

**CHARTER SCHOOL FACILITIES PROGRAM  
2011 LOTTERY FUNDING ROUND  
STAFF SUMMARY REPORT – OCTOBER 2015**

<b>Applicant/Obligor:</b>	Monseñor Oscar Romero Charter Middle School
<b>Project School:</b>	Monseñor Oscar Romero Charter Middle School
<b>CDS (County – District – School) Code:</b>	19-64733-0114959
<b>[Proposed] Project Location:</b>	To Be Determined
<b>County:</b>	Los Angeles
<b>Type of Project:</b>	New Construction
<b>District in which Project is Located:</b>	Los Angeles Unified School District
<b>Charter Authorizer:</b>	Los Angeles Unified School District
<b>Total OPSC Project Cost:</b>	\$14,681,242
<b>State Apportionment (50% Project Cost):</b>	\$7,340,621
<b>Lump Sum Contribution:</b>	\$0
<b>Total CSFP Financed Amount:</b>	\$7,340,621
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$374,513
<b>First Year of Occupancy of New Project:</b>	2017-18

<b>Applicant/Obligor:</b>	Monseñor Oscar Romero Charter Middle School
<b>Project School:</b>	Monseñor Oscar Romero Charter Middle School
<b>CDS (County – District – School) Code:</b>	19-64733-0114959
<b>[Proposed] Project Location:</b>	To Be Determined
<b>County:</b>	Los Angeles
<b>Type of Project:</b>	Rehabilitation
<b>District in which Project is Located:</b>	Los Angeles Unified School District
<b>Charter Authorizer:</b>	Los Angeles Unified School District
<b>Total OPSC Project Cost:</b>	\$962,010
<b>State Apportionment (50% Project Cost):</b>	\$481,005
<b>Lump Sum Contribution:</b>	\$0
<b>Total CSFP Financed Amount:</b>	\$481,005
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$24,541
<b>First Year of Occupancy of New Project:</b>	2017-18

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**Staff Recommendation:** Staff recommends that the California School Finance Authority (Authority) determine that Monsenor Oscar Romero Middle School (MORMS) is financially sound for purposes of the Charter School Facilities Program (“CSFP” or “Program”) Final Apportionment. This recommendation is contingent upon MORMS having 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 Authority notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.

**Background:** Pursuant to the Authority’s determination of financial soundness for Preliminary Apportionment, on May 26, 2010, the State Allocation Board awarded MORMS a Preliminary Apportionment in the amount of \$14,347,748 (\$13,464,960 for New Construction and \$882,788 for Rehabilitation). On June 8, 2011, the Authority found MORMS financially sound for Advance Apportionment for design in the amount of \$1,434,774.80 (\$1,346,496 for New Construction and \$88,278.80 for Rehabilitation), and the Office of Public School Construction issued Advance Apportionments for these amounts on August 26, 2011. MORMS is now seeking Final Apportionment to complete both CSFP projects. In 2015, OPSC reassessed the total project costs for the CSFP project as \$14,681,242 for New Construction and \$962,010 for Rehabilitation, representing total eligible project costs of \$15,643,252.

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting our financial soundness review of the MORMS. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	MORMS has met all the eligibility criteria for the Program: 1) a charter is in place; 2) MORMS has more than two years of instructional operations experience; and 3) is in compliance and in good standing with its chartering entity.
<b>Demographic Information</b>	<ul style="list-style-type: none"> <li>• MORMS demonstrated consistent growth in enrollment from its inception in 2007-08 to 2011-12 during which time it grew from 65 to 320 students in grades 6-8.</li> <li>• Since 2011-12, MORMS’ enrollment has remained relatively stable with enrollment ranging from 304 students to 340 students (340 students for the current 2015-16 academic year).</li> <li>• MORMS is projecting enrollment of 365 students in 2016-17, and 405 students in all subsequent years.</li> <li>• MORMS achieved year-to-year retention rates of 96% for each of 2013-14 and 2014-15.</li> </ul>
<b>Debt Service Coverage</b>	MORMS projects debt service coverage ratios of 179.3% and 164.3% during 2018-19 and 2019-20, respectively, the first two years of CSFP payments.

