

**Charter School Facilities Program (CSFP)
Prop 1D Funding Round
Staff Summary Report – November 2019
Item #6 Resolution No. 19-34**

Applicant/Obligor:	Roseland Charter School
Project School:	Roseland Charter School
CDS (County – District – School) Code:	49-70904-0101923
School Address/Proposed Site:	1683 Burbank Ave. Santa Rosa, CA 95407-6928
Type of Project:	New Construction / Rehabilitation
Office of Public School Construction (OPSC) Project Numbers:	New Construction – 54/70920-00-003 Rehabilitation – 54/70920-00-002
Type of Apportionment:	Final
County:	Sonoma
District in which Project is Located:	Roseland School District
Charter Authorizer:	Roseland School District
	NC: \$15,795,118
Total OPSC Project Cost:*	Rehab: \$987,310
	Total: \$16,782,428
	NC: \$7,897,559
State Apportionment (50% Project Cost):	Rehab: \$493,655
	Total: \$8,391,214
Lump Sum Contribution:	N/A
	NC: \$7,897,559
Total CSFP Financed Amount:	Rehab: \$493,655
	Total: \$8,391,214
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	2.50 %
	NC: \$377,327
Estimated Annual CSFP Payment:	Rehab: \$23,586
	Total: \$400,912
First Year of Occupancy of New Project:	2021-22

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

Staff recommends the California School Finance Authority (“Authority” or “CSFA”) Board determine that Roseland Charter School (“Roseland” or “School”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) 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. This recommendation is contingent upon Roseland electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the California Education Code. Staff recommends that the Authority Board direct staff to notify “OPSC” and the State Allocation Board regarding this determination.

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 financially sound for Final Apportionment of \$14,167,432 for its CSFP 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. In October 2015, OPSC and Roseland began the process of relocating the projects per Roseland’s request from the Sheppard Elementary sites to the Roseland Creek Elementary School site. Both these schools are located in the Roseland School District (“District” or “RSD”). Project timelines and aspects were greatly affected by wildfires in 2017 and 2018. These wildfires, which includes the Wine Country Fires and the Camp Fire, were among of the most destructive in California’s history.

As there is additional bond authority to fund the additional costs, OPSC’s finalized estimated project costs to be \$987,310 for the Rehabilitation project and \$15,795,118 for the New Construction portion, for a total of \$16,782,428.

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

Criteria	Comments
Obligor Information	
Eligibility Criteria	Roseland has met all eligibility criteria: (1) Roseland began operation in 2003; (2) Roseland’s charter was approved in February 2017 and is in place through June 2023; (3) Roseland is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Roseland outperformed the average of the local schools reviewed and its district in English Language Arts (ELA) and in Mathematics. Additional detail is listed in the School Academic Performance section below.
Demographic Information	Roseland currently serves 1,500 students in grades K-12. For 2018-19, 29.0% of the student body are English Language Learners and the Unduplicated Pupil Percentage rate was 90.55%. Enrollment in 2019-20 is expected to be 1,463 students and ADA rates are projected to be 95.0%, which staff find reasonable.
Debt Service Coverage	Roseland’s DSC from adjusted net income is 228.4% and 212.9% respectively in 2022-23 and 2023-24.
Other Financial Factors	<ul style="list-style-type: none"> • Roseland’s operating fund has a projected balance of \$18,206,619 as of the end of 2019-20. • As of June 30, 2019, Roseland had net working capital of \$22,857,120, representing 132.2% of expenditures; and \$13,446,203 in unrestricted cash and cash equivalents, which is equal to 284 days of operation.

Program Eligibility: On November 7, 2019, at CSFA staff’s request, verification was received from the District confirming that Roseland (1) in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. Roseland’s current charter is effective through June 2023.

Legal Status Questionnaire: Staff reviewed the applicant’s responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: Construction of a new middle school including 15 classrooms, multi-use room, administration area, and other miscellaneous site improvements. Specific details included the rehabilitation of two portable classrooms at 1777 West Ave., Santa Rosa, CA 95407. These new portables classrooms will be incorporated into the new Roseland Accelerated Middle School project at 1683 Burbank Ave., Santa Rosa, CA 95407. The project also includes the construction of the new Roseland Accelerated Middle School facilities that is made up of 13 classroom and located at the current site of Roseland Creek Elementary School at 1683 Burbank Ave., Santa Rosa, CA 95407.

