

**CHARTER SCHOOL FACILITIES PROGRAM
2014 FUNDING ROUND
STAFF SUMMARY REPORT – JANUARY 2016**

Applicant/Obligor:	Da Vinci Design
Project School:	Da Vinci Design
CDS (County – District – School) Code:	19-65169-0119636
Proposed Location:	201 N. Douglas St., El Segundo, CA 90245
Type of Project:	New Construction
County:	Los Angeles
District in which Project is Located:	Wiseburn Unified School District
Charter Authorizer:	Wiseburn Unified School District
Total OPSC Project Cost:	\$113,576,914*
State Apportionment (50% Project Cost):	\$56,788,457*
Lump Sum Contribution:	\$56,788,457*
Total CSFP Financed Amount:	\$0.00
Length of CSFP Funding Agreement:	N/A
Assumed Interest Rate:	N/A
Estimated Annual CSFP Payment:	N/A
First Year of Occupancy of New Project:	2017-2018

The figures in the table reflect the inflation of current estimated total project costs by ten percent to account for the maximum adjustment to per-pupil grants expected at the January 2016 State Allocation Board meeting.

Staff Recommendation: Staff recommends that the California School Finance Authority (Authority) Board determine that Da Vinci Design (Da Vinci) is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) 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 Wiseburn Unified School District continuing to set aside bond proceeds in a restricted account designated for the Da Vinci Design CSFP project. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

Background: Da Vinci is the Applicant on the Application form, Form CSFA 03-01. However, Wiseburn Unified School District is the Applicant on the OPSC Preliminary Application, Form SAB 50-04. Da Vinci is under the umbrella of Da Vinci Schools, a 501(c)(3) non-profit organization that oversees four charter schools (refer to “Organizational Information” section below). The Authority found Da Vinci financially sound for Preliminary and Advance Apportionment at its November 20, 2014 board meeting, and the State Allocation Board approved Da Vinci’s Preliminary Apportionment at its November 25, 2014 board meeting. On July 17, 2015, Da Vinci received its Advance Release for design in the amount of \$3,348,638.60 and its Advance Release for site acquisition in the amount of \$16,848,000. Da Vinci is now seeking Final Apportionment based on current total project costs of \$103,251,740. In order to account for the State Allocation Board’s anticipated adjustment to the cost per pupil grant of not more than ten percent at its January 2016 meeting, the Authority is basing its financial soundness review on the current total project

costs plus a ten-percent inflator, representing total project costs of \$113,576,914, and a local match of \$56,788,457.

Da Vinci is planning to fund the local matching share of up to \$56,788,457 with a lump-sum payment provided through Wiseburn Unified School District (District). The District provided a commitment letter, dated October 28, 2014, as supportive of its commitment to fund the local match. This letter explains that a voter-passed bond measure in 2010 (Measure AA) provided that approximately \$87 million be specifically designated for the construction of the new facilities for Da Vinci. The letter also explains that additional proceeds from another voter-passed bond measure in 2007 (Measure A) provided that approximately \$7.85 million are available to support the District’s funding of the local match.

The District provided a copy of a “Trial Balance by Fund” Report, dated December 14, 2015, showing restricted funds set aside in four separate funds, including funds stemming from Measures A and AA, that total approximately \$42.6 million. In addition, the District provided documented evidence in the form of copies of general ledger journey entries and summary accounting reports showing its having expended the following out of its own reserves for the stated project component: \$47,650,802 for site acquisition; \$4,227,834 for design; and \$2,729,157 for new construction. Given its expenditures to-date, and allowing the amounts designated by OPSC for Advance Release for design and site acquisition (\$20,196,638 in-total) along with the amount spent on new construction, the District would need to provide approximately \$33.86 million to complete its lump-sum towards the local match. Therefore, based on the Report provided by the District, the District has sufficient funds in restricted accounts to cover the remaining amount towards the local match with the ten-percent inflator.

