

**Charter School Facilities Program  
 Proposition 1D Funding Round  
 Staff Summary Report – March 2022  
 Item 9 - Resolution 22-19**

<b>Applicant/Obligor:</b>	Ednovate – Brio College Prep
<b>Project School:</b>	Ednovate – Brio College Prep
<b>CDS (County – District – School) Code:</b>	19-64733-0135723
<b>School Address:</b>	350 S. Figueroa St., Los Angeles, 90071
<b>Proposed Site:</b>	1215 Miramar St., Los Angeles, 90026
<b>Type of Project:</b>	Succession of Existing CSFP Facility
<b>Type of Apportionment:</b>	Final Apportionment
<b>County:</b>	Los Angeles
<b>District in which Project is Located:</b>	Los Angeles Unified
<b>Charter Authorizer:</b>	Los Angeles Unified
<b>Total OPSC Project Cost:</b>	N/A
<b>State Apportionment (50% Project Cost):</b>	N/A
<b>Total CSFP Financed Amount:</b>	\$8,083,564
<b>Length of CSFP Funding Agreement:</b>	22 years
<b>Assumed Interest Rate:</b>	2.00%
<b>Estimated Annual CSFP Payment:</b>	\$457,784
<b>First Year of Occupancy of New Project:</b>	2022-23

*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.*

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Ednovate – Brio College Prep (EBCP or School) is financially sound for the purposes of the Program Final Apportionment. This determination, as it relates to Final Apportionment, shall remain in effect for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon EBCP 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 1215 Miramar St., Los Angeles, CA 90026 was constructed between May 2011 and July 213 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 EBCP 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 EBCP. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>School Information</b>	
Demographic Information	In 2020-21, EBCP served 420 students in grades 9-12 with an average daily attendance (ADA) rate of 89.5%, which staff finds below historical averages. However, attendance rates suffered across the state in FY 2019-20 and 2020-21 due to COVID-19 related circumstances. In 2020-21 EBCP’s unduplicated pupil count (UPP) as a percentage of ADA was 83%.
Debt Service Coverage	EBCP’s debt service coverage from adjusted net income on this CSFP loan is projected to average 156% over the first five years that payments are due.
Eligibility Criteria	EBCP has met all eligibility criteria: (1) the school began operation in 2017; (2) the school’s charter was approved April 12, 2016, for the 2017-18 school year, and is in place through June 30, 2022; (3) LAUSD has certified EBCP is in good standing.
Student Performance	EBCP has performed comparably or better than its authorizing district and local public high schools.

**Program Eligibility:** As of March 7, 2022, LAUSD has certified that EBCP is active and operating in good standing (in compliance with their charter authorization, no pending corrective actions, or revocation proceedings). The school has confirmed their charter was approved on April 12, 2016 and is valid through June 30, 2022.

**Legal Status Questionnaire:** Staff reviewed EBCP’s responses to the questions contained in the Legal Status portion of the application. EBCP answered “Applicant has no such material information to disclose” 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:** EBCP proposes to succeed and assume the financing obligations of the charter school property located at 1215 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,

EBCP will enter into an arrangement with Miguel Contreras Learning Complex for use of their physical education facilities.

EBCP currently serves 420 students and has need for a sustainable long-term facility. The school currently leases their facility, located at 350 S Figueroa St. Suite 100, Los Angeles, CA 90071, from a private landlord. This facility is located just over half of a mile from the subject property at 1215 Miramar Street.

**School Organizational Information:** EBCP is an independent, site-based charter high school authorized by and located within the boundaries of LAUSD. The school is one of six operated by Ednovate, Inc., a California public benefit corporation with IRS approved 501(c)(3) status.

EBCP's UPP indicates an average of 83% of students served by the school were eligible to receive Free or Reduced Price Meals (FRPM), and/or classified as English Learners, and/or classified as Foster Youth during the period examined. For reference, an estimated 82.5% of students in LAUSD, and 62.4% of students in California met this classification during the same period.

EBCP aims to close the college graduation gap for first generation and low-income families by giving students a multigenerational purpose for college and career, significantly advancing academic proficiency through personalized curriculum, and developing specific mindsets that yield success through high school, college, and a career in a global economy.

To that end, EBCP students participate in a rigorous academic program:

- All students graduate exceeding the A-G requirements for California;
- In addition to the traditional core offerings such as English Language, History, and Calculus, EBCP students are encouraged to attempt annual advanced placement (AP) exams in a broad range of subjects. The school facilitates this goal by offering AP tests including Spanish Language and Literature, English Literature, Environmental Science, Computer Science, Macroeconomics, Government, and Statistics.

