

**Charter School Facilities Program  
 Proposition 51 Funding Round  
 Staff Summary Report – May 2020**

<b>Applicant/Obligor:</b>	Perris Elementary School District
<b>Project School:</b>	Innovative Horizons Charter School
<b>CDS (County – District – School) Code:</b>	33-67199-6105571
<b>School Address/Proposed Site:</b>	1461 North A Street, Perris, CA 92570
<b>Type of Project:</b>	Rehabilitation and New Construction
<b>OPSC Project Numbers:</b>	Rehabilitation – 54/67199-00-001 New Construction - 54/67199-00-002
<b>Type of Apportionment:</b>	Rehabilitation – Advanced New Construction – Final
<b>County:</b>	Riverside
<b>District in which Project is Located:</b>	Perris Elementary School District
<b>Charter Authorizer:</b>	Perris Elementary School District
<b>Total OPSC Project Cost:*</b>	Rehabilitation - <del>\$6,459,300</del> <b>20,071,998</b> New Construction - \$1,827,024 Total - <del>\$8,286,324</del> <b>21,899,022</b> Rehabilitation - <del>\$3,229,650</del> <b>10,035,999</b>
<b>State Apportionment (50% Project Cost):</b>	New Construction - \$913,512 Total - <del>\$4,143,162</del> <b>10,949,511</b> Rehabilitation - <del>\$3,229,650</del> <b>10,035,999</b>
<b>Lump Sum Contribution:</b>	New Construction - \$913,512 Total - <del>\$4,143,162</del> <b>10,949,511</b>
<b>Total CSFP Financed Amount:</b>	N/A
<b>Length of CSFP Funding Agreement:</b>	N/A
<b>Assumed Interest Rate:</b>	N/A
<b>Estimated Annual CSFP Payment:</b>	N/A
<b>First Year of Occupancy of New Project:</b>	N/A 2023-24

Staff recommends the California School Finance Authority (Authority or CSFA) Board determine that Perris Elementary School District (District or PESD), on behalf of Innovative Horizons Charter School (School or IHCS), is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Apportionments. ***The New Construction project is being approved for Final Apportionment, while the Rehabilitation is being approved for Advance Apportionment. This decision is due to each project's distinct timeline.***

This determination as it relates to Apportionments is in place for twelve months and assumes no financial, operational, or legal material findings within this period. This recommendation is contingent upon Perris Elementary School District, on behalf of Innovative Horizons Charter School providing a lump sum contribution as the matching share. *Despite having a contribution from the District to satisfy the local matching share, staff conducts an analysis of the school to ensure the financial solvency of the school once the project school is operational.* Staff recommends the Authority Board to direct staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.

**Application Highlights:** Below staff highlighted key criteria evaluated when conducting its financial soundness review of Perris Elementary School District (District) on behalf of Innovative Horizons Charter School. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Obligor Information</b>	
Demographic Information	In 2019-20, PESD operated/authorized nine elementary schools, including IHCS, which is the District's lone charter school. Enrollment totals are 5,606 with a projected Average Daily Attendance (ADA) rate of 95% By 2020-21, PESD projects enrollment of 5,426 students.
Other Financial Factors	PESD will provide a lump sum contribution as the matching share. Staff has confirmed available funds. PESD's General Fund balance, as of December 2019, is \$13,370,241 with \$8,401,050 in unrestricted funds per the first interim financial statements.

<b>School Information</b>	
Eligibility Criteria	Innovative Horizons Charter School met all eligibility criteria, Innovative Horizons: (1) began operation in August 2011; (2) most recent charter was approved in July 2016 and is in place through June 2022; and (3) is in good standing with its chartering authority and in compliance with the terms of its charter.
Student Performance	IHCS students have performed better than both comparable school averages, and the District as a whole, in English Language Arts. IHCS students outperformed comparable local schools and comparable to the District in Mathematics. These metrics are per the “Smarter Balanced” assessment measured through The California Assessment of Student Performance and Progress (CAASPP) System provided through California Department of Education (CDE).
Demographic Information	IHCS currently serves 926 students in grades K-8. Expected Enrollment in 2020-21 to be 926 students.

**Program Eligibility:** On May 11, 2020, at CSFA staff’s request, verification and it was received from Perris Elementary School District confirming Innovative Horizons: (1) has been in operation for more than two years, (2) is in compliance with the terms of its charter agreements, and (3) is in good standing with its chartering authority. Innovative Horizons’ current charter is effective through June 2022.

