

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – June 2023
 Item 9 - Resolution 23-27**

Applicant/Obligor:	Rise Kohyang Middle
Project School:	Rise Kohyang Middle
CDS (County – District – School) Code:	19-64733-0124222
School Address:	3020 Wilshire Blvd., 2nd Fl., L.A., CA 90013
Proposed Site:	1700 W Olympic Blvd. 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:	\$49,778,660
State Apportionment (50% Project Cost):	\$24,889,330
Lump Sum Contribution:	\$10,889,330
Total CSFP Financed Amount:	\$14,000,000
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	2.00%
Estimated Annual CSFP Payment:	\$625,099
First Year of Occupancy of New Project:	2025-26

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Rise Kohyang Middle (RKM 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) RKM 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) RKM receives an Augmentation Grant from the Los Angeles Unified School District (LAUSD) of which no less than \$10,889,330 will be contributed by the School as a lump sum payment to reduce the amount borrowed by RKM. 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.

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

Criteria	Comments
School Information	
Demographic Information	In 2021-22, RKM served 342 students in grades 6-8 with an average daily attendance (ADA) rate of 93.9%, which staff find reasonable. In 2021-22 RKM's unduplicated pupil count (UPP) as a percentage of ADA was 99.4%.
Debt Service Coverage	RKM's debt service coverage from adjusted net income on the proposed loan portion of the matching share is estimated to average 155.7% over the first two years that payments are due.
Lump Sum Contribution	In addition to accepting a loan of \$14,000,000, RKM will provide a lump sum contribution of no less than \$10,889,330 to satisfy their 50% local matching share requirement.
Eligibility Criteria	RKM has met all eligibility criteria: (1) the School began operation in 2012; (2) the school's most recent charter renewal is in place through June 30, 2026; (3) RKM is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	RKM students consistently perform on par with or better than peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: On February 17, 2023 LAUSD verified RKM is in compliance with the terms of its charter agreement and is not pending any notices of Violation or Revocation.

Legal Status Questionnaire: Staff reviewed RKM'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: RKM proposes to construct a new, permanent middle school facility of approximately 57,000 square feet. This new building, four stories tall, would include twenty-one classrooms, including teaching stations for science labs. The building would also include auxiliary rooms for special education and the arts, a library and media room, a multi-purpose room, technology rooms, counseling areas, faculty lounge, a food service area, ample storage areas, a main office suite, and additional administrative office spaces on each floor. The project aims to complete construction and begin serving students by the start of the 2025-26 school year.

School Organizational Information: RKM is a public charter school authorized by and located within the boundaries of LAUSD. RKM's most recent charter was approved by LAUSD on December 8, 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.

RKM 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."

Staff have reviewed the credentials of key board members and administrative staff and determined all have the proper background and experience to govern and effectively oversee the operations of RKM. The 2022-23 BSS Board consists of the following:

2022-23 Bright Star Schools Board Members

Name	Position	Term Expiration
Andrew Murr	Board Chair; Governance Committee Member	2023
Jen Cole	Board Secretary; Academic Committee Member	2025
Lois Levy	Academic Committee Chair	2022
Louisa Wee	Finance Committee Chair	2023
Manny Aceves	Governance Committee Chair	2023
Robin Elledge	Governance Committee Member	2023
Dora Dome	Academic Committee Member	2023
Andrew Wang	Member, Finance Committee	2023
Stephen Green	Finance Committee Member	2023
Marisol Leon	Academic Committee Member	2025
Larry Klein	Governance Committee Member	2023

School Academic Performance: The following tables represent the recent academic performance of RKM; a similar local middle school, Young Oak Kim Academy; and Los Angeles Unified School District. Results are provided through the California Department of Education’s CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards.

*2019–20 results are not available due to the suspension of testing as a result of the novel coronavirus disease 2019 (COVID-19).

**2020-2021 testing participation varied due to factors surrounding the novel coronavirus (COVID-19) pandemic.

English Language Arts Achievement

	FY18	FY19	FY20	FY21	FY22
RKM	49%	50%	*	48%**	39%
Local School	21%	26%	*	**	35%
District	42%	44%	*	52%**	42%

Mathematics Achievement

	FY18	FY19	FY20	FY21	FY22
RKM	49%	42%	*	33%**	20%
Local School	20%	19%	*	**	15%
District	32%	33%	*	29%**	28%

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for RKM from FY 2019-20 through FY 2027-28. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

RKM Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	421	388	342	338	340	350	400	425	450
ADA (%)	97.5	105.8	93.9	91	95	96	96	96	96

Financial Analysis

Financial Data Sources: This financial analysis is based on consideration and review of the following for RKM: (1) audited financial statements for FYs 2019-20 through 2021-22; (2) adopted budget for FY 2022-23; and (3) budget projections for FYs 2023-24 through 2027-28 along with assumptions.

