

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – April 2021
 Item 5 Resolution 21-09**

Applicant/Obligor:	Rise Kohyang High
Project School:	Rise Kohyang High
CDS (County – District – School) Code:	19-64733-0133868
School Address:	600 S. Lafayette Park Pl., Los Angeles, CA 90057
Proposed Site:	3500 W 1st St., Los Angeles, CA, 90004
Type of Project:	New Construction
Type of Apportionment:	Final Apportionment
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified
Charter Authorizer:	Los Angeles Unified
Total OPSC Project Cost:	\$62,629,540
State Apportionment (50% Project Cost):	\$31,314,770
Lump Sum Contribution:	\$7,348,093
Total CSFP Financed Amount:	\$23,966,677
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$1,222,762
First Year of Occupancy of New Project:	2023-24

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Rise Kohyang High (RKH or School) is financially sound for the purposes of the 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 period. This recommendation is contingent upon the following requirements: (1) RKH 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; (2) RKH receives an Augmentation Grant from the Los Angeles Unified School District (LAUSD) of which no less than \$7,348,093 will be contributed by the School as a lump sum payment to reduce the amount borrowed by RKH. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination.

Background: The Authority found RKH financially sound for Preliminary Apportionment in January 2018. In February 2018 SAB awarded RKH with Preliminary Apportionments in the amount of \$47,933,354. In January 2019, SAB awarded RKH with Advance Apportionments

in the amount of \$2,798,620 for project design. In April 2019, SAB awarded RKH with Advance Apportionments in the amount of \$17,432,810 for site acquisition.

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

Criteria	Comments
School Information	
Demographic Information	In 2019-20, RKH served 402 students in grades K-12 with an average daily attendance (ADA) rate of 94.8%, which staff find reasonable. In 2019-20 RKH's unduplicated pupil count (UPP) as a percentage of ADA was 95.3%.
Debt Service Coverage	RKH's debt service coverage from adjusted net income on the loan portion of the matching share is estimated to average 109.9% over the first two years that payments are due.
Lump Sum Contribution	In addition to accepting a loan of \$23,966,677, RKH will inject no less than \$7,348,093 from the LAUSD Charter Augmentation Grant.
Eligibility Criteria	RKH has met all eligibility criteria: (1) the School began operation in 2016; (2) the school's most recent charter was approved September 14, 2020 and is in place through June 30, 2026; (3) RKH is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	RKH has performed comparably or better than its authorizing district and local public elementary schools.

Program Eligibility: On April 23, 2021, LAUSD verified RKH is in compliance with the terms of its charter agreement, and. The school confirmed their charter was last approved in September 14, 2020 and is valid through June 30, 2026.

Legal Status Questionnaire: Staff reviewed RKH'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 project recipient.

Project Description: RKH proposes to construct a new high school (grades 9th - 12th) facility for its program. The new facility will be located at 3500 W 1st St., Los Angeles, CA, 90004 and consist of a two-story 76,390-square-foot building with subterranean parking. This site is off of the intersection of Vermont Ave. and 1st St., in the heart of Los Angeles's Koreatown, and is close to the communities the School already serves.

The new charter high school would have a capacity of 600 students in grades 9-12 and include 17 general classrooms to service all grade levels. The building would also include four auxiliary rooms for specialty classrooms and the arts, flex-lab, science lab, media center, counseling areas, and a main office suite.

School Organizational Information: RKH is a public charter high school authorized by and located within the boundaries of LAUSD. RKH's most recent charter was approved by LAUSD on September 14, 2020 and is active through June 30, 2026. The school is a direct-funded

independent charter school operated by Bright Star Schools (BSS), a California public benefit corporation with IRS approved 501(c)(3) status. BSS also operates eight other public charter schools located throughout the Los Angeles region.

RKH’s UPP indicates an average of 95.3% of students served by the school are eligible to receive Free or Reduced Price Meals (FRPM), and/or are classified as English Learners, and/or are classified as Foster Youth during the period examined. For reference, an estimated 81.6% of students in LAUSD, and 62.5% of students in California met this classification during the same period.

RKH shares the same mission statement as BSS, which is “to provide holistic, inclusive support for all students to achieve academic excellence and grow their unique talents so that they find joy and fulfillment in higher education, career, and life.”

