

**Preliminary, Subject to Change**

**CHARTER SCHOOL FACILITIES PROGRAM  
PROPOSITION 55 FUNDING ROUND  
STAFF SUMMARY REPORT – JANUARY 2013**

<b>Applicant:</b>	Today's Fresh Start Charter
<b>Project School:</b>	Today's Fresh Start Charter
<b>CDS (County-District-School) Code:</b>	19-76737-0102020 and 19-64634-0119552
<b>Proposed Project Location:</b>	3405 W. Imperial Blvd., Inglewood
<b>Type of Project:</b>	New Construction / Renovation
<b>County:</b>	Los Angeles County
<b>Project Location:</b>	Inglewood Unified School District (IUSD)
<b>Chartering Entity:</b>	State Board of Education (SBE) and ISUD
<b>OPSC Project Cost:</b>	\$18,719,508
<b>Total State Apportionment:</b>	\$9,359,754
<b>Lump Sum Contribution:</b>	N/A
<b>Total CSFP Lease Amount:</b>	\$9,359,754
<b>Length Of CSFP Lease Payments:</b>	30 years
<b>Assumed Interest Rate On Obligation:</b>	3.00%
<b>Estimated Annual CSFP Lease Payment:</b>	\$477,528
<b>First Year Of Occupancy Of New Project:</b>	2014-15

**Staff Recommendation:** Staff recommends that the California School Finance Authority (Authority) Board determine that Today's Fresh Start Charter School (TFSCS) is financially sound for the purpose of the Charter School Facilities Program (CSFP or Program) Final Apportionment. This determination of financial soundness is contingent upon TFSCS's execution of an Implementation Agreement with the Authority, the State Controller's Office and California Department of Education, at the appropriate time, whereby the Authority will intercept TFSCS's state-aid portion of its General Purpose Block Grant at regular intervals to satisfy the payment requirements of its CSFP obligations (intercept mechanism). Staff also recommends that the Authority waive the reserve fund requirement established in May 2009 subject to TFSCS agreeing to use of the intercept mechanism to make CSFP payments to the State. This determination as it relates to 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 (OPSC) and the State Allocation Board regarding this determination.

**Summary Findings:** Highlighted below are key criteria that were evaluated when conducting the financial soundness review of TFSCS. Detailed information is contained in the body of the report.

Criteria	Comments
<p><b>Charter Compliance and Standing with Authorizer</b></p>	<p><b><u>Inglewood &amp; State Board of Education Charters:</u></b> LACOE previously provided TFSCS a charter but no longer acts as the charter authorizer. TFSCS' two current charters are with IUSD and the State Board of Education (SBE) through June 30, 2014 and June 30, 2015, respectively. In December 2012, Staff received notification from IUSD and SBE, respectively that TFSCS was in compliance with its charter agreements and is in good standing with its charter authorizers.</p>
<p><b>Demographic Information</b></p>	<p>By adding a new grade each successive year up to grade 8, TFSCS has shown consistent student enrollment growth since commencing operations in 2002-03, growing from 282 students in grades K-3 to 866 students in grades K-8 for 2012-13. Enrollment is expected to increase to 1,126 students in 2013-14.</p>
<p><b>Debt Service Coverage</b></p>	<p>TFSCS anticipates debt service coverage of 422.3% and 432.2% for the first two years after project occupancy, 2015-16 and 2016-17, respectively.</p>
<p><b>Other Financial Factors</b></p>	<ul style="list-style-type: none"> <li>▪ CSFP payments are projected to represent on average 5.2% and 5.1% of total revenues during the first two years of CSFP payments, 2015-16 and 2016-17, respectively, which is within the recommended 10-15% threshold levels.</li> <li>▪ TFSCS does not rely on private contributions as sources of revenue.</li> <li>▪ TFSCS has one note payable in the amount of \$1,000,000, which is scheduled to mature during the current 2012-13 fiscal year.</li> </ul>
<p><b>Student Performance</b></p>	<p>With two separate CDS codes, TFSCS' student performance data is recorded separately for the IUSD and SBE chartered schools.</p> <ul style="list-style-type: none"> <li>▪ The charter school currently chartered by SBE has met its API growth target for each of the past four years with API growth of 64 points and 22 points for 2010-11 and 2011-12, respectively, to an API growth score of 805 for 2011-12. Although it met its AYP criteria during 2008-09 and 2010-11, it did not meet its AYP criteria during 2009-10 and 2011-12. In addition, for 2010-11 and 2011-12, the SBE chartered schools had similar-school API-base score rankings of "6" and "9," respectively.</li> <li>▪ With only three years of data, the IUSD chartered school met its AYP criteria for two of the past three years, 2009-10 and 2010-11, and its API growth target for each of the past two years, 2010-11 and 2011-12.</li> </ul>

