

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – January 2019**

Applicant/Obligor:	Libertas College Prep
Project School:	Libertas College Prep
OPSC Application Number:	54/64733-00-102
CDS (County – District – School) Code:	19-64733-0131904
School Address (Proposed Site):	3550 S Western Avenue, Los Angeles, CA, 90018
Type of Project:	New Construction
Type of Apportionment:	Advance
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Total OPSC Project Cost:*	\$26,000,000
State Apportionment (50% Project Cost):	\$13,000,000
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$13,000,000
Length of CSFP Funding Agreement:	30 Years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$663,250
First Year of Occupancy:	2021-22

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of this financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Libertas College Prep (“School” or “Libertas”), is financially sound for purposes of an Advance Apportionment under the Charter School Facilities Program (“Program” or “CSFP”). This determination as it relates to Advance 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 Libertas College Prep 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 Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Background: In February 2018, the Authority found Libertas financially sound for a Preliminary Apportionment. Libertas was awarded its Preliminary Apportionment at the State Allocation Board’s May 2018 meeting.

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

Criteria	Comments
School Information	
Eligibility Criteria	Libertas College Prep has met all eligibility criteria: (1) Libertas College Prep began operation in 2015; (2) Libertas' charter was approved on August 26, 2014, and is in place through June 30, 2020; and (3) Libertas College Prep is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Libertas students have performed comparably to much better than local students from surrounding schools, the District as a whole, and the county per the "Smarter Balanced" assessment provided by the California Department of Education.
Demographic Information	Libertas College Prep currently has 270 students, and its enrollment is expected to grow to 450 students by 2022-23. The estimated first year of project occupancy is 2021-22, when the student body is estimated to be 390. Libertas College Prep's target population is a student body representative of the socioeconomic, racial, linguistic and cultural diversity of South Central Los Angeles.
Debt Service Coverage	The first year of occupancy for the construction project is 2021-22. The projected debt service coverage ratios are 220.7% for 2022-23 and 223.5% for 2023-24. This exceeds the Program's minimum debt service coverage requirement of 100%.
Other Financial Factors	Projected ratios of CSFP payments to operating revenues are 10.9% in 2022-23 and 10.6% in 2023-24 which are within the established maximum range of 10-15%. Net working capital of \$188,502 for 2016-17 and \$302,558 for 2017-18 represented 9.2% and 11.9% of total expenses, respectively, which exceeds the preferred minimum of 5.0%.

Program Eligibility: On December 6, 2018, at CSFA's request, verification was received from Los Angeles Unified School District ("LAUSD") confirming that Libertas College Prep (1) is in compliance with the terms of its charter agreement, and (2) is in good standing with its chartering authority. Libertas College Prep's current charter is effective through June 30, c2020.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. The applicant confirmed that there are no disclosures including civil or criminal cases filed in state or federal court, civil or criminal investigations by local, state or federal law enforcement authorities, and enforcement proceedings or investigations by local, state or federal regulatory agencies.

Project Description: Libertas is applying for new construction project costs. Currently, the school is located on a shared LAUSD campus located at 3875 Dublin Avenue in South Los Angeles. The target area for the new facility is near this campus, within 2 square miles of the cross streets of Jefferson and Western. The new facility will have 14 classrooms for general

education. Additionally, the campus will have a resource room for teachers, an office, a gym or outdoor area, and a multi-purpose room/auditorium. The proposed opening date of the project is July 1, 2021. Libertas has submitted for Contingent Site Approval on a property located at 3550 South Western Avenue in Los Angeles. The property is under contract for purchase by Libertas, and is expected to be acquired by spring 2019. The location of the site is within the school's target attendance area.

School Organizational Information: Libertas College Prep is a public charter school located within the boundaries of LAUSD. Libertas College Prep's initial charter was submitted to LAUSD in August 2014, was approved and is effective through June 30, 2020. Libertas College Prep is a direct-funded, independent charter school and is operated by a California public benefit corporation with Internal Revenue Service approved 501(c)(3) status. Libertas College Prep operates autonomously from the District, with the exception of the supervisory oversight as required by statute and other contracted services as negotiated between the District and the School.