RKH aims to create a holistic and inclusive culture of success where all scholars are safe to persevere through challenges and demonstrate personal growth through collaboration, academic excellence, and a devotion to community service. The School’s educational principles include:

1. **Striving** to establish mutually rewarding relationships through collaboration and social-emotional development;
2. **Building** a framework for success through differentiated, engaging learning opportunities;
3. **Applying** critical thinking and creative problem solving skills;
4. **Fostering** partnerships with families to support the success of all scholars;
5. **Inspiring** our scholars to identify and achieve their individual educational goals.

Staff has reviewed the credentials of key board members and staff and determined all have the proper background and experience to govern and effectively oversee the operations of RKH. The 2020-21 BSS Board consists of the following:

2020-21 Bright Star Schools Board Members

Name	Position	City of Residence	Term Expiration
Andrew Murr	Board Chair; Member, Governance Committee	Los Angeles, CA	2023
Robin Elledge	Member, Governance Committee	Los Angeles, CA	2023
Larry Klein	Member, Governance Committee	Los Angeles, CA	2022
George Leftwich	Member, Governance Committee	Los Angeles, CA	2022
Lois Levy	Chair, Academic Committee	Los Angeles, CA	2022
Marisol Leon	Member, Academic Committee	Los Angeles, CA	2021
James McGrath	Member, Academic Committee	Los Angeles, CA	2023
Louisa Wee	Chair, Finance Committee	Los Angeles, CA	2021
Stephen Green	Member, Finance Committee	Silver Springs, MD	2021
Andrew Wang	Member, Finance Committee	Los Angeles, CA	2023

School Academic Performance: The following tables present the 2018-19 academic testing results for RKH; two similar local public schools: Central City Value High School (charter) and Belmont Senior High School (traditional); and LAUSD. The results provided are from the annual California Assessment of Student Performance and Progress (CAASPP) testing data. These tests are administered annually to students in grades three through eight, and grade 11. FY 2018-19 was the first year RKH served students in grade 11, and due to the COVID-19 pandemic, CAASPP tests were not administered in FY 2019-20.

While these circumstances provide only a single year of comparative academic performance data, Staff notes that many of the grade 11 students taking part in RKH’s CAASPP testing efforts in FY 2018-19 attended grades 9 and 10 at RKH in FYs 2016-17, and 2017-18, respectively. This data can be therefore be taken as a reflection of the cumulative progress and aptitude developed over three years by students attending RKH since the school opened.

In English Language Arts testing RKH students demonstrated strong skills, outperforming the LAUSD average.

English Language Arts – Comparison

Standard Met or Exceeded		Academic Factors			
	FY19	Grade Span	2018-19 Enrollment	Pupil-Teacher Ratio	UPP
Rise Kohyang High	71%	9-12	288	16.7	89.5%
Central City Value High	68%	9-12	468	20.5	93.8%
Belmont Senior High	35%	9-12	860	18	85.5%
Los Angeles Unified	52%	K-12*	607,723	19	85.5%

**Only grade 11 test results were used for this comparison.*

In Mathematics testing RKH students once again scored well above the district average and their peers who attend local public charter and traditional schools.

Mathematics – Comparison

Standard Met or Exceeded		Academic Factors			
	FY19	Grade Span	2018-19 Enrollment	Pupil-Teacher Ratio	UPP
Rise Kohyang High	39%	9-12	288	16.7	89.5%
Central City Value High	17%	9-12	468	20.5	93.8%
Belmont Senior High	13%	9-12	860	18	85.5%
Los Angeles Unified	25%	K-12*	607,723	19	85.5%

Enrollment Trends and Projections: Enrollment projections are relied upon for the debt service coverage element of the cash flow analysis. The following tables present enrollment information for RKH from FYs 2017-18 through 2025-26. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data. Staff notes that the substantial enrollment growth shown in FYs 2019, and 2020 was due to the school expanding by offering grade levels 11 and 12, respectively. While the majority of growth has already happened, as RKH has expanded the school grades to now include 11 and 12, staff has deemed the enrollment growth as reasonable. FY 2021 revenue is projected while the student enrollment is actual representing the largest growth in the projected FYs at 9.45%. Lastly, FYs 2022 through 2026 have enrollment growth averaging 4.23% with the high being 4.90% in FY 2025, or a bit over a five-student increase per grade level annually. This level of increase has already been accomplished by the school in FY in 2021.