School Organizational Information: Roseland is an independent charter school and non-profit public benefit organization with a 501(c)(3) status, currently serving grades K-12. Roseland received its first charter from Santa Rosa City School District and transferred to the

Roseland Elementary School District in 2003. Although Roseland operates as an independent charter school in which it manages its own budget and is subject to independent audits, the District provides business services as well as management support to Roseland, and the District Superintendent has direct involvement in day-to-day operations. In addition, Roseland’s certificated and classified staff is paid directly by the District, and Roseland reimburses the District for salaries and benefits that the District pays on behalf of Roseland.

Roseland operates four education programs: (1) Roseland Accelerated Middle School (“RAMS”); (2) Roseland University Prep (“RUP”); (3) Roseland Collegiate Prep (“RCP”); and (4) Roseland Charter Elementary Program (“RCEP”). RAMS began operation in 2003 and serves seventh and eighth grade students. RUP was founded in 2004 and serves ninth through 12th graders. RCP was established in 2012 and serves grades seven through 12, where as RCEP serves traditional kindergarten students through sixth graders.

Based on Roseland’s charter petition, Roseland curriculum is centered on “The Accelerated Schools’ Powerful Learning” teaching methodology, a combination of small and large group instruction is used with one-on-one help available as needed. This methodology has five theoretical components that shape the delivery of instruction in every classroom: authentic, interactive, learner-centered, inclusive, and continuous. Roseland further describes that all teachers receive specialized and continuous training in how to implement this teaching methodology in their classrooms. This methodology was developed at Stanford University in 1986 with the specific intention on improving education for “at risk” or socio-economically disadvantaged students.

Roseland is governed by the Roseland Charter School Board of Directors. The 2019-20 Board of Directors are the following: Board President Ricardo Navarrette, Vice President Robert Reynolds, Clerk Alan Flores, Member Juan Alvarez, and Member Lynn Cominsky. Roseland School District’s Board of Trustees and District have supervisory oversight of the Charter School and may delegate its authority to School’s Board of Director as needed. Amy Jones-Kerr is the Director of the School since July 2004 as well as the Superintendent for the District since July 2014. Superintendent Jones-Kerr received a Bachelor’s degree in Liberal Studies in 1996 from Sonoma State University and has received three educational credentials, including the most recent for Administrative Services in July 2005 from Sonoma State University.

Enrollment Trends and Projections: The tables below present enrollment information for Roseland from 2015-16 through 2023-24. The assumptions made in the projected years are considered optimistic yet reasonable by staff and consistent based on historical data provided below.

School Student Enrollment and Average Daily Attendance
Actual and Projected

<u>Roseland</u>	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Enrollment	1,220	1,325	1,452	1,500	1,463	1,410	1,347	1,285	1,285
ADA	1,162	1,260	1,367	1,433	1,390	1,347	1,276	1,217	1,217
%	95.2%	95.1%	94.1%	95.5%	95.0%	95.5%	94.7%	94.7%	94.7%

Demographically, Roseland student population had an unduplicated pupil percentage of 90.55% per its 2018-19 LCFF funding snapshot, which is comparable the District’s percentage of 95.24%.

In 2018-19, 29.0% of Roseland’s enrollment was classified as English learners compared to the District at 51.7%.

As part of Staff’s review, historical enrollment from 2015-16 through 2018-19 was used as a measure for the reasonability regarding projected enrollment for 2019-20 through 2023-24. From 2015-16 through 2018-19, Roseland grew an average of 7.2% with the largest increase in the school year of 2017-18 at 9.6%. The projected 3.0% average decrease from 2019-20 through 2024-25 is conservative compared to historical performance.