**Background:** On December 22, 2004, the Authority determined that TFSCS was financially sound for purposes of the Charter School Facilities Program. The State Allocation Board subsequently awarded a Preliminary Apportionment on February 23, 2005

in the amount of \$12,605,650 to TFSCS. A year later, in February 2006, the Authority determined that TFSCS was financially sound for purposes of an Advance Apportionment for project design and site acquisition. Pursuant to the Authority's determination, in April 2006, the Office of Public School Construction disbursed \$1,319,797 to TFSCS for the design portion of the Advance Apportionment.

At the request of TFSCS, Staff presented findings to the Authority at its April 2009 and May 2009 board meetings. At the time of these meetings, several pending issues remained outstanding regarding TFSCS' existing charter with the Los Angeles County Office of Education (LACOE) and a new charter with Inglewood Unified School District (IUSD). At the time of the financial review in May 2009, TFSCS was contemplating moving its facilities within the Inglewood Unified School District area due to the non-renewal of their LACOE charter. Such change in the school's operations would have increased uncertainty regarding TFSCS future operations. It was staff's determination to evaluate TFSCS under the more conservative assumption that it would be operating solely under the IUSD charter, thus ceasing operations of facilities outside of IUSD's boundaries. As a result of the Authority's review of TFSCS' financial soundness, TFSCS was to address certain outstanding issues in addition to establishing a reserve fund equal to two CSFP annual payments prior to advance apportionment. TFSCS has requested that the Authority remove the reserve fund requirements for financial soundness. At the May 2009 Authority meeting, TFSCS was found financially sound. However, due to cash constraints at the state level, no funds were released to the school subsequent to that board meeting.

At its February 9, 2011 meeting, the Authority determined that TFSCS was financially sound for purposes of Advance Apportionment for site acquisition. Subsequently, on March 23, 2011, the Office of Public School Construction released funds in the amount of \$6,006,662 for this purpose. This determination was also valid for up to six months for purposes of Advance Apportionment.

At its March 14, 2012 meeting, the Authority found TFSCS financially sound for purposes of Final Apportionment in the amount of \$12,605,650. TFSCS is now requesting the Authority to determine that TFSCS is financially sound for \$18,719,508, representing an additional \$6,113,860. This additional amount represents adjustment's to the "pupil grant" that OPSC originally approved upon preliminary apportionment, and adjustment to the cost of site acquisition, and additional costs associated with development and security of the property since preliminary apportionment. To assess TFSCS' continued financial soundness status for purposes of Final Apportionment, staff reviewed the following information, as submitted in November 2012: updated project information; current and projected financial information; updated enrollment and academic performance information; copies of the current charter and verification of the charter's expiration date; verification of TFSCS' compliance with the terms of its charter and good standing with its chartering authorities; an updated Legal Status Questionnaire; updated management and Board of Directors information; and disclosure of additional material changes that may have an impact on TFSCS' financial condition.

