

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 1D FUNDING ROUND 2009
STAFF SUMMARY REPORT – APRIL 2010**

Applicant:	Mark West Charter School
Project School:	Mark West Charter School
CDS (County-District-School) Code:	49-70805-0105890
Proposed Project Location:	4600 Lavell Road, Santa Rosa, CA 95403
Type of Project:	New Construction
County:	Sonoma County
School District Where Located:	Mark West Union School District
Chartering Entity:	Mark West Union School District
OPSC Project Cost:	\$2,114,518
Total State Apportionment:	\$1,057,259
Lump Sum Contribution:	N/A
Total CSFP Lease Amount:	\$1,057,259
Length Of CSFP Lease Payments:	30 years
Assumed Interest Rate On Obligation:	3.00%
Estimated Annual CSFP Lease Payment:	\$53,941
First Year Of Occupancy Of New Project:	2011-12

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Mark West Charter School (Mark West) is sound for purposes of Charter School Facilities Program (Program) Preliminary and Advance Apportionments, but not for purposes of a Final Apportionment. This determination as it relates to an Advance Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

Application Highlights: Highlighted below are key criteria that were evaluated while conducting the financial soundness review of Mark West. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Mark West has met Program eligibility criteria, including: 1) having a charter in place, 2) being in operation as a charter school for more than two years; and 3) being in compliance with the terms of its charter and in good standing with its chartering authority.

Demographic Information	Mark West currently serves 109 site-based students in grades 7-8 and 25 independent study students in K-8. Mark West is projecting enrollment of 124 site-based students beginning in 2010-11 through 2013-14.
Debt Service Coverage	Mark West's projected debt service coverage is 112.5% and 117.9% for the first two years of CSFP payments, 2012-13 and 2013-14, respectively.
Other Financial Factors	CSFP payments are projected to represent, on average, 6.2% of total revenues during 2012-13 and 2013-14. This is well within the recommended maximum 10-15% threshold levels. Mark West doesn't project reliance on private contributions to meet its CSFP obligation.
Student Performance	For 2007-08 and 2008-09, Mark West achieved API growth scores of 799 and 823. Also in these years, Mark West ranked 8 out of 10 statewide in API scoring. The school met all AYP criteria for both 2007-08 and 2008-09.

Program Eligibility: On December 9, 2009, staff received verification from the Superintendent of Mark West Union School District confirming that Mark West is currently (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. Mark West's charter with the district was initially approved in 2004 and renewed in 2008. The current charter is renewed through June 30, 2013.

Legal Status Questionnaire: The responses provided to the Legal Status Questionnaire were reviewed. Representatives for the school indicated there is "no information to disclose" to the two questions concerning any civil or criminal matters to report.

Project Description: Mark West is requesting funding for construction of five classrooms and restrooms. The middle school is currently located in portable buildings on a shared campus with another school, San Miguel Elementary School. The new site will be located on two-acres of the 15-acre campus for Mark West Elementary School, at 4600 Lavell Road in Santa Rosa. The new campus is owned by the school district and currently includes other facilities available to the middle school such as a multi-use room, restrooms, and library. Construction of the new facility is planned to be completed by August 2011, and will serve 124 students.

Organizational Information: Mark West is a K-8 grade charter school with non-profit public benefit status as Mark West Charter School, Incorporated. The school received its first charter in 2004 and began instructional operations with the 2004-05 school year. The school began an independent study program for middle school students in 2004-05. In 2008-09 Mark West added K-6 students, making the Independent Study Program K-8 inclusive.

The school reports that it is primarily designed to offer middle school students a challenging, accelerated, site-based program in the four core academic subjects of Language Arts, Social Studies, Science, and Math. Further, the program is designed to allow students access to community service learning options as well as courses at the high school level that would lead to AP classes and college admissions.

The school purchases many back-office services from its chartering authority, Mark West Union School District. Additionally, the district is the employer for all of the school's staff members.

Educational Management Organization, if applicable: Not applicable.

Management Experience: The resumes of Mark West's key management team demonstrate that professional, experienced and qualified individuals are serving in key capacities within the organization.

Pam Carpenter has served as the Director since 2004. She has a Master of Arts degree in Early Childhood Education and a Bachelor of Science degree in Education, with emphasis in Science. Ms. Carpenter has 28 years of experience in teaching and school administration.

Martie Adams has served since 2004 as Assistant Director, Teacher, Beginning Teacher Provider, and Student Teacher Mentor. Ms. Adams has earned a Bachelor of Arts, Liberal Studies, and has 23 years of experience in teaching and school administration.