Staff also compared Roseland’s historical enrollment changes with three local schools, Roseland Elementary, Santa Rosa Middle, and Santa Rosa High (Local Schools), and the District as an additional measure of reasonability. Local Schools averaged about a 4.8% decrease in enrollment. The District’s enrollment increased by an average of 1.3% over those four years. With this information, staff considered Roseland’s average projected decline of 3.0% from 2019-20 through 2024-25 is conservative compared to historical performance.

School Academic Performance: The following tables represent the 2016-17, 2017-18, and 2018-19 academic performance of Roseland; the combined averages of Local Schools; and RSD. The results are provided through CDE’s California Assessment of Student Performance and Progress Smarter Balanced testing data. Distance from Standard and Performance Level results for 2018-19 are not available at the time of this summary.

English Language Arts – Comparison

	Years		
	2015-16	2016-17	2017-18
Roseland	46.82%	47.63%	47.95%
Local Schools	41.53%	32.34%	44.71%
RSD	31.69%	34.11%	37.67%

	2016-17		2017-18	
	Perf. Level	+/- Standard	Perf. Level	+/- Standard
Roseland	Low	-17.00	Average	-4.40
Local Schools	Low	-36.47	Low	-36.00
RSD	Low	-40.60	Average	-34.00

Mathematics– Comparison

	Years		
	2015-16	2016-17	2017-18
Roseland	38.13%	40.02%	39.51%
Local Schools	28.82%	25.87%	28.80%
RSD	31.10%	32.79%	35.98%

	2016-17		2017-18	
	Perf. Level	+/- Standard	Perf. Level	+/- Standard
Roseland	Low	-31.20	Average	-28.70
Local Schools	Low	-50.37	Low	-38.15
RSD	Low	-39.70	Average	-36.10

In 2017-18, which is the most recent information available, Roseland served 339 students who were classified as English Learners. 88.2% of these English Learners' progress is considered well or moderately developed. This is higher than RSD's percentage of 79.9% and the State percentage of 65.2%.

Roseland has also met CDE's Implementation of Academic Standards, which measures the implementation of state academic standards. Local educational agencies (LEAs) annually measure their progress in implementing state academic standards and report the results to its local governing board at a regularly scheduled meeting and reports to stakeholders and the public through the online services such as the California Department of Education's "Dashboard" website.

Academic Engagement: According to CDE, Roseland's chronic absenteeism rate was 5.5% in 2017-18. The rate was lower than the District's chronic absenteeism rate of 6% and the State's rate of 9.0%. Roseland's graduation rate was 94.2% in 2017-18. That graduation rate is higher than Santa Rosa High's graduation rate of 88.4% for 2017-18 and is higher than the five-year graduation rate for Santa Rosa High, which stands at 90.4%.

Roseland also met the standard regarding 'Access to a Broad Course of Study'. This measure explores whether students have access to, and are enrolled in, a broad course of study including the programs and services developed and provided to unduplicated students and individuals with exceptional needs. The summary of progress is required to be based on information collected through locally selected tools and measures that identifies differences across school sites and student groups, barriers preventing student access, and any revisions to ensure access for all students.

Academic Conditions and Climate: Roseland has a low suspension rate with 4.5% of student being suspended at least once for 2017-18. All three Local Schools have higher rates of 5.5% for Roseland Elementary, 17.9% for Santa Rosa Middle, and 3.3% for Santa Rosa High. The District has the lowest rate of all reviewed with a rate of 1.2%.

Roseland has met the State standard for 'Basics: Teachers, Instructional Materials, and Facilities'. This measure addresses the percentage of appropriately assigned teachers; students' access to curriculum-aligned instructional materials; and safe, clean and functional school facilities. Roseland has also met the State's standard regarding 'Parent and Family Engagement'. This measure addresses receiving parent input in decision-making and promoting parental participation in education programs for students. Local education agencies report progress of how schools and districts have sought input from parents in decision making and promoted parent participation in programs.

District Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for Roseland: (1) audited financial statements for 2015-16 through 2017-18; (2) unaudited actuals for 2018-19; (3) adopted budget for 2019-20; and (4) budget projections for 2019-20 through 2023-24 along with assumptions.