**Project Description:** TFSCS currently operates at five different leased sites throughout Los Angeles County under its current IUSD and State Board of Education (county-wide) charters. These sites are located within the Los Angeles Unified School District, Compton Unified School District, and Inglewood Unified School District boundaries. At these five sites, in 2011-12, TFSCS served 743 students. With its CSFP proceeds, TFSCS intends to

renovate a site at 3405 West Imperial Highway, Inglewood. At this site, TFSCS expects to house 350 students in a total of 19 classrooms and additional portable classrooms. Project completion is anticipated for 2014-15. TFSCS currently serves 187 students at the Inglewood site with the use of portables.

**Charter Compliance & Good Standing Letters:** TFSCS currently has a charter with Inglewood Unified School District and the State Board of Education. On December 4, 2012 and December 19, 2012, staff received documentation confirming TFSCS' good standing with its charter authorizers, SBE and IUSD, respectively, along with being in compliance with the charter agreements. TFSCS' current charters are set to expire on June 30, 2017 and June 30, 2015 for IUSD and SBE, respectively.

**Legal Status Questionnaire:** In November 2012, staff received TFSCS' response to the requests for disclosure contained in the Legal Status Questionnaire (LSQ), which included signatures of the TFSCS' Lead Administrator, Dr. Jeanette Parker, and Chair of TFSCS' Governing Board, Dr. Clark Parker. TFSCS did not disclose any material information relating to legal or regulatory proceedings or legal action in which it or any of its affiliates is a named party.

**Organizational Information:** TFSCS is a non-profit public benefit corporation with a 501(c)(3) status currently serving grades K-8. TFSCS received its first charter from the Los Angeles County Office of Education (LACOE) in 2003, and began instructional operations in 2003-04 with 282 students in grades K-3. Since its inception, TFSCS had been adding an additional grade each year but has no intention to add grades past the 8th grade.

**Educational Management Organization:** Not applicable.

**Management Experience:** Dr. Jeanette Parker has served as TFSCS's Chief Administrator and Superintendent since its inception in 2003-04. Dr. Parker holds a Ph.D. from St. Charles University, a Doctorate of Theology from Pacific International University, and a California Life Time General School Services Credential. Each TFSCS campus has a separate co-principal responsible for its administration.

Isabelita Bustamante has over 25 years of teaching experience. She has been with Today's Fresh Start Charter School since September 2003 serving in different capacities both as teacher and as principal. Ms. Bustamante graduated with a B.A. degree from Bukidon College, Philippines. She holds a California Clear Multiple Subject teaching credential. Presently Ms. Bustamante is serving as principal at Today's Fresh Start Charter School, Inglewood.

Erasmus Lascano has been employed with Today's Fresh Start Charter School since 2006, serving in various administrative positions. He earned his Master's in Administration and Supervision from Technological University of the Philippines in Manila Philippines. Currently, Mr. Lascano is enrolled in the Master's program at National University in Educational Administration and expected to complete that program in June, 2013. Presently, he is serving as Site Administrator for the SBE-Today's Fresh Start Charter School.

**Management Experience for Schools Open Less than Two Years:** Not applicable, as TFSCS has been in operation as a charter school since 2003.

**Board Experience:** TFSCS is managed by a Board of Directors consisting of eight directors who serve staggered two-year or three-year terms. The Board is responsible for approving long-range goals and annual objectives, monitoring general policies such as health and safety, and monitoring use and maintenance of facilities, fundraising, and the effective management of school resources.

Board Member	Expiration Date
Clark Parker	June 30, 2014
Jeanette Parker	June 30, 2014
Maury Wills	June 30, 2014
Errol Malcolm	June 30, 2014
Carol Freis	February 7, 2013
Julia Luna	July 27, 2013
Richard Moss	February 7, 2013
Clifford Taitt	July 27, 2013

**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 the Academic Performance Index (API) and Adequate Yearly Progress (AYP) per the No Child Left Behind Act of 2001. TFSCS has more than three years of reported API scores, allowing a review of progress and comparison to similar schools.

