

**Charter School Facilities Program
Proposition 1D Funding Round
Staff Summary Report – May 2021
Item 5 Resolution 21-13**

Applicant/Obligor:	Alliance Dr. Olga Mohan High School
Project School:	Alliance Dr. Olga Mohan High School
CDS (County – District – School) Code:	19-64733-0111500
School Address:	644 West 17 th St., Los Angeles, 90015
Proposed Site:	1217 Miramar St., Los Angeles, 90026
Type of Project:	Succession of Existing CSFP Facility
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:	\$23,751,334
State Apportionment (50% Project Cost):	\$11,875,667
School Site Equity:	\$3,792,103
Total CSFP Financed Amount:	\$8,083,564
Length of CSFP Funding Agreement:	22 years
Assumed Interest Rate:	2.00%
Estimated Annual CSFP Payment:	\$457,783
First Year of Occupancy of New Project:	2021-22

Pursuant to Education Code Section 17078.62, in the event a charter school is no longer using a facility funded under the Charter School Facility Program (Program), a qualifying successor charter school may meet its facility needs by occupying the Program-funded facility on equal terms as the prior occupant. A charter school located on a Los Angeles Unified School District (District) site, and occupying a Program facility, voted to cease operation on June 30, 2021. The District opened a request for proposals to occupy the Program facility. According to the District, Alliance Dr. Olga Mohan Charter School was the only timely application.

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Alliance Dr. Olga Mohan High School (DOMHS or School) is financially sound for the purposes of 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 DOMHS 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 immediately notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination.

Background: The facility located at 1217 Miramar St., Los Angeles, CA 90026 was constructed between May 2011 and July 2013 using CSFP funds apportioned to Camino Nuevo Charter High (CNCH or Former Occupant). In late 2020 CNCH informed CSFA that they intended to vacate the facility and cease making payments by June 2021. Because title to the facility is held by Los Angeles Unified School District (LAUSD), CNCH requested that LAUSD and CSFA begin a timely succession process as provided under CSFP regulations. This financial soundness analysis of DOMHS was conducted after LAUSD certified their Notice of Intent had been received in keeping with established State and District requirements to be considered.

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

Criteria	Comments
School Information	
Demographic Information	In 2019-20, DOMHS served 458 students in grades 9-12 with an average daily attendance (ADA) rate of 97.2%, which staff finds reasonable. In 2019-20 DOMHS's unduplicated pupil count (UPP) as a percentage of ADA was 95.4%.
Debt Service Coverage	DOMHS's debt service coverage from adjusted net income on the loan portion of the matching share is estimated to average 145.2% over the first five years that payments are due.
Eligibility Criteria	DOMHS has met all eligibility criteria: (1) the School began operation in 2006; (2) the school's most recent charter was approved September 25, 2018 and is in place through June 30, 2024; (3) LAUSD will provide determination of standing prior to May 26, 2021.
Student Performance	DOMHS has performed comparably or better than its authorizing district and local public high schools.

Program Eligibility: As of May 18, 2021, LAUSD has acknowledged CSFA's request for confirmation of DOMHS's standing and assured the State it's determination will be provided prior to May 25, 2021. The school confirmed their charter was last approved on September 25, 2018 and is valid through June 30, 2024.

Legal Status Questionnaire: Staff reviewed DOMHS's responses to the questions contained in the Legal Status portion of the application. DOMHS answered "Not applicable" to all LSQ questions, therefore no information was disclosed that would lead staff to question the financial or legal integrity of the applicant.

Project Description: DOMHS proposes to succeed and assume the financing obligations of the charter school property located at 1217 Miramar St., Los Angeles, CA, 90026. The facility consists of approximately 30,000 square-foot multi-level building with 22 classrooms. The site does not include physical education facilities. Upon full approval of this financing, DOMHS will enter into an arrangement with Miguel Contreras Learning Complex for use of their physical education facilities.

DOMHS currently serves 497 students and has a need for an improved long-term facility. The charter currently operates on a Prop 39 and LAUSD site at 644 W 17th Street, Los Angeles, CA 90015, less than two miles from the subject property at 1217 Miramar Street. The current site is not a traditional District school, it consists of “bungalows” placed on land that the District owns. The School has confirmed that if they are selected to assume responsibility and operation of the 1217 Miramar facility they will close their current facility at 644 W 17th Street.