**Legal Status Questionnaire:** Staff reviewed the applicant’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 applicant.

**Project Description:** Innovative Horizons Charter School is applying for both rehabilitation and new construction for the 1461 North A Street location. The rehabilitation project will include modernization of the multi-purpose room so it may also be used as a library. The new construction project will include the removal of deteriorating classrooms to be replaced with two new two-story buildings, a new gym, a food service building, and a fitness center.

**Obligor Organizational Information:** The PESD was established in 1893 and is located in Riverside County. The District currently serves approximately 6,000 students in seven K-6 schools, one preschool, and one K-8 dependent charter school (Innovative Horizons). The District is comprised of the following mix of races/ethnicities: 88.3% Hispanic or Latino; 7.2% African American/Black; and 3.1% Caucasian/White. The remaining percentages are comprised of students who ethnically identify as American Indian, Alaska Native, Asian, Filipino, Pacific Islander, or two or more ethnicities. The rate of Unduplicated Pupil Count of Free/Reduced-Price Meals, English Learners & Foster Youth is about 93% for PESD in 2018-19, as of February 2020.

The 2019-20 District’s Board consists of President Jose Garcia, Clerk David Santos, Virniecia Green-Jordan, Maribel Nava, and Michelle Maisel. Board Clerk Santos and Member Green-Jordan's terms expires in December 2020. The remaining members' terms expire in December 2022. Jean Marie Frey is the Superintendent for PESD and Francine M.

Story is the Chief Business Official. Staff has reviewed the credentials of the key board members and staff determined them to have the proper background and experience to govern and effectively oversee the operations of the District.

**School Organizational Information:** IHCS is a public charter school located within the boundaries of the District and is authorized by the District. IHCS' initial charter was submitted to the District in 2011 and was approved. The District approved IHCS's most recent charter in July 2016 and it is set to expire on June 30, 2022.

In spring 2010, the District commissioned a task force to gauge the feasibility of creating a District dependent charter school. The District community was surveyed and 88% of respondents supported a dependent charter in the District. The task force found, through research and response, the community desired an integrated program that included emphasis on visual and performing arts, math, science, and a technology rich environment. According to information provided by the school, since its 2011 opening, IHCS has become a high-demand program with enrollment exceeding 900 and a wait list for each grade level.

Based on information from the applicant, in its desire for differentiation, IHCS sought to offer and support: flexibility and responsiveness to student/parent/community needs; individual attention and instruction tailored to student needs; every student is visible and treated as a unique individual; a consistent educational experience for students over an extended period of time; a coherent focus and philosophy of education and curriculum that is integrated around that focus; a cohesive group of teachers who collaborate and discuss the needs of their students; a sense of shared leadership and investment among those participating in the school; increased safety and decreased physical disruptions/misbehavior; and involvement of families in the school community.

IHCS employs "backward mapping" to develop the curriculum for each grade level. Backward mapping, a standards based instructional planning process, begins with the end in mind, allowing teachers to better target the quality of performance IHCS wants from students, with those consequent standards working backward to instruction. For the planning of each course of study, teachers utilize the following structure: identify and analyze the standards to be met during the course of study; unpack the standards and identify prerequisite skills needed to be mastered; design an assessment or assignment through which students be able to demonstrate mastery of the standards; identify what students must know, or be able, to do in order to perform well on the assessment/assignment; plan and deliver direct instruction and other learning opportunities to assure that every student has adequate opportunities to learn and practice what is expected in mastering the knowledge and skills of the standards; provide independent practice; assess students to see if they have mastered the standards; analyze data from the assessment to give feedback, re-teach, determine individual support or move to next standards to be taught.

The school is governed by an Advisory Council and the District's Board. The Advisory Council's members rotate; members include three teachers, four parents, one non-credentialed employee, and one Board member. Sharill Cortez, Principal of Innovative Horizons. Ms. Cortez graduated from San Diego State University with a Bachelor's in

English, followed by a Master's Degree in Education, and earned a second Master's Degree in Educational Leadership from Concordia University, and most recently began a doctoral program. She has been in education for 19 years. Staff reviewed the credentials of the key board members and staff and determined all have the proper background and experience to govern and effectively oversee the operations of the School.