Today's Fresh Start - LACOE/SBE Charter	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>				
Met All AYP Criteria?	Yes	No	Yes	No
Criteria Met / Required Criteria	21 / 21	17 / 21	21 / 21	18 / 21
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)	1	1	2	4
API Base Similar Schools Rank (10 = best)	1	3	6	9
School's Actual Growth	42	34	64	22
Similar Schools Median of Actual Growth	15	19	5	12
Did School's Growth Exceed Median?	Yes	Yes	Yes	Yes

Today's Fresh Start - Inglewood Unified School District	FY 2009-10	FY 2010-11	FY 2011-12
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>			
Met All AYP Criteria?	Yes	Yes	No
Criteria Met / Required Criteria	4 / 4	5 / 5	3 / 5
Met API Indicator for AYP?	N/A	Yes	Yes
Met Graduation Rate?	N/A	N/A	N/A
<b>ACADEMIC PERFORMANCE INDEX (API)</b>			
Met Schoolwide Growth Target?	N/A	Yes	Yes
Met Comparable Improvement Growth Target?	N/A	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	N/A	Yes	Yes
API Base Statewide Rank (10 = best)	N/A	5	7
API Base Similar Schools Rank (10 = best)	N/A	N/A	N/A
School's Actual Growth	N/A	42	-39
Similar Schools Median of Actual Growth	N/A	N/A	N/A
Did School's Growth Exceed Median?	N/A	N/A	N/A

With two charter authorizations, TFSCS' student performance data is being recorded separately for the IUSD and SBE chartered schools. TFSCS-SBE (formerly chartered by Los Angeles County Office of Education) met its API growth target during each of the past four years, 2008-09 through 2011-12, and achieved API growth scores of 685, 719, 783, and 805 for each of these years, respectively. Based on its API base scores for 2008-09 through 2011-12, out of a best possible rank of 10, TFSCS-SBE ranked 1, 1, 2, and 4 statewide, respectively. However, against similar schools during the same period, TFSCS-SBE ranked 1, 3, 6, and 9, respectively, for these years, respectively, demonstrating marked improvement among similar schools. TFSCS-SBE met its AYP criteria in two of the past four years, 2008-09 and 2010-11. TFSCS-SBE is current in its third year of "Program Improvement" status per the No Child Left Behind Act of 2001.

TFSCS-IUSD has three years of student performance data (2009-10 through 2011-12) and met all of the AYP criteria during 2009-10 and 2010-11, but not for 2011-12. TFSCS-IUSD met its API growth target for 2010-11 and 2011-12 with API growth scores of 843 and 804, respectively. Due to an insufficient number of tests taken, TFSCS-IUSD did not receive API-related similar schools rankings in 2010-11 and 2011-12 but did receive a statewide ranking of "5" and "7" for 2010-11 and 2011-12, respectively.

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, charter schools are increasingly challenged in "making AYP" (meeting all AYP criteria). This requirement applies to both school wide performance and performance of each numerically significant subgroup within any school. 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; 56.8% for 2009-10, 67.6% for 2010-11, and 78.4% for 2011-12. This specific requirement will increase up until 2014 with the following percent-proficient thresholds: 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, charter schools are faced with increasing difficulty in making AYP<sup>1</sup>.

As described in the May 2009 Staff Report, TFSCS provided an explanation for its inconsistent academic performance and a description of remedial actions, including the hiring of two full-time credentialed counselors. TFSCS also attributed academic performance at that time to the significant amount of underperforming new students entering TFSCS. Staff acknowledges TFSCS' overall improvement in academic performance since 2009, especially its consistency in meeting API growth and improvement in API similar-school base-score rankings. As such, Staff considers TFSCS' performance sufficient to support a recommendation for financial soundness. Notwithstanding this recommendation, Staff will continue to monitor TFSCS' performance to ensure that it continues to maintain required AYP and API standards.

