

MEMORANDUM

Date: October 23, 2015

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 15-35(b) Financially Sound Status of Roseland Charter School, on behalf of Roseland University Prep

Consideration of Resolution No. 15-35(b), approving that Roseland Charter School (Roseland), on behalf of Roseland University Prep, Roseland Charter School's high school project (RUP), has maintained a financially sound status for purposes of a Final Apportionment of \$17,371,160 under the Proposition 1D funding round of the Charter School Facilities Program (Program).

Background: On June 27, 2011, the Authority determined that Roseland was financially sound for a Preliminary Apportionment of \$13,470,182 through the Proposition 1D funding round of the Charter School Facilities Program, and at its July 12, 2011 meeting, the State Allocation Board (SAB) awarded Roseland a Preliminary Apportionment in this amount. On April 25, 2012, Roseland was found financially sound for Advance Apportionments for design and site acquisition for construction of a new facility for its high school program. Roseland received its Advance release of funds for design on May 31, 2012 (\$1,235,176.20) and site acquisition on June 19, 2013 (\$1,370,720).

On April 15, 2015, the Authority found Roseland, on behalf of RUP, financially sound for Final Apportionment of \$14,167,432 for the RUP project. In September 2015, with the availability of additional bond authority that returned to Proposition 1D, the Office of Public Construction reassessed the CSFP project for total project costs of \$17,371,160 based on expansion of the project, representing an increase in project costs of \$3,203,728 and an increase in the local matching share of \$1,601,864. The expanded project is intended to cover classroom-related facilities as well as ancillary structures. Roseland provided a letter, which describes the scope of the project expansion and states that the expansion will not result in any increase in staff, enrollment or annual operating expenses.

Re-assessment for Final Apportionment: Roseland has indicated its intent to cover the additional local match of \$1,601,864 through a lump-sum payment. To support its ability to make this lump-sum payment, Roseland has provided the following documents: (1) An account summary from the Sonoma County Treasury showing Roseland as having \$1,674,676 in a restricted account; and (2) a letter from the Ernest L. and Ruth W. Finley Foundation (Finley) indicating its commitment to provide a grant in the amount of \$1,000,000 towards the CSFP project. As Roseland has sufficient cash to provide the lump-sum payment without the Finley grant, Roseland has indicated its intent to return \$1,000,000 of its own funds back to unrestricted status once the Finley grant is received and the proceeds from the grant are set aside for the CSFP project.

Given that Roseland has demonstrated its ability to make a lump-sum payment towards the local matching share based on the additional project costs, the associated project expansion will not affect enrollment or annual operating expenses, and the Authority found

Roseland financially sound for Final Apportionment for the previous project costs on April 15, 2015, staff has concluded that Roseland is financially sound for the additional \$3,203,728 in project costs.

Staff notes that, in the recommendation for financial soundness to the board on April 15, 2015, staff reported debt service coverage levels of 135.4% and 120.1% for 2018-19 and 2019-20, respectively, based on project costs of \$14,167,432 and an assumed lump-sum payment of \$450,000. Upon reevaluation, the projected debt service coverage levels should have been 130.5% and 115.8% for 2018-19 and 2019-20, respectively, as the assumed lump-sum payment of \$450,000 was incorporated in error. Staff considers this difference as immaterial to its determination of financial soundness and that this determination to still stand based on the additional \$3,203,728 in project costs.

Notwithstanding this conclusion of financial soundness, staff has requested evidence of good standing from Roseland School District and an additional completed and signed legal status questionnaire from Roseland School District. As academic performance information beyond what was reported for the April 15, 2015 board meeting is not available at this time, staff was unable to reassess academic performance. In addition, staff considered Roseland's unaudited actuals for 2014-15 in terms of any changes to long term debt and requested Roseland to provide a statement that, since April 15, 2015, no material legal, financial or operational changes have occurred that would affect Roseland's financial soundness. Roseland's unaudited actuals demonstrate that Roseland has no long term debt, and Roseland provided a statement that no material changes have occurred since the previous determination of financial soundness. For additional information regarding staff's recommendation for financial soundness for Final Apportionment, staff refers the Board to the staff report presented at the April 15, 2015 meeting. A summary from that report along with specific updates is set forth below.

Criteria	Comments
Eligibility Criteria	Roseland has met all Program eligibility criteria: 1) a charter is in place and effective through June 30, 2018; 2) Roseland has at least two years of instructional operations; and 3) Roseland is in compliance with the terms of its charter and in good standing with its chartering authorizer.
Demographic Information	During the 2014-15 academic year, Roseland served 1,137 students in grades K-3 and 7-12 and projects enrollment of 1,503 students upon project occupancy in 2017-18. Roseland Charter has achieved consistent growth of approximately 16% per year over the past four years, retention rates of 95% and 97% and average daily attendance of 96% and 95% for 2013-14 and 2014-15, respectively.
Debt Service Coverage	Roseland's projected debt service coverage for 2018-19 and 2019-20 (first two years of CSFP payments) is 130.5% and 115.8%, respectively.

Other Financial Factors	<ol style="list-style-type: none">1. As of June 30, 2014, Roseland had cash-on-hand of \$2.57 million, and net working capital of \$3.73 million, representing 42.1% of expenses.2. Roseland has committed to making a \$1,601,864 lump-sum payment toward the local matching share.3. Roseland has \$1,674,676 in cash in a restricted account with the Sonoma County Treasury.
Student Performance	<ol style="list-style-type: none">1. Roseland met all AYP criteria in 2012-13.2. Roseland's statewide and similar-schools rankings for 2013-14 were "6" and "10" ("10" = best), respectively.3. Roseland met its API statewide growth target for 2010-11 and 2012-13.

Recommendation: Staff recommends that the California School Finance Authority Board determine that Roseland, on behalf of RUP, is financially sound for the purposes of the Charter School Facilities Program Final Apportionment in the amount of \$17,371,160, and approve Resolution 15-35(b). This recommendation is contingent upon Roseland 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.