Libertas College Prep is located in the Exposition and University Park neighborhoods of South Los Angeles, near the campus of the University of Southern California. Exposition Park is 56% Hispanic and 39% African American. University Park is composed of 48% Hispanic, 25% White, 16% Asian and 7% African American, with 43% of residents living below the poverty line. The school serves a population roughly 60% Hispanic and 40% African American. Based on LAUSD demographics, African American and Hispanic/Latino students graduate from high school and subsequently attend college at a lower rate than their Asian and White peers. Consequently Libertas has created a 4th – 8th grade "Middle School" curriculum that focuses on preparing their largely Hispanic and African American student body for high school and higher education.

According to information provided by the school, due to the academic gaps that many students from Exposition Park and University Park bring from elementary school to middle school, Libertas College Prep enrolls students starting in grade four, giving them the benefit of at least two additional years for remediation of academic gaps while incorporating rigorous upper elementary and middle school curriculum that will prepare them for high-performing high school opportunities. This is achieved by employing two strategic principles: (1) an intensive focus on foundational literacy and numeracy in the lower grades (four through six) and (2) college preparatory rigor in the upper grades (traditional middle school years of seven and eight). In the lower grades students have 175 minutes of literacy and 100 minutes of math, leveled small group reading instruction, and targeted tutoring. By the upper grades, students continue to have individualized instructional opportunities and work in guided seminar discussions, writing interpretive literary analysis essays, completing student-led research papers, conducting autonomous science labs, and conducting cognitive textual analysis across multiple genres as required by the Common Core. In addition to intensive academics, the school also develops student character by emphasizing academic perseverance, social intelligence and ethical decision making.

The headmaster of Libertas is Anna Carlstone-Hurst, a fellow at the Building Excellent Schools Fellowship, with lengthy experience in urban education. Ms. Hurst recently completed a leadership residency at Endeavor College Preparatory Charter School, a 2012 California Distinguished School. Allison Metz is the principal of Libertas. She is in her third year in the position.

Libertas is governed by a six-member board. For 2018-19, the members include: Kara Maguire, Board Chair; Bruce Dougan, Vice Chair; Greg Pope, Treasurer; Michael Lopez; Stephanie Hurder; and Gary Olson. Staff has reviewed the credentials of the key board members and determined them to have the proper background and experience to govern and effectively oversee the operations of Libertas College Prep.

School Academic Performance: The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of Libertas, the averages of similar local public schools (New Heights Charter School, 42nd Street Elementary, and Audubon Middle School), and the District. The results are provided through CDE's CAASPP Smarter Balanced testing data. The percentage of student groups performing below average is based on the number of student groups served, e.g. a school where one of four student groups performed below average would have a percentage of 25%. Student groups, as determined in Ed. Code Section 52052 (a)(2), are ethnic subgroups, socioeconomically disadvantaged pupils, English learners, pupils with disabilities, foster youth, and homeless youth. The data for student groups performing below average was first made available for 2016-17.

English Language Arts – Comparison

% of Students Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
Libertas	36.0%	41.5%	57.4%
Local Schools	32.8%	25.6%	24.5%
District	39.0%	39.6%	42.3%

All Students Performance

	2015-16	2016-17	2017-18
Libertas	N/A	Average	Highest
Local Schools	N/A	Low	Low
District	N/A	Low	Average

Student Groups w/ Below Avg. Performance

	2015-16	2016-17	2017-18
Libertas	N/A	0% (0/3)	0% (0/4)
Local Schools	N/A	66.7% (8/12)	75.0% (9/12)
District	N/A	61.5% (8/13)	30.7% (4/13)

Mathematics– Comparison

% of Students Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
Libertas	32.0%	39.3%	51.2%
Local Schools	22.6%	21.0%	19.3%
District	28.0%	29.9%	31.6%