School Organizational Information: DOMHS is a public charter high school authorized by and located within the boundaries of LAUSD. The school is a direct-funded independent charter school operated by Alliance College-Ready Public Schools (ACPS), a California public benefit corporation with IRS approved 501(c)(3) status. ACPS operates 25 public charter schools located throughout the Los Angeles region.

DOMHS’s UPP indicates an average of 95.4% 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.

DOMHS shares the same mission statement as ACPS, which is “...to operate a small high performing school that prepares all students to graduate and to enter and succeed in college.” Moreover, they strive “...to ensure that each DOMHS student will develop a resilient character and the strong critical thinking and collaborative skills necessary to become socially responsible, globally minded citizens who are an integral part of their local, national and international communities.”

DOMHS aims to provide a highly accountable model of innovation with highly effective teachers guided by core principles that are based on what research has shown to be best educational practices, and to serve as a model for the District and other public schools. Key Program Elements DOMHS students, staff and community embrace the following five Alliance program elements to establish and maintain the culture of the school:

- 1. High Expectations for All Students** - All students, including students in historically underachieving communities, can successfully learn at high levels and have a fundamental right to high expectations and quality instruction that prepare them to enter and succeed in college. All students must pass the entrance course requirements with a grade of C or better to graduate and be at least proficient in core academic standards (reading, writing, math, science, history/social science) to be ready for success in college.
- 2. Small Personalized Schools and Classrooms** - Students learn best in small learning communities where their education is personalized so that students know their teachers and are well known as individuals by all adults in the school. Blended-learning classrooms, like those at DOMHS offer even more personalized and individualized instruction that targets individual student learning needs, takes them from where they are and accelerates their learning to where they need to be in order to graduate ready for success in college.

3. Increased Instructional Time - All students must have sufficient time in school to learn successfully. The school offers a longer school year and ongoing opportunities for extended learning time through intervention or enrichment to meet individual student needs. Daily learning time is structured in longer instructional blocks of time to allow for focused in-depth learning. Students will also have access to online resources, be able to replay online content, and access other features allowed by using technology, creating many out-of-classroom learning opportunities. Research demonstrates how increased learning time can lead to higher achievement.

4. Highly Qualified Principals and Teachers – All ACPS schools must have exemplary principals who are capable instructional leaders and entrepreneurs in managing resources, and who are given opportunities for ongoing leadership training. Knowing that students learn best with teachers who know their subject field, are well trained to deliver rigorous instruction, and can attend to the diverse needs of individual students, these skills are at the forefront when selecting and developing teachers. DOMHS teachers work in collaborative teams with common planning time where lessons are studied as a learning community and where accountability for student success is a shared responsibility.

5. Working with Parents as Partners - Parents at all ACPS are meaningfully and actively engaged in their children’s education. They have a right to choose to send their children to excellent high performing schools. Parents must be responsible and accountable for supporting their children’s learning at school and at home. They must understand what it will take to prepare their children for college, and they are encouraged to support the goals of the school through their voice and through volunteering.

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 DOMHS. The 2020-21 ACPS Board consists of the following:

2020-21 Alliance College-Ready Public Schools Board Members

Name	Position	Term Expiration
Joe Drake	Chair	2022
Michele Siqueiros	Vice Chair	2021
Virgil Roberts	Member	2022
Clarence G. Miller	Member	2023
Tom Heymann	Member	2021
Janette Rodriguez-Pack	Member	2023

School Academic Performance: The following tables present the 2018-19 academic testing results for DOMHS; two similar local traditional public schools: Santee Education Complex and West Adams Preparatory High; as well as 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. Due to the COVID-19 pandemic, CAASPP tests were not administered in FY 2019-20.