Anne Kopache, Chief Financial Officer and Business Manager, has served the school since 2004 and also has worked for Kenwood School District since 2007. Ms. Kopache has earned a Bachelor of Arts in Business Management with an emphasis in Finance, and completed a Certification Program in School Business Management.

Management Experience for Schools Open Less than Two Years: Not applicable, as Mark West has been in operations as a charter school since the 2004-05 school year.

Board Experience: Mark West's charter indicates the school has chosen to operate as a dependent arm of the district for special education, policies, and employment purposes. The district's governing board and the district superintendent provide an umbrella of supervision and direction to the school. The school's board of directors has site authority and financial responsibility to manage the school and, as appropriate, may recommend policy changes for ratification by the District Board.

The school's by-laws indicate the authorized number of board members shall be five at-large members with 3-year terms each. Additionally, at least two of the five members are to be parents of current students and the District Superintendent sits in an advisory capacity. Current Board members include:

Name	Occupation	Term Expiration
Joan Gibson, Chair	Engineer	2010
Sofia McKnight	Homemaker	2012
Deanna Diaz	Homemaker	2012
Denis Mahoney	Heating and Air Conditioning Specialist	2010
Megan Tedrick	Medical Professional	2011

Student Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school's financial sustainability. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP), as reported by the California Department of Education (CDE), per the No Child Left Behind Act of 2001.

For the past four years, Mark West's has achieved growth API scores of 764, 799, 828, and 859 from 2005-06 to 2008-09, respectively; and only missed meeting its API growth target in 2005-06. The school also has met all AYP criteria for each of the last four years from 2005-06 to 2008-09.

Mark West Charter School	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	Yes
Criteria Met / Required Criteria	9 / 9	7 / 7	7 / 7	9 / 9
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	NA	NA	NA	NA
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	No	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	Yes	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	No	Yes	Yes	Yes
API Base Statewide Rank (10 = best)	8	7	8	8
API Base Similar Schools Rank (10 = best)	NA	1	NA	NA
School's Actual Growth	-7	43	29	36

Enrollment and Retention Rates: Mark West commenced instructional operations in 2004-05 with 82 seventh grades students. Enrollment fluctuated over the next five years with total site-based seventh and eighth grade enrollment from 2005-06 to 2009-10 of 128, 93, 98, 98, and 109, respectively. Enrollment for the K-8 independent study program in 2008-09 and 2009-10 was 28 and 25, respectively. Enrollment is anticipated to reach 124 site-based students by 2010-11 with no future enrollment growth thereafter. As of April 2010, school officials report that 112 students are enrolled for the next academic year.

The school reports retention rates for prior 7th grade students returning for 8th grade in the next year have been improving. For the past four years, retention rates are reported as 60%, 74%, 93%, and 92% for 2005-06 to 2009-10, respectively. School officials report that the drop in retention from 2005-06 to 2006-07 was due to the departure of a popular teacher at the school. Enrollment and retention rates have increased steadily since that time.

Financial Analysis: Highlighted below are selected financial data and credit indicators used to evaluate Mark West's ability to meet its CSFP obligation.

Staff's evaluation of financial performance is based on review of the following documents: (1) audited financial statements for 2005-06 through 2008-09; (2) multi-year budget projections for 2009-10 through 2013-14; and (3) current enrollment for 2009-10 and projected annual enrollment for 2010-11 through 2012-13. (4) Projected site-based enrollment shown below.

Staff's analysis of financial performance includes adjustments for capital outlay and loan repayment; therefore, our results may differ from audited figures presented by school representatives.