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<p><b>Other Financial Factors</b></p>	<ol style="list-style-type: none"> <li>1. MORMS does not rely on contributions.</li> <li>2. MORMS' CSFP lease payments are anticipated at 8.1% and 8.0% of revenues during the first two years after occupancy, which is within the recommended threshold of 15%.</li> <li>3. As of June 30, 2015, MORMS had net working capital of \$529,784, representing 16.5% of total expenses, and cash reserves in the amount of approximately \$320,000.</li> </ol>
<p><b>Student Performance</b></p>	<ul style="list-style-type: none"> <li>• Although MORMS did not meet all AYP criteria during the last four years reported upon, the majority of students at MORMS are English Language Learners, which presents an additional challenge in meeting the relatively high percent-proficient requirement (i.e. 89% in 2012-13) over these years.</li> <li>• Notwithstanding the limitation with California Department of Education's (CDE's) reporting on student performance due to the transition to Common Core standards, MORMS demonstrated improvement in meeting its Schoolwide Growth Target under API, with MORMS having met its target in each of 2010-11 through 2012-13 and increased its API growth score from 708 to 763 between 2009-10 and 2012-13.</li> </ul>

**Program Eligibility:** On October 5, 2015, verification was received from Los Angeles Unified School District (District) stating that MORMS is: 1) in compliance with the terms of its charter agreements, and 2) is in good standing with its chartering authority.

MORMS' charter is effective through June 30, 2017. As the charter school has been in operations for more than two years, it meets the minimum two-year operational requirement set forth by the Program regulations.

**Legal Status Questionnaire:** Staff reviewed MORMS' responses to the questions contained in the Legal Status Questionnaire (LSQ) (dated October 5, 2015). MORMS answered "No" to all LSQ questions.

**Project Description:** MORMS is requesting funding for both new construction and rehabilitation of permanent facilities on a District site that it shares with Berendo Middle School through a Proposition 39 agreement at 2670 W. 11<sup>th</sup> St., Los Angeles, California 90006. Through the lease of 1.1 acres from the District at this site, MORMS is proposing to construct a new two-story building with 16 classrooms that will also include administration offices, a multipurpose room with lunch servery, lunch shelter, courtyard and underground parking. The rehabilitation component represents the construction of one classroom, while the new construction component represents the remainder of the development. The project has received approvals from the Division of State Architect, CDE, and a partial site approval from the Department of Toxic Substances Control, which will be completed once soil removal is completed before start of construction. Construction is due to start in early 2016 and to be completed in Fall 2017, with occupancy starting in Fall 2017. Both projects together will provide capacity for 405 middle school students.

**Organizational Information:** MORMS commenced instructional operations in September 2007 with 65 students in sixth grade and has since grown to 340 students in grades 6-8.

The Youth Policy Institute (YPI), a Los Angeles-based non-profit organization that designs and operates education programs for low-income communities, has been a key developer of MORMS' educational programs and served in the development of MORMS' charter petition. YPI was similarly responsible for the development of the educational program and charter petition for Bert Corona Middle School, which has been in operations since 2004-05.

MORMS and Bert Corona Middle School were initially separate 501(c)(3) non-profit organizations; however, in July 2010, the 501(c)(3) status was consolidated into one non-profit organization, YPI Charter Schools, Inc., which assumes ongoing administrative oversight responsibility for both schools. Under this arrangement, both schools share a common Board of Directors and common Executive Director. YPI Charters, Inc. also provides accounting and information systems support to both schools. Notwithstanding the administrative oversight role of YPI Charter Schools, Inc., both schools operate independently and maintain their own financial operations, and both will continue to be subject to separate independent financial audits. The YPI Charters Schools, Inc. Executive Director, Yvette King-Berg, has indicated that the main purpose for this consolidation was to achieve economies of scale.

YPI and YPI Charter Schools, Inc. represent separate non-profit entities. While YPI retains involvement through having four of its senior staff, including the YPI Executive Director, on the YPI Charter Schools, Inc. Board, both entities have different Boards of Directors, and YPI Charter Schools, Inc. represents the primary oversight organization.

According to information provided by MORMS, the mission of MORMS is to prepare students for academic success in high school as well as post-secondary education, to be responsible and active participants in their community, and to be life-long learners. MORMS uses a learning model that treats all students as "gifted and talented," with an emphasis on effective education and collaborative inquiry.

MORMS' target population comes from the local community of the Pico-Union area, which is densely populated with low-income minority students. The school uses the community as its primary means of student recruitment through informational meetings with families, open houses and school tours. MORMS keeps a competitive advantage by placing a cap to remain small with a maximum enrollment of about 400 students.

