

**CHARTER SCHOOL FACILITIES PROGRAM
2010 LOTTERY FUNDING ROUND
STAFF SUMMARY REPORT – MAY 2016**

Applicant/Obligor:	Yuba River Charter School
Project School:	Yuba River Charter School
CDS (County – District – School) Code:	29-10298-0114322
Type of Project:	New Construction
Proposed Project Location:	Nevada County, California
County:	Nevada County, California
District in which Project is Located:	Grass Valley School District
Charter Authorizer:	Nevada County Office of Education
Total OPSC Project Cost:	\$9,618,658
State Apportionment (50% Project Cost):	\$4,809,329
Lump Sum Contribution:	n/a
Total CSFP Financed Amount:	\$4,809,329
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$245,368
First Year of Occupancy of New Project:	2017-18

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Yuba River Charter School (Yuba River) is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This determination as it relates to Final Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Yuba River electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

Background: Yuba River received a Preliminary Apportionment of \$8,502,512 at the State Allocation Board meeting on May 28, 2008. At its February 8, 2011 board meeting, the Authority found Yuba River financially sound for Advance Apportionment. On May 31, 2011, Yuba River received an Advance Apportionment for design in the amount of \$764,752 and an Advance Apportionment for site acquisition in the amount of \$750,000. Yuba River is now seeking Final Apportionment for total project costs of no more than \$9,618,658.

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

Criteria	Comments
Eligibility Criteria	Yuba River meets all eligibility criteria, including having been in operations for more than two years, having a charter in place through June 2017 and being in good standing with its chartering authority and in compliance with the terms of its charter.
Demographic Information	<ul style="list-style-type: none"> • Yuba River serves grade levels K-8 and has current enrollment of 302 students for the 2015-16 school year. • Over the past six years, Yuba River has demonstrated stable enrollment, and anticipates 298 students in 2016-17 and 308 students in each of 2017-18 through 2019-20. • Yuba River achieved year-to-year retention rates of 98% for each of 2014-15 and 2015-16.
Debt Service Coverage	Debt service coverage for 2018-19 and 2019-20 are projected to be 147.8% and 121.9%. This indicates adequate coverage of the CSFP payment.
Other Financial Factors	The CSFP payment as a percentage of revenues in 2018-19 through 2019-20 is on average projected to be 8.5% of revenues.
Student Performance	<ul style="list-style-type: none"> • Notwithstanding the limitation in CDE's most recent reports covering the four-year period of 2009-10 through 2012-13, Yuba River met its API Schoolwide growth target in three of the four most recent years reported upon, all years except 2012-13. • Yuba River met all AYP criteria in only one of the four most recent years reported upon, 2011-12.

Program Eligibility: In March 2016, verification was received from the Nevada County Superintendent of Schools, confirming that Yuba River is: (1) in compliance with the terms of its charter agreement, and (2) is in good standing with its chartering authority. Yuba River's charter is effective through June 30, 2017.

Legal Status Questionnaire: Staff reviewed Yuba River's responses to the questions contained in the Legal Status Questionnaire (LSQ), signed by Yuba River's Chief Executive Officer and Board of Directors President on February 24, 2016. Yuba River answered "None" to all LSQ questions, indicating there are 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: Yuba River is requesting CSFP final conversion for New Construction on a purchased site at 11157 Rough and Ready Highway, Grass Valley, California. Covering an overall area of approximately 13 acres, the proposed CSFP project consists of 11 new classrooms as well as additional facilities for special education, administration, library, tutoring, art, amphitheater, athletics, and parking. The project has a capacity for approximately 300 students in grades K-8, and the anticipated first year of occupancy is 2017-18.