Assumptions: Roseland's financial projections are based upon the following assumptions: (1) Occupancy of the project in 2021-22; (2) Enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected ADA rates of at least 94.7%, which is a conservative estimate based on historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$12,013 for 2019-20; (5) an Unduplicated Pupil Rate of at

least 87.9% for projected years; and (6) an LCFF Cost of Living Adjustment rate of 3.0% for 2020-21 and 2.8% for the subsequent years projected.

Long Term Liabilities: Outside of the Advance Apportionment funds, Roseland has no known long-term liabilities.

Private Contributions: Roseland’s projected levels of contributions are less 1% of projected revenue, which is much lower than its historical levels of 2.3% of revenue. Staff considers these projections to be conservative and reasonable.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding Roseland’s financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	
OPERATIONAL & FINANCIAL										
Enrollment	1,220	1,325	1,452	1,500	1,463	1,410	1,347	1,285	1,285	
Average Daily Attendance (ADA)	1,162	1,260	1,367	1,433	1,390	1,347	1,276	1,217	1,217	
Average Daily Attendance (%)	95.2%	95.1%	94.1%	95.5%	95.0%	95.5%	94.7%	94.7%	94.7%	
Retention Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
FTE Teachers	64	64	72	0	0	0	0	0	0	
Pupil-Teacher Ratio	19.1	20.7	20.2							
LCFF Sources/ADA	\$ 9,763	\$ 10,465	\$ 10,901	\$ 11,423	\$ 12,013	\$ 12,388	\$ 12,958	\$ 13,488	\$ 13,852	
% Change		7.2%	4.2%	4.8%	5.2%	3.1%	4.6%	4.1%	2.7%	
Operating Revenues/ADA	\$ 20,280	\$ 13,355	\$ 13,694	\$ 13,903	\$ 13,227	\$ 13,634	\$ 14,261	\$ 14,817	\$ 15,180	
% Change		-34.1%	2.5%	1.5%	-4.9%	3.1%	4.6%	3.9%	2.4%	
Operating Expenses plus CSFP Lease/ADA	\$ 11,490	\$ 11,775	\$ 12,167	\$ 12,064	\$ 13,098	\$ 13,503	\$ 14,018	\$ 14,738	\$ 15,152	
% Change		2.5%	3.3%	-0.9%	8.6%	3.1%	3.8%	5.1%	2.8%	
Free Cash Flow/ADA	\$ 8,790	\$ 1,580	\$ 1,526	\$ 1,839	\$ 129	\$ 131	\$ 243	\$ 79	\$ 28	
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$23,565,369	\$16,833,755	\$18,716,539	\$19,925,734	\$18,385,264	\$18,365,016	\$18,191,579	\$18,030,925	\$18,472,177	
Total Operating Expenses	\$13,351,900	\$14,841,809	\$16,630,201	\$17,289,932	\$18,206,619	\$18,188,842	\$17,882,031	\$17,533,821	\$18,037,327	
Total Other Sources/Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Income Available	\$10,213,469	\$1,991,946	\$2,086,338	\$2,635,802	\$178,645	\$176,174	\$309,548	\$497,104	\$434,850	
Add Back Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Add Back Depreciation	\$ -	\$ -	\$ -	\$ -	\$ 418,622	\$ 418,622	\$ 418,622	\$ 418,622	\$ 418,622	
Adj. Net Income Available for CSFP Matching Share Pym	10,213,469	1,991,946	2,086,338	2,635,802	597,267	594,796	728,170	915,726	853,472	
CSFP Matching Share Payments	-	-	-	-	-	-	-	400,912	400,912	
Free Cash Flow	\$10,213,469	\$ 1,991,946	\$ 2,086,338	\$ 2,635,802	\$ 597,267	\$ 594,796	\$ 728,170	\$ 514,814	\$ 452,560	
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	228.4%	212.9%	
DSC from LCFF Sources subject to CSFA Intercept								4094.1%	4204.7%	
CSFP Matching Share Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.2%	2.2%	
FUNDRAISING										
Fundraising for Operations	\$ 1,261,634	\$ -	\$ -	\$ 739,690	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	
Fundraising/Oper. Revenues	5.4%	0.0%	0.0%	3.7%	0.8%	0.8%	0.8%	0.8%	0.8%	
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	191.0%	175.5%	
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-243.2%	-201.7%	
LIQUIDITY										
Current Assets	\$24,276,961	\$26,279,097	\$29,177,793	\$32,607,092						
Current Liabilities	\$ 8,133,926	\$ 8,144,116	\$ 8,956,474	\$ 9,749,972						
Net Working Capital	\$16,143,035	\$18,134,981	\$20,221,319	\$22,857,120						
Net Working Capital/Oper. Expenses	120.9%	122.2%	121.6%	132.2%						
Unrestricted Cash & Cash Equivalents	\$20,655,518	\$13,218,998	\$11,135,637	\$13,446,203						
Unrest. Cash & CE/Oper. Expenses (Days)	565	325	244	284						
Unrest. Cash & CE/All Expenses (Days)	320	287	217	246						