**Educational Management Organization:** MORMS is not run by an EMO (see discussion above).

**Management and School Experience:** The resumes of the school's personnel and the management team demonstrate professional, experienced and qualified individuals serving in key capacities within the organization.

Ms. Yvette King-Berg has served as Executive Director of YPI Charter Schools Inc. since July 2010 wherein she has ultimate oversight authority over MORMS and Bert Corona Middle School. Ms. King-Berg was originally appointed Executive Director in January 2010

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to address both academic and financial performance. Prior to these positions, Ms. King-Berg served as Vice President of School Development and Advocacy – Southern California, California Charter Schools Association (July 2008 – January 2010). Ms. King-Berg holds a Masters in Educational Administration and a California Administrative Services Credential from National University.

Ruben Duenas has served as Chief Operating Officer for YPI Charter Schools Inc. since 2011. Prior to this position, Mr. Duenas served as Principal at Bert Corona Middle School (2006-11), Assistant Principal at Belvedere Middle School, East Los Angeles (2005-06), and Teacher/Lead Teacher at Hollenbeck Middle School (1995-2005). Mr. Duenas holds a Masters in Educational Administration from California State University, Dominguez Hills, and a California Multiple Subject Teaching Credential.

**Board Experience:** The YIP Charter Schools, Inc. Board of Directors is represented by the following table.

NAME	OCCUPATION	COUNTY OF RESIDENCE	TERM OF OFFICE
Eugene Straub, Board President	Chief Business Officer, Granada Hills Charter School	Los Angeles	2015-2017
Joe Lucente, Treasurer	Former Executive Director of Fenton Avenue Charter School	Los Angeles	2015-2017
Sandra Mendoza, Secretary	Executive Director, Central Neighborhood Council	Los Angeles	2014-2016
Alex Reza	Retired LAUSD Secondary Teacher and Community Activist	Los Angeles	2015-2017
Carlos Vaquerano	Executive Director of the Salvadoran American Leadership and Education Fund	Los Angeles	2014-2016
Mary Keipp	Program Director, Office of Instructional Development, UCLA	Los Angeles	2015-2017

**Management Experience for Schools Open Less than Two Years:** Not applicable, as MORMS began instructional operations in 2004-05 and exceeds the minimum instructional requirement of two years.

**Student Performance:** Pursuant to SB X51 (2010), a designated California State Commission was given the authority to review the Common Core State Standards (Standards), as promulgated by the U.S. Department of Education, and make recommendations to the California Board of Education (Board). This resulted in the Board’s adoption of the Standards for purposes of statewide accountability on academic performance. Although this adoption does not directly require all local educational agencies (LEAs) to adopt the standards, pursuant to Education Code, Sections 52060 through 52077, in order for districts to receive funding through a “Local Control Funding Formula” (LCFF)<sup>1</sup>, school districts must submit “Local Control and Accountability Plans” (LCAPs) to their respective county offices of education that address State and local educational priorities, and, pursuant to Education Code, Section 52060(d)(2), these priorities must include Common Core State Standards.

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<sup>1</sup> LCFF represents California’s new system for per-ADA funding of charter schools.

Assessments based on these Standards are derived from the “Smarter Balanced Assessment System,” a test that was field tested during 2014 and implemented in spring 2015 for purposes of establishing a baseline for comparing academic performance between schools, and subsequent improvement. Although baseline performance measures were initiated as scheduled in spring 2015, CDE’s Accountability Progress Reporting is not expected to capture these measures until spring of 2016 for purposes of comparing academic performance between schools and assessing academic improvement.

Staff notes that due to the transition to Common Core Standards, CDE’s Accountability Progress Reporting has significantly changed in that Growth Academic Performance Index (API) and Base API reporting have been temporarily suspended since 2013, API rankings are no longer being reported, and since 2013, Adequate Yearly Progress (AYP) reporting pursuant the No Child Left Behind Act of 2001 has been limited to public high schools receiving Title 1 funding when they meet specific enrollment criteria. In spite of these limitations, because of the impact of student performance on student enrollment stability and growth, and its implications for financial soundness, staff continues to review student performance reporting through 2012-13.