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 EBCP. The 2021-22 Ednovate Board consists of the following members:

**2021-22 Ednovate, Inc. Board Members**

<b>Name</b>	<b>Position</b>	<b>Term Expiration</b>
Pauline Fischer	Chair	June 2022
Elliot Sainer	Secretary & Treasurer	June 2022
Tammy Anderson	Member	June 2022
Marcia Aaron	Member	June 2022
Karen Gallagher	Member	June 2023
Kate Hirsh	Member	June 2023
Michael Porter	Member	December 2022

**School Academic Performance:** The following tables present the 2020-21 academic testing results for EBCP; two similar local traditional public schools: Edward R. Roybal Learning Center and Belmont Senior 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.

In English Language Arts testing EBCP students demonstrated strong skills, outperforming similar local schools to uphold the district average.

### English Language Arts – Comparison

	Standard Met or Exceeded				Academic Factors	
	FY20*	FY21*	Grade Span	2020-21 Enrollment	Pupil-Teacher Ratio	UPP
<b>EBCP</b>	N/A	53%	9-12	420	16.2	83%
<b>Edward R. Roybal</b>	N/A	35%	9-12	856	15.6	97.4%
<b>Belmont Senior High</b>	N/A	37%	9-12	690	14.4	98%
<b>LAUSD</b>	N/A	54%	K-12	574,996	19	82.5%

\*These tests were not administered in FY 2019-20 due to the COVID-19 pandemic, and testing participation in 2020–21 varied. Care should be used when interpreting results.

In Mathematics testing EBCP student scores were comparable to similar local schools, which tend to fall below district average in their geographical area.

### Mathematics – Comparison

	Standard Met or Exceeded				Academic Factors	
	FY20	FY21	Grade Span	2020-21 Enrollment	Pupil-Teacher Ratio	UPP
<b>EBCP</b>	N/A	16%	9-12	420	16.2	83%
<b>Edward R. Roybal</b>	N/A	17%	9-12	856	15.6	97.4%
<b>Belmont Senior High</b>	N/A	11%	9-12	690	14.4	98%
<b>LAUSD</b>	N/A	29%	K-12	574,996	19	82.5%

\*These tests were not administered in FY 2019-20 due to the COVID-19 pandemic, and testing participation in 2020–21 varied. Care should be used when interpreting results.

**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 EBCP from FYs 2018-2019 through 2026-2027. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data. EBCP anticipates enrollment reaching maximum capacity for the 1215 Miramar facility by 2024.

EBCP began operations in 2017-18, initially offering only ninth grade curriculum. They expanded to offering tenth grade in 2018-19, eleventh grade in 2019-20, and twelfth grade in 2020-21.

The decrease in Average Daily Attendance (ADA) rate during the 2020-21 school year is reflective of national trends related to student engagement during peak COVID conditions which necessitated increased remote and/or hybrid instruction.

**EBCP Student Enrollment and Average Daily Attendance**

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Enrollment	189	269	420	450	470	490	490	490	490
ADA	96.4%	93.9%	89.5%	95.1%	95.1%	95.1%	95.1%	95.1%	95.1%

**Financial Analysis:** The facility at 1215 Miramar Street was originally constructed utilizing a CSFP grant and matching local share in the form of a state loan. EBCP’s intention is to assume responsibility and operation of the facility by taking on the remainder of the original occupant’s loan. At this time, the balance of the remaining loan amount is \$8,083,564.

**Financial Data Sources:** This financial analysis is based on the consideration and review of the following for EBCP: (1) audited financial statements for FYs 2017-18 through 2020-21; (2) adopted budget for FY 2021-22; and (3) budget projections for FYs 2022-23 through 2026-27 along with assumptions.

**Assumptions:** Staff’s financial analysis of EBCP is based upon the following assumptions: (1) occupancy of the new facility in August 2022; (2) the repayment of EBCP’s CSFP matching share loan in the amount of \$8,083,564 at 2% interest commencing in FY 2022-23; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

**Long-Term Liabilities:** While EBCP’s operating management organization, Ednovate, Inc., participates in multiple programs administered by CSFA, EBCP will assume the matching share loan for this project as sole obligor. Obligor is required to notify the Authority before taking on additional debt that exceeds certain thresholds.

Staff noted that in the application proposal submitted to LAUSD for this project, EBCP indicated that \$750,000 demanded by the District for previously incurred “Facilities Costs” would be paid by the school’s parent charter management organization (CMO), Ednovate, Inc. In subsequent communications, Ednovate representatives confirmed it to be the school’s intention to eventually repay this \$750,000 to the CMO but did not provide a schedule.