Benchmark Summary:

- Free Cash Flow/ADA – **Met:** \$1,593.81 average (>\$0)
- Free Cash Flow – **Met:** \$2,201,684.63 average (>\$0)
- CSFP Matching Share Payment/Operating Revenue – **Met:** 2.2% average (<15.0%)
- Debt Service Coverage (DSC) from Adj. Net Income – **Met:** 220.6% average (>100%)
- DSC from Adjusted Net Income without Fundraising – **Met:** 183.2% average (>100%)
- Net Working Capital/Operating Expenses – **Met:** 124.2% average (>5.0%)
- Unrestricted Cash & Cash Equivalents/All Expenses – **Met:** 267 days on average (> 90 days)

Summary of Financial Findings and Other Considerations: Based on the audited financial statements, Roseland exhibited free cash flow of \$10,213,469, \$1,991,946, and \$ 2,086,338 for 2015-16 through 2017-18. Based on the unaudited actuals, Roseland had an increase in free cash flow to \$2,635,802 for 2018-19 fiscal year, and unrestricted cash and investments of \$13,446,203 as the end of the 2018-19 fiscal year which 132.2% of operating expenses for the year. Roseland’s financial projections show the following increases to free cash flow for 2019-20 through 2023-24, respectively: \$597,267, \$594,796, \$728,170, \$514,814, and \$452,560.

Staff considers Roseland’s liquidity to be more than 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, 2019, Roseland had net working capital of \$22,857,120, representing 132.2% of expenditures, which greatly exceeds the recommended minimum threshold of 5.0%. As of June 30, 2019, Roseland had \$13,446,203 in unrestricted cash and cash equivalents, which is 284 days of operation. Roseland’s unrestricted cash and cash equivalents as portion of expenditures has averaged 267 days over the past four years, which is above the recommended minimum threshold of 90 days.

Roseland has chosen to enter into a loan repayment to cover the local matching share. Assuming a 2.5% interest rate, a 30-year repayment period for the CSFP matching share amount of \$8,391,214, Roseland’s annual CSFP payment would be \$400,912 commencing in 2022-23. Roseland’s projected debt service coverage ratios from adjusted net income is 228.4% and 212.9% respectively in 2022-23 and 2023-24, which continue to be above the minimum requirement of 100%. The CSFP payments would represent 2.2% of the projected operating revenues for these years, below the maximum range of 15%.

Overall, staff’s review of Roseland’s financial performance finds Roseland 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:

- + Roseland's DSC from adjusted net income is 228.4% and 212.9% respectively in 2022-23 and 2023-24.
- + Roseland has outperformed the average of Local Schools reviewed and RSD in English Language Arts and Mathematics in last three years
- + As of June 30, 2019, Roseland had net working capital of \$22,857,120, representing 132.2% of expenditures.
- + As of June 30, 2019, Roseland had \$13,446,203 in unrestricted cash and cash equivalents, which is 284 days of operation.

Staff Recommendation: Staff recommends the California School Finance Authority Board determine that Roseland Charter School is financially sound for the purposes of Charter School Facilities 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. This recommendation is contingent upon Roseland electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the California 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.