Organizational Information: Yuba River commenced operations in 1994 with Twin Ridges Elementary School District as its charter authorizer. Subsequently, in 2007, Yuba River renewed its charter under Nevada County Office of Education. Yuba River defines itself as a traditional Waldorf school. The philosophy of a Waldorf education is “learning interdisciplinary, integrates practical, artistic, and intellectual elements, and is coordinated with ‘natural rhythms of everyday life’.” The Waldorf approach emphasizes the role of the imagination in learning, developing thinking that includes a creative as well as analytic component.” The instructional method emphasizes the whole child and frames its academic components within an artistic, creative and imaginative context. The teachers are Waldorf-trained, or are knowledgeable enough about the idea that they are able to successfully teach the child the curriculum.

Educational Management Organization: Not Applicable.

School Management: Ron Charles has served as Director/Interim Director since 2014 wherein he has been responsible for overseeing all aspects of school and community affairs. In addition, Mr. Charles served as Curriculum Specialist (2014-15) wherein he was responsible for assisting teachers in implementing strategic interventions and serving as a liaison to teachers in support of curriculum development. Prior to these positions, Mr. Charles served as a teacher at Yuba River (2007-14) and teacher at River Oak Charter (2003-07). Mr. Charles holds a Master’s in Education with an emphasis in cross-cultural teaching from National University, Sacramento, and has completed the Waldorf Teacher Training from Rudolf Steiner College, Fair Oaks, California.

Susan Egan has served as Business Manager of Yuba River since its inception in 1994. Prior to this position, Ms. Egan worked in a wide variety of management-level capacities with the banking and real estate industry. Ms. Egan holds a B.A. in Business Management from Union Institute and University, Sacramento.

Board Experience: The following table depicts the current Board (Charter Council) membership for Yuba River.

Name	Occupation	Title	County	Term
Suzanne Scirpo	Teacher	Facility Representative	Nevada County	2012-17
Leila Barber	Teacher	Facility Representative	Nevada County	2012-17
Dan Martinez	Teacher	Facility Representative	Nevada County	2012-17
Patrick Druding	Engineer	Parent Representative	Nevada County	2013-16
Ingo Zirpins	Physical Therapist	Parent Representative	Nevada County	2012-17
Theresia Heinzle-Evans	Psychologist	Parent Representative	Nevada County	2012-17

Name	Occupation	Title	County	Term
Veronica Morales	Health Care Provider	Community Member, Vice Chair	Nevada County	2012-17
Kathy Eldredge	Adjunct Professor	Community Member, Chair	Nevada County	2011-16
Katherine Woods	Teacher	Community Member	Nevada County	2015-17

According to Yuba River's charter, the roles and responsibilities of the Charter Council include, but are not limited to, the following: (1) overseeing that the school's program and operation are faithful to the terms of its charter, bylaws, policies, and its mission statement; (2) adopting policies that further clarify and assist in maintaining the mission and educational program; (3) ensuring that the school's academic programs are successful; (4) ensuring that the school is financially solvent by planning and budgeting to meet the school's goals; and (5) hiring the Director and evaluating his/her performance yearly.

Management Experience for Schools Open Less than Two Years: Not applicable; Yuba River initially began instructional activities during the 1994-95 school year. Yuba River's current charter went into effect in 2012 and is effective through 2017.

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 LCFF, school districts must submit "Local Control and Accountability Plans" (LCAPs) to their respective county offices of education that address State and local educational priorities. Furthermore, 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 initially implemented in spring 2015 for purposes of establishing a baseline for comparing academic performance between schools, and subsequent improvement. However, the follow up tests have not yet been completed, and CDE has not yet developed standardized reporting for such purposes.

Due to the transition to the Common Core State Standards, since 2013, CDE's Accountability Progress Reporting has significantly changed as follows: (1) Growth Academic Performance Index (API) and Base API reporting has been temporarily suspended; (2) rankings based on Base API scores are no longer being reported; and (3) 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, and this reporting only incorporates “Percent Proficient” into AYP for 2013-14¹.

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%.² 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.

Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school’s financial position. However, due to the recent changes to Common Core State Standards, student performance information for purposes of the financial soundness determination is limited to API up until 2012-13 and AYP up to 2012-13 with the exception of specific high schools receiving Title 1 funding.

The following table summarizes Yuba River’s student performance for the four most recent years that CDE has reported upon, 2009-10 through 2012-13.