All Students Performance

	2015-16	2016-17	2017-18
Libertas	N/A	Average	High
Local Schools	N/A	Low	Low
District	N/A	Low	Average

Student Groups w/ Below Avg. Performance

	2015-16	2016-17	2017-18
Libertas	N/A	0% (0/3)	0% (0/4)
Local Schools	N/A	58.3% (7/12)	66.7% (8/12)
District	N/A	61.5% (8/13)	46.2% (6/13)

Enrollment Trends and Projections: Libertas is currently limited to two classrooms per grade in a small Prop 39 facility. Only grades 4 and 5 were served in Libertas’s first year of operation. By 2018-19, Libertas will be serving grades 4 through 8, which are the grades intended to be served according to their charter petition. Once the new facility is built, they will be seeking a material revision from LAUSD to expand their charter to an enrollment of approximately 450 students and plan on adding an additional class per grade starting in 2022-23. Libertas’ current growth rate over their first couple of years demonstrates how successfully they have been able to recruit and retain students. From 2015 to 2016, Libertas’ enrollment grew 203%. From 2016 to 2017, Libertas’ enrollment grew 67%. For 2019-20, they have a projected enrollment growth of 14.8%, increasing enrollment from 270 to 310 students. Libertas’ enrollment projections increases to 93% in 2020-21 and 2021-22 to coincide with the completion of the new facility.

Libertas has a well-developed recruitment and marketing plan in which there is 2-3 days a week of active recruitment in the local community as well attendance at local events. Libertas has year round enrollment as it serves a large amount of students who have relocated or those not being served by local schools due to socioeconomic reasons. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

The tables below present enrollment information for Libertas from 2015-16 through 2023-24.

School Student Enrollment and Average Daily Attendance

	2015- 16	2016- 17	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22
Enrollment	89	162	220	270	310	340	390
ADA	96.5%	94.3%	93.7%	95.0%	95.0%	95.0%	95.0%

	2022- 23	2023- 24
Enrollment	450	450
ADA	95.0%	95.0%

School Financial Analysis: This financial analysis is based on the consideration and review of the following for Libertas, the financial obligor and Applicant: (1) audited financial statements for 2015-16 through 2017-18; (2) adopted budget for 2018-19; and (4) budget projections for 2019-20 through 2023-24 along with assumptions.

Assumptions: Libertas’ financial projections are based upon the following assumptions: (1) occupancy of the new construction project in 2021-22; (2) Libertas’ enrollment projections as provided above under “Enrollment Trends and Projections”; (3) ADA rates of at least 95%, which are consistent with historical performance; (4) the percentage of unduplicated pupil populations of 94% for all projected years; (5) Local Control Funding Formula (LCFF) per-ADA funding rate of \$10,227 for 2018-19; (6) revenue related COLA rates regarding projections of 2.57%, 2.67%, 2.90%, 2.80%, and 2.80% for 2018-19 through 2022-23 respectively, and (7) expense related COLA rates regarding projections of 3.00% for 2018-19 through 2022-23 respectively.

Long Term Liabilities: As provided by the 2017-18 audited financial statements, Libertas has a revolving loan with the Authority of \$250,000. The loan bears an interest rate of 0.3 percent and will be repaid during the months of September, October, November, December, January and February of each year. The loan originally had a term of five years and three years of repayment remain. The loan is expected to be paid in full in 2019-20. As of June 30, 2018, the remaining balance was \$100,002. On December 20, 2016, Libertas also entered into a loan agreement for the amount of \$500,000. The loan bears no interest and had a maturity date of June 30, 2018. The loan was fully repaid by the Charter School as of June 30, 2018.