**School Academic Performance:** The following tables represent the 2016-17, 2017-18, and 2019-20 academic performance of IHCS, the averages of similar local public schools: Palms Elementary and Perris Elementary (Local Schools), and the District. The results are provided through California Department of Education's (CDE) California Assessment of Student Performance and Progress Smarter Balanced testing data.

**English Language Arts – Comparison**

	Years		
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
<b>IHCS</b>	<b>34.57%</b>	<b>37.44%</b>	<b>42.22%</b>
Local Schools	32.93%	32.53%	27.46%
District	33.53%	33.25%	34.81%

	2016-17		2017-18		2018-19	
	<u>Perf. Level</u>	<u>+/- Standard</u>	<u>Perf. Level</u>	<u>+/- Standard</u>	<u>Perf. Level</u>	<u>+/- Standard</u>
<b>IHCS</b>	Low	<b>-35.2</b>	<b>Average</b>	<b>-25.2</b>	<b>Average</b>	<b>-20.7</b>
Local Schools	Low	-46.3	Low	-53.0	Low	-53.2
District	<b>Average</b>	-42.0	Low	-44.7	Low	-44.4

**Mathematics– Comparison**

	Years		
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
<b>IHCS</b>	22.17%	<b>23.79%</b>	<b>24.84%</b>
Local Schools	<b>22.60%</b>	22.65%	20.48%
District	22.58%	22.98%	23.89%

	2016-17		2017-18		2018-19	
	<u>Perf. Level</u>	<u>+/- Standard</u>	<u>Perf. Level</u>	<u>+/- Standard</u>	<u>Perf. Level</u>	<u>+/- Standard</u>
<b>IHCS</b>	Low	-68.2	<b>Average</b>	<b>-60.3</b>	Low	-63.9
Local Schools	Low	-64.8	Low	-72.2	Low	-69.7
District	Low	<b>-63.9</b>	Low	-66.8	<b>Average</b>	<b>-63.0</b>

IHCS's English Learner (EL) Progress Indicator states that 50% of the school's EL population is making progress towards English Language proficiency. Their performance level is consistently rated as medium by CDE which is equal to the state and is better than the district's performance level.

IHCS met CDE's Implementation of Academic Standards, which measures the implementation of state academic standards. Annually, Local Educational Agencies (LEAs) measure progress with implementing state academic standards and report the results to its local governing board at a regularly scheduled meeting. <sup>1</sup>

Academic Engagement: IHCS's Chronic Absenteeism rate was 3.7% for 2018-19, which was 2.1% decline from the previous year. Chronic Absenteeism is the percentage of students in grades K-8 who are absent 10% or more during the school year. IHCS's rate is better than the district at 14.3%, and the average of the Local Schools reporting 14.2%.

IHCS also met the standard regarding 'Access to a Broad Course of Study'. This measure explores whether students have access to, and are enrolled in, a broad course of study including the programs and services developed and provided to unduplicated students and individuals with exceptional needs. The summary of progress is required to be based on information collected through locally selected tools and measures that identifies differences across school sites and student groups, barriers preventing student access, and any revisions to ensure access for all students.

Academic Conditions and Climate: IHCS has a student suspension rate (suspended at least once during a school year) of 2.3% for 2018-19, which is a 2.4% decline from the previous

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<sup>1</sup> Reports to stakeholders and the public are made available through the online services such as the California Department of Education's "Dashboard" website.

year. The Local Schools have an average rate of 1.6%. The District records a rate of 2%. All rates are considered above average by CDE.

IHCS has met the State standard for 'Basics: Teachers, Instructional Materials, and Facilities'. This measure addresses the percentage of appropriately assigned teachers; students' access to curriculum-aligned instructional materials; and safe, clean and functional school facilities. IHCS has also met the State's standard regarding 'Parent and Family Engagement'. This measure addresses receiving parent input in decision-making and promoting parental participation in education programs for students. Local education agencies report progress of how schools and districts have sought input from parents in decision making and promoted parent participation in programs. Inspire has also met the standard regarding parent and family engagement by implementing all required actions. Lastly, IHCS has also met the Local Climate Survey standard regarding the school environment based on a local climate survey administered every other year on the topics of school safety and connectedness.