**Enrollment and Retention Rates:** TFSCS has shown consistent growth since its inception, growing from 282 students serving grades K-3 in 2003-04, to 743 students serving grades K-8 for 2011-12 to 866 for the current 2012-13 academic year, with much of the growth through 2008-09 being due to the addition of a new grade each year up to grade 8 at TFSCS-SBE. Currently, TFSCS operates four sites for TFSCS-SBE with a total enrollment of 679 students in grades K-8 and one site for TFSCS-IUSD with a total enrollment of 187 students in grades K-6. Over the past five years, TFSCS' student enrollment has grown on average 11% annually.

TFSCS projects growth to 964 students in 2013-14, 1,126 students in 2014-15 (first year of project occupancy), 1,132 students in 2015-16, and 1,140 students in 2016-17, representing overall growth of 274 students (31.6%) over four years. TFSCS projects that TFSCS-IUSD will grow to its capacity of 350 students by the second year of project occupancy (2015-16), compared to its current enrollment of 187 students.

Although TFSCS' aggregate year-to-year retention rates for 2006-07 through 2009-10 were substandard at 69.2%, 79.5%, 85%, and 83%, respectively, TFSCS has since increased its aggregate year-to-year retention rates as follows: 94.0% for 2010-11; 95.4% for 2011-12; and 94.0% for 2012-13. With respect to the individual charter schools, TFSCS-IUSD had year-to-year retention rates of 97.2%, 91.1%, and 96.0% for 2010-11, 2011-12, and 2012-13, respectively; and TFSCS-SBE, had year-to-year retention rates of 94.0%, 95.4%, and 94.0% for 2010-11, 2011-12, and 2012-13, respectively. Staff acknowledges the significant improvement in TFSCS' year-to-year retention rates for the past three years as compared to the previous four years.

As described in the May 2009 staff report, TFSCS offered a number of explanations for its low retention trends. It was TFSCS' position that the actions unfairly taken by LACOE in the revocation of their charter adversely impacted student retention, enrollment, and performance. Another reason for low student retention rates were attributed to the transient nature of the neighborhoods in which TFSCS schools are operated. Low percentages of home ownership and as short as nine months as the average time parents move to one

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<sup>1</sup> Information regarding AYP requirements is derived from the California Department of Education's "2010 Adequate Yearly Progress Report Information Guide."

place to another were cited as demographic factors that reduced student retention. In addition, TFSCS purported that the students in these regions tend to discontinue education at higher rates as you move into higher grades.

In consideration of TFSCS' consistent enrollment growth over the past five years; improvement in academic performance and retention rates since 2009; capacity to expand due to the CSFP project at the Inglewood site; and additional space at its other four sites, Staff considers TFSCS' enrollment projections to be reasonable.

**Financial Analysis:** Highlighted below are selected financial data and credit indicators used to evaluate TFSCS's ability to meet its CSFP obligation.

Staff's evaluation of TFSCS' financial performance is based on review of the following documents: (1) TFSCS' audited financial statements for 2007-08 through 2011-12, which include consolidated financial statements for 2009-10 through 2011-12; (2) TFSCS' First Interim Budget for 2012-13; (3) TFSCS' budget projections for 2013-14 through 2016-17; and (4) TFSCS' projected annual enrollment for 2012-13 through 2016-17.

Staff's analysis of TFSCS' financial projections are based upon the following assumptions: (1) project occupancy in 2014-15; (2) increases in enrollment from 866 students in 2012-13 to 964 in 2013-14, to 1,126 for 2014-15 (first year of project occupancy), and to 1,132 and 1,140 for 2015-16 and 2016-17, respectively; (3) projected ADA rates of 95% from 2012-13 through 2016-17; (4) general purpose block grant funding rates for 2011-12 of \$5,077, \$5,153, and \$5,306 for grades K-3, 4-6, and 7-8; respectively; (5) revenue growth (cost of living adjustments) to the general purpose block grant funding rates of 0% for each of 2013-14 and 2014-15, and 2.5% for 2015-16 and 2016-17; and (6) COLAs on teacher salaries of 2.7% for each of the projected years.