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

Criteria	Comments
Eligibility Criteria	Da Vinci meets all eligibility criteria, including having been in operations since 2009, having a charter in place through June 2018, and being in good standing with its chartering authority and in compliance with the terms of its charter.
Demographic Information	Da Vinci has grown from 196 students in 2009-10 to 512 students in grades 9 through 12 for the current 2015-16 year, and anticipates maintaining the same level of enrollment through 2018-19. For 2013-14, 2014-15, 2015-16, Da Vinci achieved year-to-year retention rates of 96.4%, 96.8%, and 97.4%, respectively.
Debt Service Coverage	Not applicable. Da Vinci will satisfy the 50% local match requirement by making an upfront payment of up to \$56,788,457 from the combination of expended project funds and general obligation bond proceeds currently on hand from a voter-approved local ballot measure.
Other Financial Factors	Although Da Vinci has received contributions averaging approximately \$220,000 annually from 2011-12 through 2014-15, the school conservatively projects contributions of \$157,000 in 2015-16 and \$110,000 in all future projected years. As of June 30, 2015, Da Vinci had net working capital of \$816,451, representing 17.3% of total expenses, which exceeds the preferred minimum of 5.0%.

Student Performance	In 2012-13, Da Vinci met 14 out of 15 AYP criteria, met its API growth target, and achieved an API growth score of 762.
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Program Eligibility: On November 5, 2015, the Authority received verification from the Wiseburn Unified School District confirming that Da Vinci is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority. Da Vinci’s current charter is effective through June 2018. Da Vinci has been in operations since 2009.

Legal Status Questionnaire: Staff reviewed Da Vinci responses, dated December 14, 2015, to the questions contained in the Legal Status Questionnaire (LSQ). Da Vinci responded “None” to all LSQ questions, indicating no disclosures to provide regarding material information relating to legal or regulatory proceedings or legal action in which it or any of its affiliates is a named party.

Project Description: In 2012, the Wiseburn School District voted to unify into a full K-12 district, and purchased a 13.7-acre site located at 201 N. Douglas Street in El Segundo. The site included a very large office building that had been recently vacated by a high-security aerospace firm. Da Vinci Schools intends to transform the building into a 21st century learning facility that co-locates two independent small learning communities under one roof, forming “Wiseburn High School.”

The Da Vinci charter schools are organized with four clusters of 6 classrooms on each 54,000 square foot plate. Each cluster is open to flexible hub spaces and smaller seminar rooms arranged around a central commons area that serve multiple programs. The Science Center occupies the second floor, for a total of 24 classrooms, and the Design Charter occupies the third and fourth floors for a total of 48 classrooms. The ground floor is dedicated to shared education, community, and administrative functions. The site contains sports fields and outdoor gathering spots for informal teaching sessions.

To summarize, the project area totals 217,000 square feet, with 72 classrooms, serving grades 9 through 12. The total project will serve two charter schools, and provide space for administrative, collaborative, and community activity functions. Sports fields, outdoor gathering and park space also will be developed.

Organizational Information: Da Vinci Schools was formed as a non-profit entity in 2008 under the name “Wiseburn 21st Century Charter Schools.” In March 2013, the name was changed to Da Vinci Schools. The State Board of Education approved Da Vinci Science in January 2009, and Da Vinci Design received its first charter in May 2009. Both schools began operations in August 2009, with Da Vinci Design serving 196 students, and Da Vinci Science serving 253 students in grades 9-12. In August 2011, Da Vinci Schools opened Da Vinci Innovation Academy as an additional program within Da Vinci Design that provided nonclassroom-based instruction to students in grades K-8. In August 2013, Da Vinci Schools opened Da Vinci Communications as a grades 9-12 school with 64 students in grade 9, and Da Vinci Innovation Academy opened as a separate K-8 school (no longer under Da Vinci Design). Overall, Da Vinci Schools’ enrollment has grown from 459 students across two schools in 2009-10 to 1,605 students across four schools in 2015-16.

According to the information provided in the Da Vinci Application, Da Vinci Schools exist to provide students a real world, project-based, college preparatory curriculum. The

Application indicates that Da Vinci Schools create and support a culture of high expectations for all, where students grow in knowledge and wisdom, develop new skills, and form safe and strong relationships with teachers, peers, parents, and the community. Furthermore, the K-8 school within the Da Vinci Schools exists to run a family collaborative instructional model that supports children to become caring, confident learners in a compassionate learning community that respects and values different interests, abilities, learning styles, ethnicities, and cultural backgrounds.

