

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – May 2021
 Item 4 Resolution 21-12**

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| Applicant/Obligor: | Rise Kohyang High School |
| Project School: | Rise Kohyang High School |
| 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 School (RKHS or School) is financially sound for the purposes of the Charter School Facilities Program (Program or CSFP) Final Apportionment. This recommendation is contingent upon the following requirements: (1) RKHS electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 of the Education Code; and (2) RKHS utilizing not less than \$7,348,093 of the approved Augmentation Grant from the Los Angeles Unified School District as a lump sum contribution toward its local matching share obligation. 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 RKHS financially sound for Preliminary Apportionment in January 2018. In February 2018, SAB awarded RKHS with Preliminary Apportionments in the amount of \$47,933,354. In January 2019, SAB awarded RKHS with Advance Apportionments in the amount of \$2,798,620 for project design. In April 2019, SAB awarded RKHS 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 RKHS. Detailed information is contained in the body of the report.

| Criteria | Comments |
|---------------------------|---|
| School Information | |
| Demographic Information | In 2019-20, RKHS served 402 students in grades K-12 with an average daily attendance (ADA) rate of 94.8%, which staff find reasonable. In 2019-20 RKHS's unduplicated pupil count (UPP) as a percentage of ADA was 95.3%. |
| Debt Service Coverage | RKHS'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, RKHS will inject no less than \$7,348,093 from the LAUSD Charter approved Augmentation Grant. |
| Eligibility Criteria | RKHS 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) RKHS is in good standing with its chartering authority, and in compliance with the terms of its charter. |
| Student Performance | RKHS has performed comparably or better than its authorizing district and local public elementary schools. |

Program Eligibility: On April 23, 2021, LAUSD verified RKHS is in compliance with the terms of its charter agreement, and in good standing with its authorizer. The school confirmed their charter was renewed on September 14, 2020 and is valid through June 30, 2026.

Legal Status Questionnaire: Staff reviewed RKHS'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: RKHS 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: RKHS is a public charter high school authorized by and located within the boundaries of LAUSD. RKHS'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.

RKHS’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.

RKHS 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.”

RKHS 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.

2020-21 Bright Star Schools Board Members

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 RKHS. The 2020-21 BSS Board consists of the following:

| 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 RKHS; two similar local public schools: Central City Value High School (charter); 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 RKHS 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 RKHS’s CAASPP testing efforts in FY 2018-19 attended grades 9 and 10 at RKHS in FYs 2016-17, and 2017-18, respectively. This data can therefore be taken as a reflection of the cumulative progress and aptitude developed over three years by students attending RKHS since the school opened.

In English Language Arts testing RKHS 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 |
| RKHS | 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% |
| LAUSD | 52% | K-12* | 607,723 | 19 | 85.5% |

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

In Mathematics testing RKHS 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 |
| RKHS | 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% |
| LAUSD | 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 RKHS 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 RKHS 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.

RKHS 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 RKHS’s preliminary financial soundness determination in January 2018, the OPSC approved project cost was \$47,933,354; RKHS 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. On May 21, 2019, RKHS was unanimously approved by the LAUSD Board of Education and LAUSD School Construction Bond Citizens’ Oversight Committee to receive a charter Augmentation Grant in the amount of \$38,943,071.

RKHS has requested that they be found financially sound for a loan in the same amount as their original preliminary approval, \$23,966,677, whereupon RKHS will provide a lump sum of \$7,348,093, sourced from the LAUSD charter approved 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, RKHS and LAUSD estimate actual costs may approach \$77.8 million. After exhausting all of its LAUSD approved Augmentation Grant, and CSFP grant funds towards construction, RKHS will cover any remaining costs using CSFP loan funds. Based on overall cost, RKHS 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 RKHS: (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 RKHS is based upon the following assumptions: (1) occupancy of the new facility in August 2023; (2) the repayment of RKHS’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: While RKHS’s operating management organization, BSS, participates in multiple programs administered by CSFA, RKHS will assume the loan portion of the matching share for this project as sole obligor. At the time of this analysis, RKHS does not have any long-term liabilities that could impact RKHS’s financial soundness. Additionally, obligors have an obligation to notify the Authority before entering additional debt that exceeds certain thresholds.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding RKHS’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 RKHS 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)
 - RKHS'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 (RKHS), is financially sound for the purposes of the Charter School Facilities Program (CSFP) Final Apportionment. This recommendation is contingent upon the following requirements: (1) RKHS electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 of the Education Code; and (2) RKHS utilizing not less than \$7,348,093 of the approved Augmentation Grant from the Los Angeles Unified School District as a lump sum contribution toward its local matching share obligation. 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.