Private Contributions: Libertas projects a very conservative amount of \$7,000 per year in private contributions for 2018-19 through 2020-21 and a less conservative amount of \$107,000 per year for 2021-22 through 2023-24. Though much higher than the very conservative amount used in earlier years, the \$107,000 per year averages less than 2% of operating revenue for Libertas. In addition, Staff has determined these projections to be reasonable based on the school’s actual fundraising totals from 2015-16 through 2017-18.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding Libertas’ financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

Item 4.1 – CSFP Staff Summary
 Libertas College Prep
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OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS									
	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
OPERATIONAL & FINANCIAL									
Enrollment	89	162	220	270	310	340	390	450	450
Average Daily Attendance (ADA)	86	153	206	257	295	323	371	428	428
Average Daily Attendance (%)	96.5%	94.3%	93.7%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
FTE Teachers	6	9	8	10	11	12	13	15	15
Pupil-Teacher Ratio	14.8	18.0	27.5	27.0	28.2	28.3	30.0	30.0	30.0
LCFF Sources/ADA	\$ 9,448	\$ 9,568	\$ 9,612	\$ 10,227	\$ 10,470	\$ 10,766	\$ 11,085	\$ 11,375	\$ 11,693
% Change		1.3%	0.5%	6.4%	2.4%	2.8%	3.0%	2.6%	2.8%
Operating Revenues/ADA	\$ 17,446	\$ 13,024	\$ 13,120	\$ 13,572	\$ 13,597	\$ 13,611	\$ 14,090	\$ 14,279	\$ 14,690
% Change		-25.3%	0.7%	3.4%	0.2%	0.1%	3.5%	1.3%	2.9%
Operating Expenses plus CSFP Lease/ADA	\$ 16,341	\$ 13,411	\$ 12,366	\$ 13,331	\$ 12,624	\$ 11,868	\$ 13,515	\$ 14,426	\$ 14,793
% Change		-17.9%	-7.8%	7.8%	-5.3%	-6.0%	13.9%	6.7%	2.5%
Free Cash Flow/ADA	\$ 1,105	\$ (387)	\$ 754	\$ 241	\$ 974	\$ 1,743	\$ 575	\$ (147)	\$ (103)
	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
DEBT SERVICE COVERAGE									
Total Operating Revenues	\$ 1,498,792	\$ 1,989,848	\$ 2,703,294	\$ 3,481,280	\$ 4,004,463	\$ 4,396,437	\$ 5,220,413	\$ 6,104,295	\$ 6,279,933
Total Operating Expenses	1,403,865	2,048,970	2,547,844	3,419,373	3,717,700	3,833,473	5,007,373	5,503,824	5,660,629
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	94,927	(59,122)	155,450	61,907	286,762	562,964	213,040	600,471	619,304
Add Back Capital Outlay	77,286	79,978	36,238	-	-	-	-	-	-
Add Back Depreciation	932	2,923	2,531	12,500	16,667	16,667	863,280	863,280	863,280
Adjusted Net Income Available for CSFP Lease Pymt.	173,145	23,779	194,219	74,407	303,429	579,631	1,076,320	1,463,751	1,482,584
CSFP Lease Payments	-	-	-	-	-	-	-	663,250	663,250
Free Cash Flow	\$ 173,145	\$ 23,779	\$ 194,219	\$ 74,407	\$ 303,429	\$ 579,631	\$ 1,076,320	\$ 800,501	\$ 819,334
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	220.7%	223.5%
DSC from LCFF Sources subject to CSFA Intercept							N/A	N/A	591.0%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.9%	10.6%
FUNDRAISING									
Fundraising for Operations	\$ -	\$ -	\$ -	\$ 7,000	\$ 7,000	\$ 7,000	\$ 107,000	\$ 107,000	\$ 107,000
Fundraising/Oper. Revenues	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	2.0%	1.8%	1.7%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	204.6%	207.4%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-648.1%	-665.7%
LIQUIDITY									
Current Assets	\$ 412,927	\$ 479,375	\$ 388,226						
Current Liabilities	103,774	290,873	85,668						
Net Working Capital	\$ 309,153	\$ 188,502	\$ 302,558						
Net Working Capital/Oper. Expenses	22.0%	9.2%	11.9%						
Unrestricted Cash & Cash Equivalents	\$ 61,248	\$ 154,987	\$ 121,632						
Unrest. Cash & CE/Oper. Expenses (Days)	16	28	17						
Unrest. Cash & CE/All Expenses (Days)	16	28	17						