School Information (also refer to “Organizational Information” above): Students enrolled in Da Vinci Design are preparing for college and 21st century careers in architecture, product design, graphic design, and other jobs that call for skills in art, design, science and technology. Da Vinci Design engages students in a rigorous and relevant college preparatory curriculum that uses hands-on, project-based learning to give lessons real-world context and meaning. Students learn not only academic content but also the vital 21st century skills – including creativity, innovation, collaboration, problem-solving and communication – they need to become the next generation of artists, designers, thinkers and business leaders.

The Class of 2013 was the first full class of student to graduate from Da Vinci Schools. The 272 students graduating represented a 99% graduation rate, with acceptances to 187 different colleges and universities in California and across the nation.

EMO and School Management Experience: The description of experience of Da Vinci’s personnel and management team at the Educational Management Organization and the school level demonstrates that professional, experienced and qualified individuals are serving in key capacities within the organization, as described below.

Matthew Wunder is the Chief Executive Officer and a Founder of Da Vinci Schools with 25 years of experience as a teacher, counselor, school administrator, and entrepreneur in managing public education resources. Dr. Wunder’s collaborative leadership style and proven ability to motivate staff and build consensus have culminated in Da Vinci Schools attracting national recognition for innovative work in college preparation, real world learning, and business and industry partnerships. Da Vinci is one of only a few schools nationwide to receive a Next Generation Learning Challenges grant from the Bill and Melinda Gates and The William and Flora Hewlett Foundations. Dr. Wunder is a member of the board of trustees of Talking Teaching Network and serves on the statewide educational reform committee, CERTICC. He has previously served on the board of trustees of Palisades Charter High School, on the Association of California School Administrators ACSA/CAPEA Committee, and as an educational consultant for the California League of Middle Schools, where he developed curriculum for school administrators and facilitated professional development sessions. As a faculty member at Loyola Marymount University, he has taught “Business in Education, Leadership in Instruction, and Learning and Achievement” to master’s level students. From 2002-08, Dr. Wunder served as Principal of Wiseburn School District’s Richard Henry Dana Middle School, where he led the school to becoming a “California Distinguished School” and a “National Forum Middle School To Watch.” Prior to working in the Wiseburn School District, Dr. Wunder served as a school counselor in the Santa Monica-Malibu and Manhattan Beach Unified School Districts. Dr. Wunder holds a Master’s of Education degree, California Teaching Credential, Pupil Personnel Services Credential in School Counseling, and Tier I Administrative Credential from Loyola

Marymount University. Dr. Wunder holds a Doctorate in Education from Pepperdine University.

Tom Cox is the Chief Business Officer for Da Vinci Schools. He earned a B.A. from Whittier College in 1973 and a M.B.A. from UCLA in 1975 with a concentration in Accounting and Management. He earned his C.P.A. license and worked from 1975-78 for a C.P.A. firm. From 1978 to 1990, he worked for the Lennox School District as the Director of Budgets and Accounting. From 1990 to 2003, he worked for the Redondo Beach City/Unified Schools District, first as the Assistant Superintendent of Administrative Services and then as the Deputy Superintendent of Administrative Services. From 2003 to 2012, Mr. Cox served as Chief Business Officer for Wiseburn School District. Mr. Cox brings exceptional financial management skills, experience, and vision to the Da Vinci Schools.

Kate Parsons is Principal of Da Vinci Design and a founding teacher at Da Vinci Schools. She developed and implemented the Academic Intervention Program at Da Vinci Schools during the 2012-13 school year, and has served as a STSA teacher mentor and WASC self-study team leader. Ms. Parsons has five years of teaching experience in science and mathematics subject areas. She has served as a class advisor to facilitate student activities and fundraising, and has experience in coaching competitive club soccer teams. Ms. Parsons earned her B.S. in Education and Chemistry from Manhattan College in New York, where she also was a member of the women’s soccer team. Ms. Parsons is currently finishing her Master’s in Education in Educational Administration and Leadership through Arizona State University.