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

English Language Arts – Comparison

Standard Met or Exceeded						Academic Factors			
	FY15	FY16	FY17	FY18	FY19	Grade Span	2018-19 Enrollment	Pupil-Teacher Ratio	UPP
DOMHS	61%	80%	79%	77%	67%	9-12	453	16.2	91.6%
Santee Education Complex	48%	35%	61%	68%	60%	9-12	1,902	18.2	96.6%
West Adams Preparatory High	40%	34%	32%	46%	41%	9-12	1,350	19	96.2%
LAUSD	48%	54%	55%	51%	52%	K-12	607,723	19	85.5%

In Mathematics testing DOMHS student scores exceeded those of similar neighboring schools as well as the district average.

Mathematics – Comparison

Standard Met or Exceeded						Academic Factors			
	FY15	FY16	FY17	FY18	FY19	Grade Span	2018-19 Enrollment	Pupil-Teacher Ratio	UPP
DOMHS	61%	57%	59%	49%	61%	9-12	453	16.2	91.6%
Santee Education Complex	15%	10%	16%	19%	20%	9-12	1,902	18.2	96.6%
West Adams Preparatory High	21%	16%	17%	15%	21%	9-12	1,350	19	96.2%
LAUSD	20%	25%	24%	23%	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 DOMHS from FYs 2017-2018 through 2025-2026. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data. Staff notes that at this time, FY 2018-2021 enrollment numbers shown below are actual figures provided by the California Department of Education, while FY 2022-2026 enrollment figures are projected. DOMHS anticipates enrollment reaching maximum capacity for the 1217 Miramar facility by 2022.

DOMHS Student Enrollment and Average Daily Attendance

Year (FY)	2018	2019	2020	2021	2022	2023	2024	2025	2026
Enrollment	441	453	458	497	500	500	500	500	500
ADA	95.4%	94.7%	97.2%	93.8%	96.2%	96.2%	96.2%	96.2%	96.2%

Financial Analysis: The facility at 1217 Miramar Street was constructed utilizing a CSFP Final Apportionment of \$23,751,334. DOMHS’s intention is to assume responsibility and operation of the facility by taking on the remainder of the Former Occupant charter’s loan. The original matching share amount of \$11,875,667 has been credited \$3,792,103 equity with a remaining loan amount of \$8,083,564.

Financial Data Sources: This financial analysis is based on the consideration and review of the following for DOMHS: (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 2026-27 along with assumptions.

Assumptions: Staff’s financial analysis of DOMHS is based upon the following assumptions: (1) occupancy of the new facility in August 2021; (2) the repayment of DOMHS’s CSFP matching share loan in the amount of \$8,083,564 at 2% interest commencing in FY 2021-22; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