Yuba River Charter	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	No	No	Yes	No
Criteria Met / Required Criteria	10 / 13	7 / 13	13 / 13	6 / 13
Met API Indicator for AYP?	Yes	Yes	Yes	No
Met Graduation Rate?	Yes	Yes	Yes	N/A
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	Yes	Yes	Yes	No
Met Comparable Improvement Growth Target?	Yes	No	Yes	No
Met Both Schoolwide & CI Growth Targets?	Yes	No	Yes	No
API Base Statewide Rank (10 = best)	2	2	2	3
API Base Similar Schools Rank (10 = best)	1	1	1	1
School's Actual Growth	21	13	22	-29
Similar Schools Median of Actual Growth	9	6	3	N/A
Did School's Growth Exceed Median?	Yes	Yes	Yes	N/A

Yuba River met all AYP criteria in only one of the past four years reported upon, 2011-12. Yuba River met the Schoolwide API growth targets in three of the four most recent years reported upon, all years except 2012-13. Based on API base scores, Yuba River’s Statewide and Similar Schools rankings were low, with Statewide and Similar Schools rankings of “3” and “1” (“10” = best), respectively, for 2012-13. In general, Yuba River’s performance was stronger in meeting API growth scores and weaker in meeting AYP criteria. Notwithstanding

¹ AYP Reporting for subsequent years only incorporates participation rates as a basis for meeting AYP criteria.

² Information regarding AYP requirements are derived from the California Department of Education’s “2013 Adequate Yearly Progress Report Information Guide.”

the limitation posed by the lack of current reportable data, due to the mixed performance during the most recent years reported upon, staff requested the school to provide an action plan, which is described below.

“Yuba River Charter School (YRCS) has identified several areas of focus to promote student success over the next few years: academic rigor, student academic achievement, regular assessment and student accountability, Common Core / Waldorf Curriculum alignment, development and implementation of an RTI (Response to Intervention) program in ELA (English Language Arts) and Math, effective preparation for high school, communication, and life skills.

In order to accomplish these goals, YRCS has hired a full-time credentialed Curriculum Specialist whose tasks are: to oversee ongoing development of curriculum and alignment to Common Core Standards (CCS); to research and coordinate the purchase of curriculum materials; to organize and oversee administration of Smarter Balanced Assessment (SBA); to maintain integrity of the assessment program school wide; to work with individual faculty to implement Common Core Standards (CCS); to work with individual faculty to meet benchmark goals for CCS; to communicate with faculty on assessment results and CCS regulations; to conduct classroom mentoring observations as needed, related to CCS; to work as the point person for all technology needs related to SBA; to discern faculty / staff training needs as related to CCS and SBA; to align Home Study curriculum and instruction with CCS; to assure that student assessment data from SBA are utilized in evaluating and continually enhancing curriculum and instruction; to promote the use of instructional best practices, and implement strategic academic interventions to help students improve their ELA and Math proficiency scores; to attend all Special Education meetings and liaison with our Special Ed and RTI (Response to Intervention) providers.

Our overarching goal is for our school to meet or exceed our growth API target by helping all students improve their ELA and Math proficiency scores. Over this school year, we have implemented a school-wide Universal Assessment in ELA at the beginning, middle and end of the year that identifies students in grades 1-8 who are in need of intervention. After more in-depth assessment of these students, credentialed teachers, specifically hired as Intervention Specialists, work with them in small groups to target their specific needs using a researched-based intervention program, Leveled Literacy Intervention by Fountas and Pinnell. We are developing the same type of RTI program in Math, using the Core Advantage Math Intervention program by Ironbox Education. We have just recently purchased California Collections, Houghton Mifflin’s ELA Common Core aligned textbooks and are awaiting samples from the Pearson sales representative for Common Core Math materials for possible adoption for the next school year. Currently, our middle school math program is leveled to meet the needs of students who are Algebra-ready, yet also provide the scaffolding and support needed by students who struggle with basic mathematical concepts. At the beginning of the school year, we opened a Computer Lab with 30 new MacBook computers, utilizing the support of our newly trained Instructional Media Resource Associate, or IMRA (formerly known as our Librarian). In our middle school this year, we are implementing a Computer Literacy curriculum called Cyber Civics and have also trained our teachers in administering the online SBA Interim Assessments to provide students with test-taking practice; we hope to use these more consistently in the upcoming school year. Earlier this school year, our School Director

and our Curriculum Specialist reviewed student SBA scores with teachers, helping them develop a plan for addressing low performing students and/or class-wide trends.”