Board Experience: The seven members of the Governing Board have a variety of financial, entrepreneurial, civic, and educational experience. The following table depicts the current Board’s membership.

Name	Occupation	Title	County of Residence	Term
Chet Pipkin	Founder, Chairman, and President of Belkin International	Board President	Los Angeles	9/10/14 – 9/10/17
Dr. Donald Brann	Former State Trustee – Inglewood Unified School District; Former Superintendent of Wiseburn School District	Board Vice-President	Los Angeles	9/10/14 – 9/10/17
Cheryl Cook	Retired Sales Executive, Licensed Real Estate Agent, Small Business Owner, Community Member and Parent of Da Vinci alum	Board Secretary	Los Angeles	9/10/14 – 9/10/17
Art Lofton	Vice President, Global Quality - Northrop Grumman Aerospace Systems	Board Trustee	Los Angeles	7/16/15 - 7/16/18
Brian Meath	Principal – Nigro Karlin Segal & Feldstein LLP	Board Treasurer	Los Angeles	06/25/13 – 06/25/16
Israel Mora	General Manager – Courtyard Marriott LAX	Board Trustee	Los Angeles	01/31/13- 01/31/16

Jennifer Morgan	Vice President – South Bay insurance company	Board Trustee	Los Angeles	06/25/13 – 06/25/16
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According to the school’s charter agreement, the board will be fully responsible for the operation and fiscal affairs of the school. To highlight, the board will undertake the following duties, including but not limited to: 1) promote, guard, and guide the mission and vision of the school; 2) ensure adherence to all state and federal requirements; 3) hire, supervise, and evaluate the Executive Director; 4) monitor student achievement to ensure progress toward fulfillment of the school’s mission; 5) serve as school’s fiscal agent of the school; 6) oversee school’s annual budget and monthly cash flows; 7) contract with an external independent auditor to produce annual audit; and 8) such other duties as needed.

Management Experience for Schools Open Less than Two Years: Not applicable. Da Vinci began instructional operations in 2009-10 and exceeds the minimum instructional requirements 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. This adoption does not directly require all Local Educational Agencies to adopt the Standards. However, pursuant to Education Code, Sections 52060 through 52077, in order for districts to receive funding through their Local Control Funding Formulas (LCFFs), 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.

Assessments based on the Standards are derived from the “Smarter Balanced Assessment System,” a test planned for initial implementation in spring 2015, for purposes of establishing a baseline for comparing academic performance between schools, and subsequent improvement. As such, the Standards do not currently provide metrics for comparing academic performance between schools.

As a result of the transition to Common Core Standards, CDE’s Accountability Progress Reporting has significantly changed in that, since 2012-13, Growth Academic Performance Index (API) and Base API reporting has been temporarily suspended, API rankings are no longer being reported, and 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.

Although staff recognizes the limitation in the lack of current available academic performance reports, because of the implications for student enrollment stability and growth, staff is nevertheless considering academic performance as an indicator for financial soundness with this limitation in mind.

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), has reflected increases each year up to 2012-13 when the percent-

proficient requirement in both mathematics and English-language arts reached approximately 89%.^[1] Therefore, with each successive year, charter schools have been increasingly challenged in meeting all AYP criteria. This requirement applies to both school wide performance and performance of each numerically significant subgroup within any school.

The following table summarizes Da Vinci Design’s student performance through 2012-13.