Staff also 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), has reflected increases each year up to 2012-13 when the percent-proficient requirement in both mathematics and English-language arts reached approximately 89%.<sup>[1]</sup> Therefore, with each successive year, charter schools have been 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.

MORMS has more than four years of reported API scores and AYP results, allowing a review of progress and comparison to similar schools. The following table summarizes MORMS’ student performance for 2009-10 through 2012-13, the four most recent years reported upon.

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<sup>[1]</sup> Information regarding AYP requirements are derived from the California Department of Education’s “2013 Adequate Yearly Progress Report Information Guide.”

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Monseñor Oscar Romero Middle School	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>				
Met All AYP Criteria?	No	No	No	No
Criteria Met / Required Criteria	8 / 17	13 / 17	14 / 17	15 / 17
Met API Indicator for AYP?	No	Yes	Yes	Yes
Met Graduation Rate?	N/A	N/A	N/A	N/A
<b>ACADEMIC PERFORMANCE INDEX (API)</b>				
Met Schoolwide Growth Target?	No	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	No	Yes	Yes	No
Met Both Schoolwide & CI Growth Targets?	No	Yes	Yes	No
API Base Statewide Rank (10 = best)	4	2	3	3
API Base Similar Schools Rank (10 = best)	10	4	9	8
School's Actual Growth	-36	54	19	9
Similar Schools Median of Actual Growth	25	20	12	N/A
Did School's Growth Exceed Median?	No	Yes	Yes	N/A

\* Although not in this table, for 2013-14, MORMS' API-base-score statewide and similar schools rankings were "4" and "7", respectively.

Although MORMS did not meet all AYP criteria during the last four years reported upon, a large proportion of students at MORMS are English Language Learners (more than 25%), which presents an additional challenge in meeting the relatively high percent-proficient requirement over these years. Notwithstanding the performance with AYP, MORMS demonstrated improvement in terms of meeting its Schoolwide Growth Target under API, with MORMS having met its target in each of 2010-11 through 2012-13 and increased its API growth score from 708 to 763 between 2009-10 and 2012-13. Based on API base score, MORMS' statewide rankings have been relatively low, with rankings of between "2" and "4" ("10" = best) over the reported years. However, its similar schools rankings have been substantially higher, with rankings of "10", "4", "9", "8" and "7" for 2009-10 through 2013-14, respectively. Overall, staff considers MORMS' performance to be sufficient to support a recommendation for financial soundness, given its improvement under API and the limitation with the availability of current performance data due to the transition to Common Core Standards.

**Student Enrollment and Retention Rates:** MORMS demonstrated consistent growth in enrollment from its inception in 2007-08 to 2011-12 during which time it grew from 65 to 320 students in grades 6-8. Over the past four years (since 2011-12), MORMS' enrollment has remained relatively stable with enrollment ranging from 304 students to 340 students, with enrollment of 340 students for the current 2015-16 academic year, all for grades 6-8. MORMS is projecting enrollment of 365 students in 2016-17 and 405 students in all subsequent years (occupancy of new facility expected to begin in 2017-18). Upon further inquiry with MORMS, staff was informed that, this year, MORMS moved from bungalow classrooms that comingle with classrooms from Berendo Middle School to a separate facility that it will occupy until the new facility is completed. This temporary move has resulted in an increase in enrollment from 304 students in 2014-15 to the current enrollment of 340 students (approximately 12%), which MORMS attributes to the attraction of a separate dedicated facility. Staff was also informed that the new facility, due for occupancy in 2017-18, is likely to attract additional students both through additional outreach efforts and the demand resulting from additional classroom space (increase from 12 to 16 classrooms).

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Based on the P2 Reports, MORMS has achieved average daily attendance (ADA) rates of 95%, 97%, and 99% for 2012-13 through 2014-15, respectively, which supports staff's assumption of an ADA rate of 97% in MORMS' financial projections. Furthermore, MORMS achieved year-to-year retention rates of 96% for each of 2013-14 and 2014-15, and has a current wait list of 29 students.

Based on the additional demand associated with the new facility and MORMS outreach efforts, as well as MORMS' current enrollment, wait list, and year-to-year retention rates, staff considers MORMS enrollment projections of 365 students in 2017-18 and 405 students in all subsequent years to be reasonable. In addition, MORMS' enrollment growth and stability is supportive of the recommendation for financial soundness.