Staff acknowledges Yuba River’s action plan as reasonable and capable of addressing academic improvement. Due to the limitation in CDE’s academic reporting not being recent, staff does not consider Yuba River’s mixed performance to be an impediment to the recommendation for financial soundness.

Enrollment and Retention Rates: Over the past six years, Yuba River has shown consistent student enrollment, with 289 students in 2010-11, 293 students in 2011-12, 312 students in 2012-13, 311 students in 2013-14, 292 students in 2014-15, and 302 students in 2015-16, all in grades K-8. Yuba River is projecting 298 students in 2016-17 and 308 students in each of 2017-18 through 2019-20, which is reasonable, given the historical stability. Yuba River achieved year-to-year retention rates for 2014-15 and 2015-16 of 98%. Based on the 2014-15 audit report and the 2015-16 P-2 Report, Yuba River had average daily attendance (ADA) rates of 95% and 96% for these years, which is consistent with the ADA assumption in the multi-year projections.

Overall, staff considers Yuba River’s stable enrollment and high retention rates as supportive of a recommendation for financial soundness.

Financial Analysis: Highlighted in this section are financial data and credit indicators used to evaluate the applicant’s ability to meet its CSFP obligations. The following table excerpted from the financial model created for each applicant summarizes key aspects of the school’s past and projected financial performance.

Staff’s financial review of Yuba River is based on three years of audited financial statements (2012-13 through 2014-15), the 2015-16 second interim budget, and financial projections through 2019-20 as provided by NCSOS and Yuba River. Yuba River expects to occupy the project in 2017-18 with 308 students and does not anticipate future material increases in enrollment.

Yuba River Charter School	Actual FY 2013/14	Actual FY 2014/15	Projected FY 2015/16	Projected FY 2016/17	Projected FY 2017/18	Projected FY 2018/19	Projected FY 2019/20
ENROLLMENT PROJECTIONS							
Enrollment	311	292	298	298	308	308	308
Average Daily Attendance	288	278	285	285	295	295	295
Average Daily Attendance (%)	93%	95%	96%	96%	96%	96%	96%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Payment	\$ 2,333,584	\$ 2,326,638	\$ 2,779,401	\$ 2,754,594	\$ 2,835,025	\$ 2,874,485	\$ 2,911,611
Total Expenses Paid Before CSFP Payment	2,111,072	2,223,023	2,329,960	2,363,969	2,452,333	2,511,909	2,612,562
Accounting Adjustments	-	-	-	-	-	-	-
Net Revenues Available for CSFP Payment	\$ 222,512	\$ 103,615	\$ 449,441	\$ 390,625	\$ 382,692	\$ 362,576	\$ 299,049
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245,368	\$ 245,368
Net Revenues After CSFP Payment	\$ 222,512	\$ 103,615	\$ 449,441	\$ 390,625	\$ 382,692	\$ 117,208	\$ 53,681
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Payment	\$ 222,512	\$ 103,615	\$ 449,441	\$ 390,625	\$ 382,692	\$ 362,576	\$ 299,049
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	147.8%	121.9%
Contributions	\$ 80,000	\$ 80,000	\$ 85,000	\$ 75,000	\$ 70,000	\$ 70,000	\$ 70,000
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	119.2%	93.3%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	8.5%	8.4%
Contributions / Revenues	3.4%	3.4%	3.1%	2.7%	2.5%	2.4%	2.4%
Net Revenues After CSFP Payment / Revenues	9.5%	4.5%	16.2%	14.2%	13.5%	4.1%	1.8%
Revenues / ADA	\$ 8,103	\$ 8,378	\$ 9,757	\$ 9,670	\$ 9,620	\$ 9,754	\$ 9,880
Expenses / ADA	\$ 7,330	\$ 8,005	\$ 8,180	\$ 8,299	\$ 8,321	\$ 9,356	\$ 9,698
Surplus (Deficit) / ADA	\$ 773	\$ 373	\$ 1,578	\$ 1,371	\$ 1,299	\$ 398	\$ 182
Net Working Capital	\$ 1,421,050	\$ 1,524,665					
Net Working Capital / Expenses	67.3%	68.6%					

