY 2016/17
ENROLLMENT PROJECTIONS										
Enrollment	284	403	526	588	582	580	580	580	579	579
Average Daily Attendance	260	378	508	545	559	552	552	552	552	552
Average Daily Attendance (%)	92%	94%	97%	93%	96%	95%	95%	95%	95%	95%
FINANCIAL PROJECTIONS										
Total Revenues Available for CSFP Payment	\$ 2,597,033	\$ 3,935,093	\$ 5,388,350	\$ 5,509,572	\$ 4,765,129	\$ 4,824,461	\$ 4,824,344	\$ 4,824,462	\$ 4,937,448	\$ 4,953,047
Total Expenses Paid Before CSFP Payment	2,560,306	3,835,560	5,523,876	4,745,912	4,703,142	4,733,774	4,727,676	4,728,225	4,045,874	4,057,978
Accounting Adjustments	4,465	131,267	30,152	26,824	23,828	46,516	46,514	46,516	46,516	46,516
Net Revenues Available for CSFP Payment	\$ 41,192	\$ 230,800	\$ (105,374)	\$ 790,484	\$ 85,815	\$ 137,203	\$ 143,182	\$ 142,753	\$ 938,090	\$ 941,585
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,557	\$ 440,557
Net Revenues After CSFP Payment	\$ 41,192	\$ 230,800	\$ (105,374)	\$ 790,484	\$ 85,815	\$ 137,203	\$ 143,182	\$ 142,753	\$ 497,533	\$ 501,028
FINANCIAL INDICATORS										
Net Revenues Available for CSFP Payment	\$ 41,192	\$ 230,800	\$ (105,374)	\$ 790,484	\$ 85,815	\$ 137,203	\$ 143,182	\$ 142,753	\$ 938,090	\$ 941,585
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	212.9%	213.7%
Contributions	\$ 346,038	\$ 23,000	\$ 180,774	\$ 90,962	\$ 48,707	\$ 37,006	\$ 37,006	\$ 37,006	\$ 37,928	\$ 38,873
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	204.3%	204.9%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.9%	8.9%
Contributions / Revenues	13.3%	0.6%	3.4%	1.7%	1.0%	0.8%	0.8%	0.8%	0.8%	0.8%
Net Revenues After CSFP Payment / Revenues	1.6%	5.9%	-2.0%	14.3%	1.8%	2.8%	3.0%	3.0%	10.1%	10.1%
Revenues / ADA	\$ 9,989	\$ 10,410	\$ 10,607	\$ 10,109	\$ 8,524	\$ 8,740	\$ 8,740	\$ 8,740	\$ 8,945	\$ 8,973
Expenses / ADA	\$ 9,847	\$ 10,147	\$ 10,874	\$ 8,708	\$ 8,413	\$ 8,576	\$ 8,565	\$ 8,566	\$ 8,128	\$ 8,150
Surplus (Deficit) / ADA	\$ 141	\$ 263	\$ (267)	\$ 1,401	\$ 111	\$ 164	\$ 175	\$ 174	\$ 817	\$ 823
Net Working Capital	\$ 130,879	\$ 414,291	\$ 296,933	\$ 1,087,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Working Capital / Expenses	5.1%	10.8%	5.4%	22.9%	N/A	N/A	N/A	N/A	N/A	N/A

As of June 30, 2011, Animo Pat Brown’s only outstanding debt obligation is in connection with the \$250,000 CDE loan. The loan has a three-year repayment schedule, with annual payments of \$83,333, ending in 2011-12. The school’s projections do not indicate that any additional long-term debt will be incurred except for the Program lease.