**Financial Performance:** Highlighted below are selected financial data and credit indicators used to evaluate MORMS' ability to meet its CSFP obligation. Staff's evaluation of MORMS' financial performance is based on review of the following documents: (1) audited financial statements for 2011-12, 2012-13, and 2013-14; (2) MORMS' Unaudited Actuals for 2014-15; and (3) MORMS' budget projections for 2015-16 through 2019-20, as included with MORMS' adopted budget for 2015-16.

Monseñor Oscar Romero	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Budget FY 2015/16	Projected FY 2016/17	Projected FY 2017/18	Projected FY 2018/19	Projected FY 2019/20
<b>ENROLLMENT PROJECTIONS</b>								
Enrollment	319	339	304	340	365	405	405	405
Average Daily Attendance	302	328	302	330	354	393	393	393
Average Daily Attendance (%)	95%	97%	99%	97%	97%	97%	97%	97%
<b>FINANCIAL PROJECTIONS</b>								
Total Revenues Available for CSFP Payment	\$ 2,892,337	\$ 3,777,278	\$ 3,453,603	\$ 3,816,011	\$ 4,240,565	\$ 4,818,564	\$ 4,905,220	\$ 4,975,883
Total Expenses Paid Before CSFP Payment	2,701,024	3,018,260	3,210,952	3,712,626	3,823,811	4,034,762	4,189,747	4,320,277
Accounting Adjustments	10,478	9,422	11,949	-	-	-	-	-
Net Revenues Available for CSFP Payment	\$ 201,791	\$ 768,440	\$ 254,600	\$ 103,386	\$ 416,754	\$ 783,803	\$ 715,472	\$ 655,606
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,054	\$ 399,054
Net Revenues After CSFP Payment	\$ 201,791	\$ 768,440	\$ 254,600	\$ 103,386	\$ 416,754	\$ 783,803	\$ 316,418	\$ 256,552
<b>FINANCIAL INDICATORS</b>								
Net Revenues Available for CSFP Payment	\$ 201,791	\$ 768,440	\$ 254,600	\$ 103,386	\$ 416,754	\$ 783,803	\$ 715,472	\$ 655,606
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	179.3%	164.3%
Contributions	\$ 20,002	\$ 9,616	\$ 14,500	\$ 29,500	\$ 29,500	\$ 29,500	\$ 29,500	\$ 29,500
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	171.9%	156.9%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	8.1%	8.0%
Contributions / Revenues	0.7%	0.3%	0.4%	0.8%	0.7%	0.6%	0.6%	0.6%
Net Revenues After CSFP Payment / Revenues	7.0%	20.3%	7.4%	2.7%	9.8%	16.3%	6.5%	5.2%
Revenues / ADA	\$ 9,577	\$ 11,516	\$ 11,436	\$ 11,571	\$ 11,977	\$ 12,266	\$ 12,486	\$ 12,666
Expenses / ADA	\$ 8,944	\$ 9,202	\$ 10,632	\$ 11,257	\$ 10,800	\$ 10,270	\$ 11,681	\$ 12,013
Surplus (Deficit) / ADA	\$ 633	\$ 2,314	\$ 803	\$ 313	\$ 1,177	\$ 1,995	\$ 805	\$ 653
Net Working Capital	\$ 420,856	\$ 608,207	\$ 529,784					
Net Working Capital / Expenses	15.6%	20.2%	16.5%					

MORMS' financial projections and projected debt service coverage are based upon the following assumptions: (1) increases in enrollment as set forth above under "Student Enrollment and Retention Rates"; (2) projected ADA rates of 97% for 2015-16 through 2019-20; (3) average Local Control Funding Formula per-ADA target rates of \$8,788, \$9,192, \$9,547, \$9,721, and \$9,902 for 2015-16 through 2019-20, respectively based on there being approximately 96% to 97% unduplicated students between the categories of English-language Learners and students eligible for free and reduced-price meals; (4) cost

of living adjustment (COLA) on LCFF per ADA funding rate of 1.6% for 2016-17 and 2.0% for each of the subsequent years; and (5) COLAs on certificated salaries of 3.0% for each of 2015-16 through 2019-20. Staff notes that MORMS' projected budgets do not rely on private contributions to cover expenses, even though a small amount of private contributions is incorporated into the projections (\$29,500 per year). Staff has concluded that MORMS assumptions, including its assumptions regarding LCFF per-ADA rates, are reasonable for purposes of this financial soundness review.