Da Vinci Design	FY 2010/11	FY 2011/12	FY 2012/13
ADEQUATE YEARLY PROGRESS (AYP)			
Met All AYP Criteria?	No	N/A	No
Criteria Met / Required Criteria	8 / 13	N/A / N/A	14 / 15
Met API Indicator for AYP?	No	N/A	Yes
Met Graduation Rate?	N/A	N/A	N/A
ACADEMIC PERFORMANCE INDEX (API)			
Met Schoolwide Growth Target?	N/A	N/A	Yes
Met Comparable Improvement Growth Target?	N/A	N/A	Yes
Met Both Schoolwide & CI Growth Targets?	N/A	N/A	Yes
API Base Statewide Rank (10 = best)	3	N/A	6
API Base Similar Schools Rank (10 = best)	1	N/A	3
School's Actual Growth	N/A	N/A	16
Similar Schools Median of Actual Growth	N/A	N/A	N/A
Did School's Growth Exceed Median?	N/A	N/A	N/A

Staff notes that certain academic performance data were not available for 2010-11 and 2011-12. This is due to differences in the Da Vinci science-curriculum sequence for 9th, 10th, and 11th grade standardized testing. Da Vinci administered chemistry standardized tests, but not the general science test, to its 10th graders, which resulted in an inadequate participation rate. Da Vinci has since corrected the timing of standardized tests, allowing for calculation of API and AYP statistics in 2012-13.

In its first year of operations, Da Vinci achieved an API score of 693, and met 10 out of 13 AYP requirements. In 2010-11, Da Vinci met 8 out of 13 criteria, and in 2012-13, Da Vinci met 14 out of 15 criteria. In addition, Da Vinci met its API growth target in 2012-13 and achieved API growth scores of 746 and 762 for 2011-12 and 2012-13, respectively. Based on its API base scores, Da Vinci achieved statewide and similar schools rankings of “6” and “3”, respectively, for 2012-13, up from “3” and “1”, respectively, for 2010-11.

Enrollment Trends and Projections: Originally under Wiseburn Elementary School District, Da Vinci’s operations commenced in 2009-10 with 196 students in grades 9 and 10. In 2010-11, Da Vinci grew enrollment to 305 students in grades 9 and 10. In 2011-12, Da Vinci’s enrollment of 518 students in grades K-11 included students enrolled in its Innovation Academy (IA), which was its nonclassroom-based learning program serving grades K-8. In 2012-13, Da Vinci’s combined enrollment, including the IA program, was 650 students in grades K-12. In 2013-14, Da Vinci and IA began operating as standalone schools. As such, and as Da Vinci was ultimately intended to function as a grades 9-12 high school, in 2013-14, Da Vinci’s enrollment of 565 reflected 9-12 grades only. For 2014-15 and 2015-16, Da Vinci’s enrollment was 512 students, the same for both years, both in

^[1] Information regarding AYP requirements is derived from the California Department of Education’s “2013 Adequate Yearly Progress Report Information Guide.”

grades 9-12. Da Vinci is projecting enrollment to remain the same at approximately 512 students in grades 9-12, through all projected years (2016-17 through 2018-19).

For 2013-14, 2014-15, 2015-16, Da Vinci achieved year-to-year retention rates of 96.4%, 96.8%, and 97.4%, respectively. Based on the 2013-14 and 2014-15 audit reports, Da Vinci had average daily attendance (ADA) rates of 96% and 95%, respectively, consistent with the assumption of 95% for the ADA incorporated into the multi-year budget projections. Da Vinci has 634 students on its current waitlist.

Given Da Vinci’s consistent enrollment growth through 2013-14 and relatively stable enrollment since then, as well as Da Vinci’s retention rates and current wait list, staff considers Da Vinci’s enrollment projections to be reasonable.

Financial Analysis: Highlighted in this section are financial data, and credit indicators, used to evaluate Da Vinci’s ability to meet its obligations as an ongoing concern. The table below summarizes key aspects of the obligor’s past and projected financial performance.

Staff’s analysis of financial performance includes adjustments for capital outlay and loan repayment; therefore, our results may differ from audited figures presented by Da Vinci’s and the District’s representatives.