RKH Student Enrollment and Average Daily Attendance

Year (FY)	2018	2019	2020	2021	2022	2023	2024	2025	2026
Enrollment	172	288	402	440	466	488	510	535	550
ADA	99.4%	96.2%	94.8%	94.5%	94.5%	94.5%	94.5%	94.5%	94.5%

Financial Analysis:

At the time of RKH’s preliminary financial soundness determination in January 2018, the OPSC approved project cost was \$47,933,354; RKH was found financially sound for a 50% matching share loan in the amount of \$23,966,677. To date, the final approved project cost has risen to \$62,629,540, causing the 50% matching share loan amount to increase commensurately to \$31,314,770.

In May 2019 RKH received approval from the LAUSD Board of Education and LAUSD School Construction Bond Citizens’ Oversight Committee for a charter Augmentation Grant in the amount of \$38,943,071.

RKH has requested that they be found financially sound for a loan in the same amount as their original preliminary approval, \$23,966,677, whereupon RKH will provide a lump sum of \$7,348,093, sourced from the LAUSD charter Augmentation Grant. These combined amounts raise the School’s total contribution to \$31,314,770, satisfying the 50% threshold required based on the final approved project cost.

While OPSC’s final approved project cost is \$62.6 million, by the end of construction, RKH and LAUSD estimate actual costs may approach \$77.8 million. After exhausting all LAUSD Augmentation Grant, and CSFP grant funds towards construction, RKH will cover any remaining costs using CSFP loan funds. Based on overall cost, RKH may actually borrow less from the State, thereby avoiding taking on unnecessary debt, and preserving greater net bond balance for future State approved CSFP projects.

Financial Data Sources: This financial analysis is based on the consideration and review of the following for RKH: (1) audited financial statements for FYs 2017-18 through 2019-20; (2)

unaudited financial statements for FY 2020-21; (3) adopted budget for FY 2020-21; and (4) budget projections for FYs 2021-22 through 2022-26 along with assumptions.

Assumptions: Staff’s financial analysis of RKH is based upon the following assumptions: (1) occupancy of the new facility in August 2023; (2) the repayment of RKH’s CSFP matching share loan in the amount of \$23,966,677 at 3% interest commencing in FY 2024-25; (3) school enrollment and ADA projections as provided above under “Enrollment Trends and Projections”

Long-Term Liabilities: BSS participates in multiple programs administered by CSFA, including the issuance of conduit bonds, specific properties receiving funding under SB740, and others. Staff determined, at this time, that none of BSS’s current obligations will impact this transaction.