Benchmark Summary (Threshold):

- Free Cash Flow/ADA – **Met:** \$330 average (>\$0)
- Free Cash Flow – **Met:** \$364,494 average (>\$0)
- CSFP Matching Share Payment/Operating Revenue – **Met:** 10.7% average (<15.0%)
- Debt Service Coverage (DSC) from Adj. Net Income – **Met:** 220.7% & 223.5% (>100%)
- DSC from Adjusted Net Income without Fundraising – **Met:** 204.6% & 207.4% (>100%)
- Net Working Capital/Operating Expenses – **Met:** 15.6% (>5.0%)
- Unrestricted Cash & Cash Equivalents/All Expenses – Not Met: 22 days (> 90 days)

Financial Analysis: Based on audited financial statements, Libertas exhibited free cash flow of, \$95,859, (\$56,199), and \$157,981 for 2015-16 through 2017-18, resulting in unrestricted cash and investments of \$61,248, \$154,987 and \$121,632 as of June 30, 2016, 2017 and 2018. Based on its adopted budget, Libertas is anticipated an increase in free cash flow of \$84,407 for 2018-19 fiscal year. Libertas' financial projections show the following increases to free cash flow for 2019-20 through 2023-24, respectively: \$303,430, \$579,631, \$1,076,320, \$800,501 and \$819,334.

Staff considers Libertas' liquidity as adequate, based on net working capital and cash and cash equivalents on-hand, as well as unrestricted cash and cash equivalents as portion of expenditures. As of June 30, 2017, Libertas had net working capital of \$188,502, representing 9.2% of expenditures, and as of June 30, 2018, Libertas' net working capital was greater at \$302,558, representing 11.9% of expenditures; both ratios exceeded the recommended minimum threshold of 5.0%. As of June 30, 2018, Libertas had \$121,632 in unrestricted cash and cash equivalents. Libertas' unrestricted cash and cash equivalents as portion of expenditures has averaged 22 days over the past five years, which is below the recommended minimum threshold of 90 days.

Libertas has chosen to enter into a loan repayment to cover the local matching share. Assuming a 3.0% interest rate, a 30-year repayment period, and a CSFP matching share amount of \$13,000,000, Libertas' annual CSFP payment would be \$663,250 commencing in 2022-23. Libertas' projected debt service coverage ratios from adjusted net income are 220.7% and 223.5% in 2022-23 and 2023-24, which are above the minimum requirement of 100%. The CSFP payments would represent 10.9% and 10.6% of the projected operating revenues for these years, which is below the maximum range of 15%.

It also should be noted that Libertas has been in discussion with the District regarding an augmentation grant to supplement a portion of the matching share requirement for the project. While discussions have been positive, Libertas did not include use of any such grant in their projections. Overall, staff's review of Libertas' financial performance finds that Libertas has demonstrated the ability to meet its operating expenses, projected debt service coverage, and has maintained adequate reserves and liquidity, all supportive of a recommendation of financial soundness.

Strengths, Weaknesses and Mitigants:

- + Libertas outperformed their District and local counterparts in Mathematics and English Language Arts in 2016-17 and 2017-18.
- + Libertas's available net working capital averages 15.6% of operating expenses for 2015-16 through 2017-18.
- + Libertas meets debt service coverage without their projected fundraising amount by 220.7% in 2022-23 and by 223.5% in 2023-24, respectively. This meets the Program's minimum debt service coverage requirement of 100%.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Libertas College Prep is financially sound for the purposes of Charter School Facilities Program Advance Apportionment. This determination as it relates to Advance 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 Libertas College Prep 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 Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.