Today's Fresh Start Charter School	Actual FY 2009-10	Actual FY 2010-11	Actual FY 2011-12	1st Interim FY 2012-13	Projected FY 2013-14	Projected FY 2014-15	Projected FY 2015-16	Projected FY 2016-17
<b>ENROLLMENT PROJECTIONS</b>								
Enrollment	676	696	743	866	964	1,126	1,132	1,140
Average Daily Attendance	640	656	704	823	916	1,069	1,076	1,083
Average Daily Attendance (%)	95%	94%	95%	95%	95%	95%	95%	95%
<b>FINANCIAL PROJECTIONS</b>								
Total Revenues Available for CSFP Lease Payment	\$ 5,918,391	\$ 5,878,837	\$ 5,738,186	\$ 7,079,776	\$ 7,748,205	\$ 8,995,535	\$ 9,187,553	\$ 9,399,308
Total Expenses Paid Before CSFP Lease Payment Accounting Adjustments	5,664,602	5,179,729	5,369,111	7,003,057	6,018,291	7,007,597	7,170,814	7,335,641
Net Revenues Available for CSFP Lease Payment	\$ 253,789	\$ 699,108	\$ 369,075	\$ 76,719	\$ 1,729,914	\$ 1,987,938	\$ 2,016,739	\$ 2,063,667
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,528	\$ 477,528
Net Revenues After CSFP Lease Payment	\$ 253,789	\$ 699,108	\$ 369,075	\$ 76,719	\$ 1,729,914	\$ 1,987,938	\$ 1,539,211	\$ 1,586,139
<b>FINANCIAL INDICATORS</b>								
Net Revenues Available for CSFP Lease Payment	\$ 253,789	\$ 699,108	\$ 369,075	\$ 76,719	\$ 1,729,914	\$ 1,987,938	\$ 2,016,739	\$ 2,063,667
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	422.3%	432.2%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	422.3%	432.2%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	5.2%	5.1%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	4.3%	11.9%	6.4%	1.1%	22.3%	22.1%	16.8%	16.9%
Revenues / ADA	\$ 9,247	\$ 8,962	\$ 8,151	\$ 8,606	\$ 8,461	\$ 8,415	\$ 8,539	\$ 8,679
Expenses / ADA	\$ 8,851	\$ 7,896	\$ 7,627	\$ 8,512	\$ 6,572	\$ 6,555	\$ 7,108	\$ 7,214
Surplus (Deficit) / ADA	\$ 397	\$ 1,066	\$ 524	\$ 93	\$ 1,889	\$ 1,860	\$ 1,430	\$ 1,465
Net Working Capital	\$ 1,917,762	\$ 1,738,235	\$ 3,141,314					
Net Working Capital / Expenses	33.9%	33.6%	58.5%					

As of June 30, 2012, TFSCS had no long-term debt, and TFSCS's only note payable was a loan in the amount of \$1,000,000 from Drs. Clark and Jeanette Parker, which is anticipated



to be repaid by the end of the 2012-13 fiscal year. This note bears a 7% per annum interest rate and will mature on May 12, 2013.

Prior to the current year, TFSCS obtained two short term loans represented by two notes payable during 2007-08, totaling \$6,197,071, for purposes of site acquisition for the CSFP project. However, these notes payable were paid off as a result of TFSCS' 2011 Advance Apportionment for site acquisition.