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

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2018	Actual FY 2019	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	AVERAGE
OPERATIONAL & FINANCIAL										
Enrollment	172	288	402	440	466	488	510	535	550	
Average Daily Attendance (ADA)	171	277	381	416	440	461	482	506	520	
Average Daily Attendance (%)	99.4%	96.2%	94.8%	94.5%	94.5%	94.5%	94.5%	94.5%	94.5%	95.3%
FTE Teachers	11	17	22	22	24	25	25	25	25	22
Pupil-Teacher Ratio	16.1	16.7	18.3	20.0	19.4	19.5	20.4	21.4	22.0	19.3
LCFF Sources/ADA	\$ 11,471	\$ 12,322	\$ 12,747	\$ 12,190	\$ 13,130	\$ 13,392	\$ 13,660	\$ 13,933	\$ 14,212	\$ 13,006
% Change		7.4%	3.5%	-4.4%	7.7%	2.0%	2.0%	2.0%	2.0%	2.8%
Operating Revenues/ADA	\$ 17,917	\$ 16,247	\$ 18,073	\$ 16,171	\$ 16,809	\$ 15,997	\$ 15,185	\$ 15,416	\$ 15,683	\$ 16,389
% Change		-9.3%	11.2%	-10.5%	3.9%	-4.8%	-5.1%	1.5%	1.7%	-1.4%
Operating Expenses plus CSFP Lease/ADA	\$ 17,707	\$ 15,978	\$ 17,951	\$ 15,149	\$ 15,932	\$ 15,546	\$ 13,428	\$ 15,534	\$ 15,426	\$ 15,850
% Change		-9.8%	12.4%	-15.6%	5.2%	-2.4%	-13.6%	15.7%	-0.7%	-1.1%
Free Cash Flow/ADA	\$ 211	\$ 269	\$ 122	\$ 1,022	\$ 877	\$ 451	\$ 1,757	\$ (118)	\$ 258	\$ 539
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$ 3,063,857	\$ 4,500,466	\$ 6,885,834	\$ 6,723,961	\$ 7,401,979	\$ 7,376,998	\$ 7,318,426	\$ 7,793,968	\$ 8,151,302	
Total Operating Expenses	3,027,851	4,425,837	6,839,359	6,299,139	7,015,927	7,169,012	6,471,783	6,630,850	6,794,664	
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	
Net Income Available for CSFP Lease Payment	36,006	74,629	46,475	424,822	386,052	207,986	846,643	1,163,118	1,356,638	
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	
Add Back Depreciation	-	-	-	61,876	82,627	83,393	83,393	83,393	83,393	
Adjusted Net Income Available for CSFP Lease Pymt.	36,006	74,629	46,475	486,698	468,679	291,379	930,036	1,246,511	1,440,031	
CSFP Lease Payments	-	-	-	-	-	-	-	1,222,762	1,222,762	
Free Cash Flow	\$ 36,006	\$ 74,629	\$ 46,475	\$ 486,698	\$ 468,679	\$ 291,379	\$ 930,036	\$ 23,749	\$ 217,269	\$ 286,102
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	101.9%	117.8%	109.9%
DSC from LCFF Sources subject to CSFA Intercept								423.6%	444.2%	433.9%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15.7%	15.0%	15.3%
LIQUIDITY										
Current Assets	\$ 1,068,167	\$ 2,520,823	\$ 3,524,050							
Current Liabilities	975,910	219,185	4,025,290							
Net Working Capital	\$ 92,257	\$ 2,301,638	\$ (501,240)							
Net Working Capital/Oper. Expenses	3.0%	52.0%	-7.3%							15.9%
Unrestricted Cash & Cash Equivalents	\$ 285,345	\$ 814,221	\$ 2,684,735							
Unrest. Cash & CE/Oper. Expenses (Days)	34	67	143							
Unrest. Cash & CE/All Expenses (Days)	34	67	143							82

Benchmark Summary:

- Enrollment projections are relied upon for the DSC element of the cash flow analysis. While the majority of growth has already occurred as RKH has expanded the school

grades to now include 11 and 12, staff has deemed the enrollment growth as reasonable.

- FY 2021 revenue is projected while the student enrollment is actual representing the largest growth in the projected FYs at 9.45%
- FYs 2022 through 2026 have enrollment growth averaging 4.23% with the high being 4.90% in FY 2025, or a bit over a five-student increase per grade level annually. This level of increase has already been accomplished by the school in FY in 2021.
- Free Cash Flow/ADA – Met: \$539 avg. (>\$0)
 - Free Cash Flow/ADA dips negative in FY25 but was otherwise sound in all years of the period examined, resulting in a satisfactory average.
- Free Cash Flow – Met: \$286,102 avg. (>\$0)
- Debt Service Coverage from Adj. Net Income – Not Met: 109.9% avg. (<110%)
 - Staff notes that while this metric is .1% short of the established benchmark and it exceeds the minimum mark of 100%; net income is trending upwards throughout this model. Additionally, use of the full \$23.9 million loan at 3% interest makes this a very conservative analysis.
- CSP Lease Payment/Open. Revenues: Met – 15.3% avg. (>15%)
 - This metric is close to the established benchmark, but Staff finds it acceptable given the conservative nature of this analysis and the debt aversion position of the School.
- Net Working Capital as Portion of Operating Expenditures – Met: 15.9% avg. (>5%)
- Unrestricted Cash & Cash Equivalents (UCCE) as Portion of Expenses – Not Met 82 avg. (<90 days)
 - RKH's second year of operation, 2017-18 (the first year reflected in this model), showed very modest UCCE relative to All Expenses. However, with the addition of grade levels 11 and 12 in FY19 and FY20, respectively, this metric has increased to a healthy level.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Rise Kohyang High (RKH), is financially sound for the purposes of the Charter School Facilities Program (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 period. This recommendation is contingent upon the following requirements: (1) RKH 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; (2) RKH receiving an Augmentation Grant from the Los Angeles Unified School District of which not less than \$7,348,093 will be contributed by the School to the matching share as a lump sum. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.