Assumptions: Staff’s financial analysis of RKM is based upon the following assumptions: (1) occupancy of the new facility in FY 2025-26; (2) the repayment of RKM’s CSFP matching share loan in the amount of \$14,000,000 at 2% interest commencing in FY 2026-27; (3) a lump sum contribution of no less than \$10,889,330 to the project’s local matching share (4) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

Long-Term Liabilities: Based on available data, staff are not aware of any foreseeable long-term liabilities at this time. Additionally, obligors are required to notify the Authority before taking on 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 RKM’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 2020	Actual FY 2021	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL											
Enrollment	421	388	342	338	340	350	400	425	450		
Average Daily Attendance (ADA)	411	411	321	308	323	336	384	408	432		
Average Daily Attendance (%)	97.5%	105.8%	93.9%	91.0%	95.0%	96.0%	96.0%	96.0%	96.0%	96.4%	< 94.0%
FTE Teachers	23	20	20	22	22	23	26	28	29		
Pupil-Teacher Ratio	18.3	19.4	17.1	15.4	15.5	15.2	15.4	15.2	15.5	16.3	> 25.0
LCFF Sources/ADA	\$ 10,646	\$ 10,645	\$ 12,156	\$ 13,137	\$ 13,400	\$ 13,668	\$ 13,942	\$ 14,220	\$ 14,505	\$ 12,924	
% Change		0.0%	14.2%	8.1%	2.0%	2.0%	2.0%	2.0%	2.0%	4.0%	
Operating Revenues/ADA	\$ 14,398	\$ 15,640	\$ 23,695	\$ 22,332	\$ 18,227	\$ 18,401	\$ 17,078	\$ 17,232	\$ 17,406	\$ 18,268	
% Change		8.6%	51.5%	-5.8%	-18.4%	1.0%	-7.2%	0.9%	1.0%	4.0%	
Operating Expenses plus CSFP Lease/ADA	\$ 13,976	\$ 15,559	\$ 19,491	\$ 21,893	\$ 17,503	\$ 17,496	\$ 14,993	\$ 16,640	\$ 16,654	\$ 17,134	
% Change		11.3%	25.3%	12.3%	-20.1%	0.0%	-14.3%	11.0%	0.1%	3.2%	
Free Cash Flow/ADA	\$ 422	\$ 81	\$ 4,204	\$ 439	\$ 724	\$ 905	\$ 2,086	\$ 592	\$ 752	\$ 1,134	< 0
	Actual FY 2020	Actual FY 2021	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$ 5,910,909	\$ 6,420,725	\$ 7,605,421	\$ 6,869,294	\$ 5,887,183	\$ 6,182,613	\$ 6,558,134	\$ 7,030,585	\$ 7,519,312		
Total Operating Expenses	5,737,473	6,387,370	6,256,171	6,734,140	5,653,407	5,878,545	5,757,301	6,163,941	6,569,439		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	173,436	33,355	1,349,250	135,154	233,776	304,068	800,833	866,645	949,872		
Add Back Capital Outlay	-	-	-	59,733	60,928	62,146	63,389	64,657	65,950		
Add Back Depreciation	-	-	-	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	173,436	33,355	1,349,250	194,887	294,704	366,214	864,222	931,301	1,015,823		
CSFP Lease Payments	-	-	-	-	-	-	-	625,099	625,099		
Free Cash Flow	\$ 173,436	\$ 33,355	\$ 1,349,250	\$ 194,887	\$ 294,704	\$ 366,214	\$ 864,222	\$ 306,202	\$ 390,724	\$ 441,444	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	149.0%	155.7%	155.7%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								542.4%	585.8%	564.1%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.9%	8.3%	8.6%	> 15.0%
LIQUIDITY											
Current Assets	\$ 1,674,162	\$ 2,370,423	\$ 11,632,551								
Current Liabilities	675,152	1,501,395	10,785,219								
Net Working Capital	\$ 999,010	\$ 869,028	\$ 847,332								
Net Working Capital/Oper. Expenses	17.4%	13.6%	13.5%							14.9%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 788,187	\$ 859,272	\$ 1,503,254								
Unrest. Cash & CE/Oper. Expenses (Days)	50	49	88								
Unrest. Cash & CE/All Expenses (Days)	50	49	88							62	< 90

Benchmark Summary:

- Enrollment – RKM has experienced declines in enrollment and ADA in recent years consistent with statewide trends. Staff find these numbers reasonable and note that RKM projects working back up to the 94%+ ADA rate standard.
- Full-time equivalent (FTE) Teachers – Pupil-teacher ratio consistently resides well below the maximum threshold of 25.
- Free Cash Flow and/or per ADA – RKM operates with historically positive cash flow; Staff find enrollment and revenue projections to be realistic and achievable.
- Lump Sum – RKM has provided as evidence of the availability of lump sum funds, executed copies of the LAUSD Board of Education approval of augmentation funds in the amount of \$37,793,996 dedicated to the RKM facilities project.
- Debt Service Coverage from Adj. Net Income – Averaging an estimated 155.7% over the first two years of loan repayment, staff find debt service coverage satisfactory.
- CSP Lease Payment relative to Operational Revenues – Representing an estimated 8.6% of annual operating revenues on average, the proposed CSFP lease payment does not exceed CSFA’s established threshold of 15%, though the lease will represent a significant annual expense commensurate with the construction of a brand new school facility.
- Net Working Capital relative to Operating Expenses – RKM liquidity metrics are acceptable with ratio of Net Working Capital to Operational Expenses close to 15%, and Unrestricted Cash and Equivalents on hand equal to 62 days worth of expenses. While this is below the ideal 90 day ideal threshold, staff find these metrics reasonable for a network charter school of this size and age.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Rise Kohyang Middle (RKM) is financially sound for the purposes of 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) RKM 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) RKM receives an Augmentation Grant from the Los Angeles Unified School District (LAUSD) of which no less than \$10,889,330 will be contributed by the School as a lump sum payment to reduce the amount borrowed by RKM. 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.