Da Vinci Design	Actual FY 2011/12	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Budgeted FY 2015/16	Projected FY 2016/17	Projected FY 2017/18	Projected FY 2018/19
ENROLLMENT PROJECTIONS								
Enrollment	518	650	565	512	512	512	512	512
Average Daily Attendance	488	636	541	489	486	486	486	486
Average Daily Attendance (%)	94%	98%	96%	96%	95%	95%	95%	95%
FINANCIAL PROJECTIONS								
Total Revenues Available for CSFP Payment	\$ 3,989,299	\$ 5,162,890	\$ 4,539,151	\$ 4,728,688	\$ 5,550,275	\$ 4,860,243	\$ 5,015,496	\$ 5,092,547
Total Expenses Paid Before CSFP Payment	3,973,368	4,766,873	4,864,968	4,718,681	4,873,691	4,798,359	4,975,643	5,080,121
Accounting Adjustments	-	-	-	17,749	-	-	-	-
Net Revenues Available for CSFP Payment	\$ 15,931	\$ 396,017	\$ (325,817)	\$ 27,756	\$ 676,584	\$ 61,884	\$ 39,853	\$ 12,426
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenues After CSFP Payment	\$ 15,931	\$ 396,017	\$ (325,817)	\$ 27,756	\$ 676,584	\$ 61,884	\$ 39,853	\$ 12,426
FINANCIAL INDICATORS								
Net Revenues Available for CSFP Payment	\$ 15,931	\$ 396,017	\$ (325,817)	\$ 27,756	\$ 676,584	\$ 61,884	\$ 39,853	\$ 12,426
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	\$ 234,901	\$ 385,236	\$ 119,146	\$ 132,324	\$ 156,775	\$ 110,000	\$ 110,000	\$ 110,000
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
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions / Revenues	5.9%	7.5%	2.6%	2.8%	2.8%	2.3%	2.2%	2.2%
Net Revenues After CSFP Payment / Revenues	0.4%	7.7%	-7.2%	0.6%	12.2%	1.3%	0.8%	0.2%
Revenues / ADA	\$ 8,167	\$ 8,114	\$ 8,395	\$ 9,670	\$ 11,411	\$ 9,992	\$ 10,311	\$ 10,470
Expenses / ADA	\$ 8,134	\$ 7,492	\$ 8,998	\$ 9,650	\$ 10,020	\$ 9,865	\$ 10,230	\$ 10,444
Surplus (Deficit) / ADA	\$ 33	\$ 622	\$ (603)	\$ 20	\$ 1,391	\$ 127	\$ 82	\$ 26
Net Working Capital	\$ 860,426	\$ 1,256,443	\$ 834,835	\$ 816,451				
Net Working Capital / Expenses	21.7%	26.4%	17.2%	17.3%				

Staff’s financial analysis of Da Vinci is based upon review of the following documents: (1) four years of audited financial statements (2011-12 through 2014-15) (2) 2015-16 adopted budget and (3) multi-year projections for 2016-17 through 2018-19. Additionally, Da Vinci provided enrollment projections through 2018-19.

Da Vinci’s financial projections are based upon the following assumptions: (1) occupancy of the CSFP project in 2017-18; (2) increases in enrollment as described above; (3) 2016-17 Local Control Funding Formula (LCFF) Per-ADA Targeted funding rates (grades 9-12) of \$9,750, \$9,957, \$10,157 for 2016-17, 2017-18, and 2018-19, respectively; and (4) projected ADA rates of 95% which are in line with the school’s historical ADA trend. Expense

categories including salaries and benefits, such as books and supplies, services and miscellaneous expenses, increase with enrollment growth and a 2% COLA.

Staff notes that it considers Da Vinci's assumptions to be reasonable in light of Da Vinci's enrollment growth, historical average daily attendance, and Da Vinci's LCFF rate structure as it compares to the target rates promulgated by the California Department of Education.

Contributions: Based on audited financial statements, Da Vinci's contributions over the last four years were as follows: \$234,901 for 2011-12, \$385,236 for 2012-13, \$118,146 for 2013-14, and \$132,324 for 2014-15. Da Vinci projects contributions of approximately \$157,000 in 2015-16, and conservatively projects \$110,000 in contributions in the projected years, which are well supported by its historical performance.

Long-Term Liabilities: As of June 30, 2015, Da Vinci maintained no long-term liabilities. Wiseburn had \$165.6 million in outstanding general obligation bonds, including \$5.3 million issued in 2013-14 (final bond issuance), all of which are repaid from assessed-value property taxes. Moody's Investor Service currently rates Wiseburn's general obligation bonds at 'Aa3' with a stable outlook.