**Benchmark Summary and Analysis:** The following table and summary listing sets forth the results of staff’s analysis regarding EBCP’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 MI										
	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	AVERAGE
<b>OPERATIONAL &amp; FINANCIAL</b>										
Enrollment	189	269	420	450	470	490	490	490	490	
Average Daily Attendance (ADA)	182	252	376	428	447	466	466	466	466	
Average Daily Attendance (%)	96.4%	93.9%	89.5%	95.1%	95.1%	95.1%	95.1%	95.1%	95.1%	94.6%
FTE Teachers	18	25	26	34	35	37	37	37	37	30
Pupil-Teacher Ratio	10.5	10.8	16.2	13.2	13.4	13.2	13.2	13.2	13.2	12.6
LCFF Sources/ADA	\$ 12,283	\$ 12,683	\$ 12,539	\$ 12,422	\$ 12,422	\$ 12,671	\$ 12,925	\$ 13,183	\$ 13,447	\$ 12,618
% Change	5.8%	3.3%	-1.1%	-0.9%	0.0%	2.0%	2.0%	2.0%	2.0%	1.7%
Operating Revenues/ADA	\$ 16,979	\$ 16,897	\$ 16,915	\$ 15,280	\$ 14,336	\$ 14,604	\$ 14,880	\$ 15,160	\$ 15,447	\$ 16,341
% Change	-25.9%	-0.5%	0.1%	-9.7%	-6.2%	1.9%	1.9%	1.9%	1.9%	-3.8%
Operating Expenses plus CSFP Lease/ADA	\$ 16,764	\$ 17,620	\$ 13,869	\$ 14,101	\$ 13,986	\$ 14,198	\$ 14,536	\$ 14,465	\$ 14,821	\$ 15,519
% Change	-19.5%	5.1%	-21.3%	1.7%	-0.8%	1.5%	2.4%	-0.5%	2.5%	-3.2%
Free Cash Flow/ADA	\$ 215	\$ (722)	\$ 3,046	\$ 1,179	\$ 349	\$ 406	\$ 343	\$ 695	\$ 626	\$ 822
<b>DEBT SERVICE COVERAGE</b>										
Total Operating Revenues	\$ 3,093,107	\$ 4,266,271	\$ 6,360,025	\$ 6,539,828	\$ 6,408,010	\$ 6,805,577	\$ 6,933,874	\$ 7,064,737	\$ 7,198,218	
Total Operating Expenses	3,053,965	4,448,606	5,214,834	6,035,046	5,794,050	6,158,571	6,316,025	6,282,930	6,448,838	
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	
Net Income Available for CSFP Lease Payment	39,142	(182,335)	1,145,191	504,782	613,960	647,006	617,849	781,808	749,380	
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	
Add Back Depreciation	52,101	70,530	27,424	32,400	32,400	32,400	32,400	32,400	32,400	
Adjusted Net Income Available for CSFP Lease Pymt.	91,243	(111,805)	1,172,615	537,182	646,360	679,406	650,249	814,208	781,780	
CSFP Lease Payments	-	-	-	-	457,784	457,784	457,784	457,784	457,784	
Free Cash Flow	\$ 91,243	\$ (111,805)	\$ 1,172,615	\$ 537,182	\$ 188,576	\$ 221,622	\$ 192,465	\$ 356,424	\$ 323,996	\$ 346,742
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	141.2%	148.4%	142.0%	177.9%	170.8%	156.1%
DSC from LCFF Sources subject to CSFA Intercept					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	7.1%	6.7%	6.6%	6.5%	6.4%	6.7%
<b>FUNDRAISING</b>										
Fundraising for Operations	\$ -	\$ 203,721	\$ 44,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,844
Fundraising/Oper. Revenues	0.0%	4.8%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%
DSC without Fundraising	N/A	N/A	N/A	N/A	141.2%	148.4%	142.0%	177.9%	170.8%	156.1%
<b>LIQUIDITY</b>										
Current Assets	\$ 525,302	\$ 756,257	\$ 3,070,859							
Current Liabilities	210,160	690,817	1,979,275							
Net Working Capital	\$ 315,142	\$ 65,440	\$ 1,091,584							
Net Working Capital/Oper. Expenses	10.3%	1.5%	20.9%							12.4%
Unrestricted Cash & Cash Equivalents	\$ 62,027	\$ 33,206	\$ 299,989							
Unrest. Cash & CE/Oper. Expenses (Days)	7	3	21							
Unrest. Cash & CE/All Expenses (Days)	7	3	21							10

**Benchmark Summary:**

- Enrollment – Fluctuation in ADA rate during FY 20 and 21 related to COVID circumstances. Overall average ADA exceeds minimum threshold of 94%.
- Student to FTE teacher ratio excellent. Projections demonstrate focus on hiring additional staff to accommodate enrollment growth.
- Free Cash Flow and/or per ADA – School operates with historically positive cash flow; projections are responsibly conservative.
- Debt Service Coverage from Adj. Net Income – Exceeds minimum threshold of 110%.
- CSP Lease Payment/Open. Revenues: Met – Averaging less than 7% of annual operating revenues; proposed CSFP lease payment unlikely to present any difficulties.
- Net Working Capital as Portion of Operating Expenditures – Exceeds minimum threshold of 5%.

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that Ednovate – Brio College Prep (EBCP) 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 EBCP 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 Los Angeles Unified School District of its findings.