Mark West Charter School	Actual FY 2007/08	Actual FY 2008/09	Budget FY 2009/10	Projected FY 2010/11	Projected FY 2011/12	Projected FY 2012/13	Projected FY 2013/14
ENROLLMENT PROJECTIONS							
Enrollment	98	98	109	124	124	124	124
Average Daily Attendance	98	93	100	112	112	112	112
Average Daily Attendance (%)	100%	95%	92%	90%	90%	90%	90%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Payment	\$ 752,406	\$ 890,956	\$ 802,424	\$ 829,753	\$ 850,730	\$ 867,571	\$ 884,294
Total Expenses Paid Before CSFP Payment	729,591	857,246	809,578	776,736	793,551	806,905	820,734
Accounting Adjustments	45,105	45,795	-	-	-	-	-
Net Revenues Available for CSFP Payment	\$ 67,920	\$ 79,505	\$ (7,154)	\$ 53,017	\$ 57,179	\$ 60,666	\$ 63,560
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,941	\$ 53,941
Net Revenues After CSFP Payment	\$ 67,920	\$ 79,505	\$ (7,154)	\$ 53,017	\$ 57,179	\$ 6,725	\$ 9,619
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Payment	\$ 67,920	\$ 79,505	\$ (7,154)	\$ 53,017	\$ 57,179	\$ 60,666	\$ 63,560
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	112.5%	117.8%
Contributions	\$ 20,962	\$ 18,096	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	112.5%	117.8%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	6.2%	6.1%
Contributions / Revenues	2.8%	2.0%	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Payment / Revenues	9.0%	8.9%	-0.9%	6.4%	6.7%	0.8%	1.1%
Revenues / ADA	\$ 7,678	\$ 9,580	\$ 8,024	\$ 7,435	\$ 7,623	\$ 7,774	\$ 7,924
Expenses / ADA	\$ 7,445	\$ 9,218	\$ 8,096	\$ 6,960	\$ 7,111	\$ 7,714	\$ 7,838
Surplus (Deficit) / ADA	\$ 233	\$ 362	\$ (72)	\$ 475	\$ 512	\$ 60	\$ 86
Net Working Capital	\$ 282,222	\$ 315,932					
Net Working Capital / Expenses	38.7%	36.9%					

Financial projections are based upon the following assumptions: (1) occupancy of the CSFP-funded project facilities by 2011-12; (2) enrollment as described above; (3) projected ADA rates of 90%; (4) reported revenue growth (cost of living adjustments on general purpose entitlement) of 0.5% for 2010-11, 2.0% for 2011-12, and 2.5% for all subsequent years; and (5) 2.0% increase to salaries in 2010-11 and 3.0% increase in all years thereafter.

Based on the 2008-09 audited financial statements, Mark West does not have any long-term debt. The 2007-08 financial statements had reported a revolving loan received in 2004-05 from the California Department of Education in the amount of \$170,000 to help with initial start-up and operational costs. The final payment of \$42,500 to repay the loan was scheduled during the year ended June 30, 2009. Mark West has a material contract of approximately 7.5% of its general purpose and categorical block grant revenues with its chartering authority to provide custodial, management, and oversight duties to the school.

Performance/Change in Net Assets: Mark West recorded increases in net assets of \$78,842, \$103,903, \$65,315, \$76,210 for each of the last four years (2005-06 through 2008-09). Mark West projects a decrease in net assets of \$7,154 for 2009-10. Budget projections for the next four years indicate increases in net assets of \$53,017, \$57,179, \$60,666, and \$63,580 from 2010-11 through 2013-14, respectively. As a result, Mark West's total net assets increased from \$70,504 in 2005-06 to \$315,932 in 2008-09, before decreasing to an anticipated \$187,271 in the current 2009-10 year. Budget projections indicate anticipated ending net assets to grow each year from \$204,288 in 2010-11 to \$421,713 in 2013-14.

Debt Service Coverage: Mark West's financial projections indicate it would have sufficient funds to meet its annual CSFP payments. Assuming a 3.00% interest rate and 30-year repayment period, Mark West's annual CSFP payment would be \$53,914 beginning in 2012-13, the first year after project occupancy. The school anticipates net revenues available for its CSFP payments to be \$60,666 and \$63,580 in 2012-13 and 2013-14, respectively. The CSFP payments would represent 6.2% and 6.1% of total revenues in those two years. Mark West's projected debt service coverage ratios of 112.5% and 117.9% for 2012-13 and 2013-14, respectively, exceed the minimum debt service coverage ratio requirement of 100.0%.

Asset Position and Liquidity: As of June 30, 2009, Mark West held \$503,729 in cash and cash equivalents. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Mark West's NWC was \$282,222 (41.1% of total expenses) in 2007-08 and \$315,932 (38.8% of total expenses) for 2008-09. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient.

Strengths, Weaknesses and Mitigants:

- + For 2006-07, 2007-08 and 2008-09, Mark West achieved API growth scores of 799, 828 and 859, respectively, and their API growth targets. Mark West also met all AYP criteria for each of the past four years.
- + Mark West's projected debt service coverage for is projected to be 112.5% and 117.9% for 2012-13 and 2013-14, respectively.
- + Net Working capital of 38.8% of total expenses in 2008-09, exceeds staff's minimum level of 5.0%.
- + Mark West has nearly reached full enrollment and is expected to maintain enrollment at 124 students for the foreseeable future

Staff Recommendation: Staff recommends the California School Finance Authority Board determine that Mark West Charter School is financially sound for purposes of the Charter School Facilities Program Preliminary and Advance Apportionments. This determination shall be in place for six months barring any material financial or operational changes that would impact the financial liability of the school. 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.