Financial Performance: Based on the audited financial statements for 2011-12, Da Vinci recorded net revenues of \$15,931 (virtually breaking even) on \$3.75 million in revenues, \$234,901 in contributions, and \$3.97 million in expenses. In 2012-13, Da Vinci recorded net revenues of \$396,017 on \$4.78 million in revenues, \$385,236 in contributions, and \$4.77 million in expenses. In 2013-14, Da Vinci recorded a net deficit of \$325,817 on \$4.42 million in revenues, \$119,146 in contributions, and \$4.86 million in expenses. In 2014-15, Da Vinci recorded net revenues of \$10,007 (virtually breaking even), on \$4.60 million in revenues, \$132,324 in contributions, and \$4.72 million in expenses. According to its adopted budget, for 2015-16, Da Vinci is projecting net revenues of \$676,584 on \$5.39 million in revenues, \$156,775 in contributions, and \$4.87 million in expenses. For 2016-17 through 2018-19, Da Vinci is projecting net revenues of \$61,884, \$39,853, and \$12,426, respectively (virtually breaking even each year). With respect to 2013-14, Da Vinci did provide an explanation of its net deficit to staff, which was that the Da Vinci board decided to make some one-time expenditures, mostly associated with the Common Core curriculum and technology purchases, as it was determined that Da Vinci held sufficient reserves (between 20%-25% of total annual expenditures).

Staff notes that, although Da Vinci relies significantly upon contributions in order to meet its operating budget requirements, having demonstrated breaking even in three of the four years supported by audited financial statements, and projecting to break-even in 2016-17 through 2018-19, staff finds that its ability to consistently receive necessary contributions is well supported. Further, given that Da Vinci's projections for contributions are conservative relative to its historical performance (\$110,000 per year), and Da Vinci has historically demonstrated substantial net working capital (refer to "Liquidity" section below), staff considers Da Vinci's ability to withstand an unexpected reduction in enrollment to be strong. Finally, Da Vinci's enrollment projections of 512

students through all projected years are conservative based on its consistent growth during its first three years of operations and stability thereafter.

Projected Debt Service Coverage of CSFP Payments: Wiseburn anticipates full funding the upfront contribution with the combination of expended project funds and general obligation bond proceeds currently on hand.

Liquidity: At June 30, 2015, Da Vinci reported holding \$1,340,991 in cash or cash equivalents. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Da Vinci's NWC for 2013-14, and 2014-15 was \$834,835 and \$816,451, respectively, or 17.2% and 17.3% of total expenses for these years. Staff considers NWC equivalent of at least 5.0% of total expenses to be sufficient.

Strengths, Weaknesses and Mitigants:

- + Da Vinci has sufficient bond proceeds on hand to meet its local matching share through a lump sum payment.
- + Based on the review of audited financial statements, Da Vinci has demonstrated adequate financial and operational performance as an ongoing capable concern.
- + Beginning with 196 students in 2009-10, Da Vinci has grown to 512 students in 2014-15 and has maintained stable enrollment for 2015-16. Da Vinci has a current waitlist of 634 students.
- + For 2013-14, 2014-15, and 2015-16, respectively, Da Vinci achieved year-to-year retention rates of 96.4%, 96.8%, and 97.4%. For 2013-14 and 2014-15, respectively, Da Vinci had average daily attendance (ADA) rates of 96% and 95% in 2013-14 and 2014-15.
- +/- Da Vinci met its API growth targets for 2012-13. In addition, Da Vinci achieved API growth scores of 746 and 762 for 2011-12 and 2012-13, respectively. Based on its API base scores, Da Vinci achieved statewide and similar schools rankings of "6" and "3", respectively, for 2012-13, up from "3" and "1", respectively, for 2010-11.

Staff Recommendation: Staff recommends that the California School Finance Authority (Authority) Board determine that Da Vinci Design (Da Vinci) is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) 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 Wiseburn Unified School District continuing to set aside bond proceeds in a restricted account designated for the Da Vinci Design CSFP project. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.