Long-Term Liabilities: While DOMHS’s operating management organization, ACPS, participates in multiple programs administered by CSFA, DOMHS will assume the loan portion of the matching share for this project as sole obligor. At the time of this analysis, DOMHS does not have any long-term liabilities that could impact DOMHS’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 DOMHS’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	441	453	458	497	500	500	500	500	500	
Average Daily Attendance (ADA)	421	429	445	451	481	481	481	481	481	
Average Daily Attendance (%)	95.4%	94.7%	97.2%	90.8%	96.2%	96.2%	96.2%	96.2%	96.2%	95.4%
FTE Teachers	26	28	29	30	30	31	31	29	29	29
Pupil-Teacher Ratio	17.0	16.2	15.8	16.6	16.7	16.1	16.1	17.2	17.2	16.5
LCFF Sources/ADA	\$ 12,660	\$ 13,636	\$ 13,776	\$ 13,093	\$ 13,066	\$ 13,066	\$ 13,262	\$ 13,461	\$ 13,663	\$ 13,298
% Change		7.7%	1.0%	-5.0%	-0.2%	0.0%	1.5%	1.5%	1.5%	1.0%
Operating Revenues/ADA	\$ 14,213	\$ 15,274	\$ 15,018	\$ 16,758	\$ 16,303	\$ 17,861	\$ 17,947	\$ 16,683	\$ 16,907	\$ 16,329
% Change		7.5%	-1.7%	11.6%	-2.7%	9.6%	0.5%	-7.0%	1.3%	2.4%
Operating Expenses plus CSFP Lease/ADA	\$ 14,403	\$ 14,749	\$ 14,411	\$ 15,104	\$ 16,229	\$ 17,502	\$ 17,750	\$ 16,645	\$ 16,786	\$ 15,953
% Change		2.4%	-2.3%	4.8%	7.5%	7.8%	1.4%	-6.2%	0.8%	2.0%
Free Cash Flow/ADA	\$ (191)	\$ 525	\$ 606	\$ 1,655	\$ 74	\$ 359	\$ 197	\$ 38	\$ 121	\$ 376
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$ 5,978,242	\$ 6,552,768	\$ 6,683,107	\$ 7,561,418	\$ 7,841,740	\$ 8,591,280	\$ 8,632,571	\$ 8,024,419	\$ 8,132,226	
Total Operating Expenses	6,058,460	6,327,587	6,413,246	6,814,714	7,348,446	7,960,738	8,079,920	7,548,432	7,616,408	
Total Other Sources/Uses	-	(177,176)	(9,966)	-	-	-	-	-	-	
Net Income Available for CSFP Lease Payment	(80,218)	48,005	259,895	746,704	493,294	630,542	552,651	475,987	515,818	
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	
Add Back Depreciation	-	122,829	131,817	128,261	131,049	131,049	131,049	131,049	131,049	
Adjusted Net Income Available for CSFP Lease Py	(80,218)	170,834	391,712	874,965	624,343	761,591	683,700	607,036	646,867	
CSFP Lease Payments	-	-	-	-	457,784	457,784	457,784	457,784	457,784	
Free Cash Flow	\$ (80,218)	\$ 170,834	\$ 391,712	\$ 874,965	\$ 166,559	\$ 303,807	\$ 225,916	\$ 149,252	\$ 189,083	\$ 265,768
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	136.4%	166.4%	149.3%	132.6%	141.3%	145.2%
DSC from LCFF Sources subject to CSFA Intercept								1107.3%	1128.5%	1117.9%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	5.8%	5.3%	5.3%	5.7%	5.6%	5.6%
FUNDRAISING										
Fundraising for Operations	\$ 11,000	\$ 36,025	\$ 23,469	\$ 36,864	\$ 13,949	\$ 14,228	\$ 14,512	\$ 14,803	\$ 15,099	\$ 19,994
Fundraising/Oper. Revenues	0.2%	0.5%	0.4%	0.5%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%
DSC without Fundraising	N/A	N/A	N/A	N/A	133.3%	163.3%	146.2%	129.4%	138.0%	142.0%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	-1094.1%	-2035.3%	-1456.8%	-908.3%	-1152.3%	-1329.3%
LIQUIDITY										
Current Assets	\$ 4,946,220	\$ 5,006,256	\$ 5,449,427							
Current Liabilities	647,640	864,376	1,058,788							
Net Working Capital	\$ 4,298,580	\$ 4,141,880	\$ 4,390,639							
Net Working Capital/Oper. Expenses	71.0%	65.5%	68.5%							68.3%
Unrestricted Cash & Cash Equivalents	\$ 4,583,563	\$ 4,413,230	\$ 4,743,715							
Unrest. Cash & CE/Oper. Expenses (Days)	276	255	270							
Unrest. Cash & CE/All Expenses (Days)	276	255	270							267

Benchmark Summary:

- Enrollment projections are relied upon for the DSC element of the cash flow analysis. While DOMHS saw significant enrollment growth in FY21, corresponding ADA fell due to challenges inherent in maintaining attendance and engagement with students during distance learning protocols implemented to slow the spread of COVID-19.
 - Staff do not consider this indicative of a new trend due to ongoing efforts to return to classroom instruction statewide, combined with a history of strong ADA.
- DOMHS expects to reach maximum occupancy with 500 students enrolled by FY22.
- Free Cash Flow/ADA – Met: \$376 avg. (>\$0)
- Free Cash Flow – Met: \$265,768 avg. (>\$0)
- Debt Service Coverage from Adj. Net Income – Met: 145.2% avg. (<110%)
- CSP Lease Payment/Open. Revenues: Met – 5.6% avg. (<15%)
- Net Working Capital as Portion of Operating Expenditures – Met: 68.3% avg. (>5%)
- Unrestricted Cash & Cash Equivalents (UCCE) as Portion of Expenses – Met 267 avg. (<90 days)

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Alliance Dr. Olga Mohan High (DOMHS) 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 DOMHS electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4. 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.