Performance/Change in Net Assets: For 2007-08, Animo Pat Brown recorded net revenues of \$36,727 on \$2.60 million in revenue and \$2.56 million in expenses. Revenue for 2007-08 was inclusive of inter-fund transfers/contributions of roughly \$500,000. In 2008-09, the school produced higher revenues and expenses from the prior year as Animo Pat Brown added the eleventh grade. For 2008-09, Animo Pat Brown recorded net revenues of \$349,624 on \$4.18 million in revenues and \$3.84 million in expenses. Animo Pat Brown's revenue for 2008-09 included contributions of roughly \$500,000. For 2009-10, Animo Pat Brown recorded a net loss of \$136,526 on \$5.39 million in revenues and \$5.46 million in expenses. For 2010-11, Animo Pat Brown recorded a net revenues of \$7,90,484 on \$5.51 million in revenues and \$4.73 million in expenses For the current 2011-12 budget year, Animo Pat Brown anticipates net revenues of \$85815 on \$4.77 million in revenues and \$4.70 in expenses. For 2012-13 Animo Pat Brown anticipates a net gain of \$137,203, and for 2013-14 and 2014-15 (first year of project occupancy), Animo anticipates net revenues of \$143,182 and \$142,753, respectively. For 2015-16 and 2016-17 (first two years of CSFP payments), Animo Pat Brown anticipates net revenues of \$497,533 and \$501,028, respectively, after payment of the projected CSFP lease payment.

Staff notes that, although Animo Pat Brown averaged \$211,478 in contributions through the fiscal years of 2007-08 through 2010-11, Animo Pat Brown's multi-year projections show contributions at less than 1% of projected revenues in all projected years. Staff also notes that Animo Pat Brown's projected annual financial performance includes annual management fees to Green Dot, as EMO, equal to 8% of revenues. The Animo Pat Brown financial analysis conservatively assumed no subordination of the school's EMO payment although this fee would be made subordinate to any CSFP facility payment.

Debt Service Coverage: Assuming a 3.0% interest rate and 30-year repayment period, Animo Pat Brown's total annual CSFP lease payment (including Proposition 55 and Proposition 1D Allocations) is projected to be \$440,557 beginning 2015-16. This payment would represent, on average, a reasonable 8.9% of projected revenues in 2015-16 and 2016-17. Animo Pat Brown's projected net revenues in 2015-16 and 2016-17 of \$938,090 and \$941,585, respectively, prior to payment of the CSFP lease, would provide debt service coverage of 212.9% and 213.7%. Calculation of debt service coverage in 2015-16 and 2016-17 without contributions is projected to be 204.3% and 204.9%, respectively. In addition to having Green Dot as a co-borrower, Staff finds Animo Pat Brown's ability to withstand unforeseen financial constraints and still meet its CSFP obligation to be strong.

Asset Position and Liquidity: As of June 30, 2011, Animo Pat Brown had net assets of \$1.1 million. Liquidity is also measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Animo Pat Brown's NWC at June 30, 2010 was \$296,233, or 5.4% of total expenses, which represented a decrease from the prior year's \$414,291 at June 30, 2009, or 10.8% of total expenses. As staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient, Animo Pat Brown's most recent audited financials and cash balances indicate sufficient liquidity positions. Green Dot as co-borrower also provides an additional source of liquidity.

Strengths, Weaknesses and Mitigants

- + Green Dot has agreed to serve as a co-borrower to the CSFP obligation.

- + Green Dot projects debt service coverage for Animo Pat Brown of 212.9% and 213.7% for 2015-16 and 2016-17.
- + Animo Pat Brown met all AYP criteria for the past three of four years, 2007-08 through 2009-10, as well as its API growth targets in three of the past four years, 2007-08, 2009-10, and 2010-11. Based on its API base scores for 2010-11, Animo Pat Brown achieved statewide and similar schools rankings of “8” and “10”.
- + Animo Pat Brown has shown consistent student enrollment growth since it commenced instructional operations in 2006-07.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Green Dot Public Schools on behalf of Animo Pat Brown Charter High School is financially sound for the purposes of the Charter School Facilities Program Advance Apportionment and/or Final Apportionment. This determination is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Animo Pat Brown electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. 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.