Long Term Debt: Based on the review of the 2014-15 unaudited actuals, MORMS' only long-term debt is an amount owing of \$529,000 associated with the Advance Release on the CSFP project on which repayment is not required until the first year after project occupancy, 2018-19. This long term debt does not affect staff's recommendation for financial soundness.

Financial Performance/Change in Net Assets: For 2011-12, MORMS produced net revenues of \$169,653 on \$2.78 million in revenues and \$2.62 million in expenses. For 2012-13, MORMS produced net revenues of \$191,313 on \$2.87 million in revenues and \$2.70 million in expenses. In 2013-14, MORMS produced net revenues of \$759,018 on \$3.77 million in revenues and \$3.02 million in expenses. In 2014-15, based on unaudited actuals, MORMS produced net revenues of \$242,651 on \$3.44 million in revenues and \$3.21 million in expenses. For the current 2015-16 budget year, MORMS is projecting net revenues of \$103,386, and with the assumptions for projections described above, MORMS anticipates net revenues of \$416,754 and \$783,803 for 2016-17 and 2017-18 (first year of project occupancy), respectively. In 2018-19 and 2019-20 (first two years of CSFP payments), MORMS projects net revenues before payment of the CSFP obligation of \$715,472 and \$655,606.

Projected Debt Service Coverage of CSFP Payments: Assuming a 3.0% interest rate and 30-year repayment period, as well as an estimated combined project costs of \$15,643,252, MORMS' annual CSFP payment would be \$399,054 beginning 2018-19, the first year following project occupancy. MORMS' projected net revenues of \$715,472 for 2018-19 and \$655,606 for 2019-20 would provide debt service coverage levels of 179.3% and 164.3%, respectively, which meet the minimum requirement of 100.0%. The CSFP payments would represent 8.1% and 8.0% of projected revenues for each of these years, respectively, which are within the preferred maximum range of 10-15%. While MORMS includes private contributions in its projected revenues, such contributions represent less than 1% of revenues in all projected years, and MORMS does not rely on private contributions to meet the 100.0% debt service coverage requirement.

Staff performed a stress test on the financial model used in this analysis in order to assess what level of reduction in enrollment MORMS could withstand and still meet the minimum debt service coverage ratio of 100%. Staff found that MORMS can withstand an 8% reduction in enrollment (reduction of 36 students) and still meet the threshold.

Liquidity: Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. MORMS' NWC for 2012-13 and 2013-14 was \$420,856 and \$608,207, respectively, or 15.6% and 20.2% of total expenses, respectively. Based on the unaudited actuals for 2014-15, MORMS' NWC for 2014-15 was

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\$529,784, representing 16.5% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient. Also based on the unaudited actuals for 2014-15, as of June 30, 2015, MORMS reported holding approximately \$320,000 in cash.

Overall, staff finds that MORMS' financial performance supports a recommendation for financial soundness.

**Strengths, Weaknesses and Mitigants:**

- + MORMS is projecting debt service coverage ratios of 179.3% and 164.3% for the first two years after occupancy, 2018-19 and 2019-20.
- + MORMS' net working capital for 2013-14 and 2014-15 was \$608,207 and \$529,784, respectively, representing 20.2% and 16.5% of total expense for these years, respectively.
- + MORMS does not rely on contributions to meet the Program's debt service coverage requirement.
- + Since 2011-12, MORMS' enrollment has remained relatively stable with enrollment ranging from 304 students to 340 students (340 students for the current 2015-16 academic year). The new facility with 4 additional classrooms and MORMS' year-to-year retention rates of 96% for 2013-14 and 2014-15 support the projection of 405 students beginning in 2017-18.
- + MORMS demonstrated improvement in terms of meeting its Schoolwide Growth Target under API, with MORMS having met its target in each of 2010-11 through 2012-13 and increased its API growth score from 708 to 763 between 2009-10 and 2012-13.
- MORMS failed to meet all AYP criteria during the past four reported years, 2009-10 through 2012-13.

**Staff Recommendation:** Staff recommends that the California School Finance Authority (Authority) determine that Monsenor Oscar Romero Middle School (MORMS) is financially sound for purposes of the Charter School Facilities Program (CSFP) Final Apportionment. This recommendation is contingent upon MORMS having 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 Authority notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.