Financial Performance: For 2007-08 and 2008-09, respectively, TFSCS recorded net deficits of \$110,493 and \$393,723 on revenues of \$5.05 million and \$5.77 million, and expenses of \$5.16 million and \$6.17 million, respectively, resulting in total net assets of \$2,321,152. For 2009-10, TFSCS recorded net revenues of \$253,789 on \$5.92 million in revenues and \$5.66 million in expenses. For 2010-11, TFSCS recorded net revenues of \$699,108 on \$5.88 million in revenues and \$5.18 million in expenses, resulting in net assets of \$3,274,049. For 2011-12, TFSCS recorded net revenues of \$369,705 on \$5.74 million in revenues and \$5.37 million in expenses, resulting in total net assets of \$3,643,124.<sup>2</sup> For the current year, 2012-13, TFSCS anticipates net revenues of \$1,076,719 before payment of the \$1,000,000 loan, but net revenues of \$76,719 after payment of the loan. In the projected years of 2013-14 and 2014-15 (first year of project occupancy), TFSCS anticipates net revenues of \$800,501 and \$1,460,809, respectively. For the two years following project occupancy, 2015-16 and 2016-17, TFSCS anticipates net revenues of \$2,016,439, and \$2,063,667, respectively, prior to CSFP payments. From 2007-08 through 2011-12, TFSCS did not raise private contributions and does not anticipate receiving contributions for future projected years.

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 \$18,719,508, TFSCS's annual CSFP payment will be \$477,528 beginning 2015-16, the first year following project occupancy. TFSCS' projected net revenues of \$2,016,739 for 2015-16 and \$2,063,667 for 2016-17 would provide debt service coverage levels of 422.3% and 432.2%, respectively, which are substantially above the minimum requirement. The CSFP payments would represent 5.2% and 5.1% of projected revenues for each of these years, respectively, which is well within the preferred maximum range of 10-15%.

Asset Position and Liquidity: On June 30, 2012, TFSCS reported holding \$2,068,964 in cash and cash equivalents, \$2,963,716 in account receivables, \$366,645 in investments, \$14,789 in funds due from other governmental entities, and \$20,238 in prepaid expenses, totaling \$5,434,352 in current assets. The current assets were offset by \$2,293,038 in current liabilities. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. TFSCS' NWC for 2010-11 and 2011-12 was \$1,738,235 and \$3,141,314, respectively, or 33.6% and 58.5% of total expenses for these years. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient.

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<sup>2</sup> The net revenues cited for 2010-11 and 2011-12 do not reflect the revenues resulting from TFSCS' receipt of its Advance Apportionment of \$6,006, 662 in March 2011.

**Strengths, Weaknesses and Mitigants**

- + TFSCS anticipates debt service coverage of 422.3% and 432.2% for the first two years after project occupancy, 2015-16 and 2016-17, respectively.
- + As of June 30, 2012, TFSCS had net working capital of \$3,141,314, representing 58.5% of expenses.
- + TFSCS-SBE met its API growth target for each of the past four years, including an API growth of 64 points and 22 points for 2010-11 and 2011-12, respectively, representing API growth scores of 783 and 805, respectively. TFSCS-SBE ranked 1, 3, 6, and 9 against similar schools based on its API base scores for 2008-09 through 2011-12, respectively. In addition, TFSCS-IUSD met its API growth target for both 2010-11 and 2011-12, and met all AYP criteria for 2009-10 and 2010-11, but not for 2011-12.
- + TFSCS has shown consistent growth since its inception, growing from 282 students serving grades K-3 in 2003-04, to 866 students serving grades K-8 for the current 2012-13 academic year, and anticipates enrollment growth to 1,126 students during the first year of project occupancy, 2014-15, and to 1,132 and 1,140 students during the first two years after project occupancy, 2015-16 and 2016-17.
- +/- TFSCS-SBE charter school met its AYP criteria in 2008-09 and 2010-11, but did not meet its AYP criteria in 2007-08 and 2009-10. TFSCS-SBE is currently on Program Improvement Status.

**Staff Recommendation:** Staff recommends that the California School Finance Authority (Authority) Board adopt Resolution 12-11 which determines that Today's Fresh Start Charter School (TFSCS) is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This recommendation is contingent upon TFSCS 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. This determination as it relates to 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.