**Enrollment Trends and Projections:** The tables below present enrollment information for PESD and IHCS from 2014-15 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**District-wide Student Enrollment and Average Daily Attendance (including IHCS)**

<u>PESD</u>	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Enrollment	5,963	5,921	5,796	5,606	5,426	5,336	5,336	5,336
ADA	94.8%	95.5%	95.3%	95.0%	95.0%	95.0%	95.0%	95.0%

**Charter School Student Enrollment and Average Daily Attendance**

<u>PESD</u>	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Enrollment	934	934	934	926	926	926	926	926
ADA	94.9%	96.0%	95.8%	95.0%	95.0%	95.0%	95.0%	95.0%

The review of historical enrollment, from 2016-17 through 2019-20, was used as a measure for the reasonability regarding projected enrollment for 2020-21 through 2023-24. As these projections do not include any increases, Staff finds these reasonable and appropriately conservative considering the current environment of uncertainty for schools and districts during the COVID-19 state of emergency.

**District Financial Analysis:** *Despite having a contribution from the District to satisfy the local matching share, staff conducts an analysis of the school to ensure the financial solvency of the school once the project school is operational. As this is a lump sum contribution, the Authority reviews the most recent audited financial statements, 2018-19, as well as the First Interim Unaudited Financial Statements from the 2019-20 fiscal year.*

**Lump Sum Contributions:** PESD indicated it will provide a lump sum contribution as a matching share for the IHCS project. This contribution is available in the "Charter School Special Revenue Fund" (Charter School Fund) and the Building Fund. As of December

2019 (most recent financial statements available), the Charter School Fund had a balance of \$13,197,021 and the Building Fund has \$3,633,059. Per the 2018-19 audited financial statements, PESD's Charter School Fund has \$9,646,723 already encumbered for IHCS's modernization.

Liquidity and Reserves: As of December 2019, PESD's General Fund balance is expected to end the fiscal year at \$13,370,241 with \$8,401,050 in unrestricted funds per the First Interim financial statements. \$3,420,491 of the unrestricted funding is meant for economic uncertainties. PESD has been certified by the CDE as able to meet its financial obligations for years 2016-17 through 2018-19 and is expected to meet its financial obligations for 2019-20 through 2021-22. Per the District's 2018-19 audited financial statements, PESD's General Fund gained \$2,156,972 in revenue. Standard and Poor's rating services assigned an insured rating of AA- and an underlying rating of A+ to PESD's 2017 GO Bond refunding, the District's most recent financing.

Charter School Financial Summary and Information: As mentioned above, IHCS is district dependent charter school and is funded directly through the district, specifically through the district's Charter School Fund. Excluding the lump sum contribution, the Charter School is projected to end the current fiscal year with a fund balance increase of \$1,818,631. Per the first interim statements, the Charter School Fund balance is expected to be \$3,081,496. This balance accounts for 113 operating days based on the expected daily expenditures amount in the report.

Major funding sources for IHCS from its 2019-20 First Interim Report include the following: LCFF income sources accounts for approximately 95% of IHCS's revenue; other state revenue sources, such as Mandate Cost Reimbursements, and Lottery Funds, account for approximately 3% of revenue; and other local revenue sources, such as After School Program Revenue account for approximately 2% of IHCS's current revenue.

**Strengths, Weaknesses and Mitigants:**

- + As of the most recent financial statements available, PESD's General Fund balance is expected to end the fiscal year at \$13,370,241 with \$8,401,050 in unrestricted funds per the First Interim financial statements.
- + PESD will be providing a lump sum contribution as the matching share and provided proof of incumbrance. Staff has also confirmed funds available in the designated funds.
- + Standard and Poor's rating services assigned an insured rating of AA- and an underlying rating of A+ to PESD's 2017 GO Bond refunding.

**Staff Recommendation:** Staff recommends the California School Finance Authority Board determine Perris Elementary School District, on behalf of Innovative Horizons Charter School, is financially sound for the purposes of Charter School Facilities Program Apportionment. ***The New Construction project is being approved for Final Apportionment, while the Rehabilitation is being approved for Advance Apportionment. This decision is due to each project's distinct timeline.*** This

determination, as it relates to Apportionment, is in place for twelve months and assumes no financial, operational, or legal material findings within this time. *Despite having a contribution from the District to satisfy the local matching share, staff conducts an analysis of the school to ensure the financial solvency of the school once the project school is operational.* This recommendation is contingent upon Perris Elementary School District, on behalf of Innovative Horizons Charter School, providing a lump sum contribution as the matching share. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.