Financial Performance – Staff’s analysis of financial performance includes expense adjustments for capital outlay and loan repayment; therefore, the results may differ from audited figures.

In 2013-14, Yuba River received revenues of \$2.33 million and expenses of \$2.11 million. Net assets for the period increased by \$222,512 after accounting for contributions of \$80,000. Revenues of \$2.33 million and expenses of \$2.22 million were recorded in 2014-15 which produced net revenues of \$103,615. Per the 2015-16 second interim budget, Yuba River expects to increase net revenues to \$449,441 after accounting for \$85,000 in contributions.

Yuba Rivers’ financial projections are based upon the following assumptions: (1) first full year of project occupancy in 2017-18; (2) projected enrollment as described above (under “Enrollment and Retention Rates”); (3) average Local Control Funding Formula (“LCFF”) per ADA target rates of \$7,985, \$8,227, \$8,261, and \$8,527 for 2016-17 through 2019-20. Yuba River’s financial projections assume an ADA rate of 96%, which is consistent with Yuba River’s historical ADA rate; (4) Yuba River has assumed COLA growth rates of 0.47%, 2.13%, 2.65%, and 2.72% in years 2016-17 through 2019-20, respectively. Certified and classified salaries increase in the financial projections by 2.0% to 4.0% with books, supplies, and services cost increasing annually at 1.0% to 2.0%.

For 2016-17, Yuba River is expecting net revenue of \$390,625, which is based on \$2.75 million in revenue and \$2.36 million in expenses. For 2017-18, the first year of project occupancy, Yuba River projects net revenue of \$382,692, which is based on \$2.84 million in revenue and \$2.45 million in expenses. For the first two years of CSFP payments, 2018-19 and 2019-20, Yuba River is projecting net revenues available for CSFP payment of \$362,576 and \$299,049, respectively.

Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liability from current assets. Yuba River’s NWC for 2014-15 was \$1.52 million. In the case of Yuba River, NWC equates to the schools net assets due to all assets and liabilities

categorized as current. NWC as a percentage of expenses in 2014-15 was 68.6%, which is above the preferred threshold of 5.0%. Per the 2014-15 audited financials, Yuba River maintained cash balances of \$1.12 million.

Projected Debt Service Coverage – Yuba River’s financial projections indicate that they will be able to afford the projected annual CSFP lease payment of \$245,368 as evidenced by the debt service coverage ratios of 147.8% and 121.9% projected for 2018-19 and 2019-20. With CSFP payments to be on average 8.5% of projected revenues for 2018-19 and 2019-20, staff believes that the CSFP payment will not significantly reduce the school’s flexibility to fund unforeseen costs during the term of repayment.

Strengths, Weaknesses and Mitigants

- + Projected debt service coverage ratios of 147.8% and 121.9% for 2018-19 and 2019-20.
- + Yuba River has demonstrated stable enrollment over the past six years and achieved year-to-year retention rates of 98% for each of 2014-15 and 2015-16.
- /+ Yuba River failed to meet all applicable AYP requirements in three of the four most recent years reported upon. Yuba River met its API Schoolwide Growth Target in three of the past four years reported upon, all years except 2012-13.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Yuba River Charter School (Yuba River) is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This determination as it relates to Final Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Yuba River electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.