

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – October 2017**

Applicant/Obligor:	Mariposa County Unified School District
Project School:	Sierra Foothill Charter
CDS (County – District – School) Code:	22-65532-0125823
School Address/Proposed Site:	4952 School House Road, Catheys Valley, CA 95306-9710
Type of Project:	Rehabilitation
Type of Apportionment:	Preliminary
County:	Mariposa
District in which Project is Located:	Mariposa Unified School District
Charter Authorizer:	Mariposa Unified School District
Total OPSC Project Cost:*	\$3,078,548
State Apportionment (50% Project Cost):	\$1,539,274
Lump Sum Contribution:	\$1,539,274
Total CSFP Financed Amount:	N/A
Length of CSFP Funding Agreement:	N/A
Assumed Interest Rate:	N/A
Estimated Annual CSFP Payment:	N/A
First Year of Occupancy of New Project:**	2019-20

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

***The anticipated year of project occupancy is an estimate based on MCUSD receiving its Final Apportionment within two years of Preliminary Apportionment and completion of the project within 18 months of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Mariposa County Unified School District (“MCUSD” or “District”) on behalf of Sierra Foothill Charter (“Sierra” or “School”), is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advanced Apportionment, is contingent upon MCUSD providing evidence of the restricting of funds for the lump sum matching share payment for the CSFP project. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. In the event a loan is incurred, this recommendation is contingent upon MCUSD, on behalf of Sierra, 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 Authority Board direct

staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

For purposes of supporting its having the funds available to make the lump-sum payment towards the local match, MCUSD has confirmed their expected lump sum payment. MCUSD’s board is expected to approve their expect lump sum payment at their November 9th board meeting. The funds for the lump sum will come from a designated building fund, Fund 21, which balance is expected to have more than \$5.25 million by the end of 2017-18. The board may consider repayment through both a lump sum and loan repayment but that is dependent on board approval and additional projects under consideration. Staff notes that, prior to release of funds for Advance or Final Apportionment, the Applicant will be required to produce evidence of having the said amount of funds in a restricted bank account, specifically designated for the CSFP project.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review (MCUSD) on behalf of Sierra. Detailed information is contained in the body of the report.

Criteria	Comments
District Information	
Demographic Information	1. In 2016-17, MCUSD operated/authorizes 13 schools- 7 elementary school, 3 high school, 1 K-12 independent learning school, 1 continuation school, & 1 adult school; enrollment totaled 1,844 students (the ADA rate was 91.4%). 2. By 2019-20 (1 st Full Year of Expected Project Occupancy), MCUSD projects an enrollment of 1,833 students.
Debt Service Coverage	1. The district is providing its matching share through GO bond proceeds. Measure L was a \$24 million GO Bond measure that was approved by voters in November 2016.
Other Financial Factors	1. MCUSD’s building fund (which receives Measure L proceeds) has a balance of more than \$5.25 million as the end of 2017-18. 2. MCUSD’s general fund (chief operating fund) has a balance of \$4,596,743 as the end of 2017-18.
Special Considerations and Mitigating Factors	Notwithstanding its net deficit for 2016-17 and projected net deficits, MCUSD has sufficient fund reserves to offset its net deficit for 2016-17, and is projected to have more than sufficient fund reserves to offset the deficits in the projected years.
School Information	
Eligibility Criteria	Sierra has met all eligibility criteria: (1) Sierra commenced operations in 2012; (2) Sierra’s charter was approved in November 2016 and is in place through June 2022; (3) Sierra is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Sierra students have outperformed both comparable school

	and the district as a whole in English Language Arts and Mathematics per the “Smarter Balanced” assessment provided through CDE.
Demographic Information	Sierra currently serves 136 students in grades K-6. Enrollment in 2018-19 is expected to be 135 students. ADA rates averaged 94.9% from 2013-14 through 2016-17.
Special Contingencies	Lump Sum Applicant

Program Eligibility: On September 11, 2017, at CSFA staff’s request, verification was received from MCUSD confirming that Sierra (1) has been in operation for more than 2 years, (2) in compliance with the terms of its charter agreements, and (3) in good standing with its chartering authority. Sierra’s 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: This description is most detailed description that Sierra could provide. The rehabilitation project focuses on five buildings. Three portable classrooms will be renovated along with the office/library building and a bathroom building. The projects given priority by Sierra re the following: possible roof and septic system repairs, needed Americans with Disabilities Act compliances and updates, water system deficiencies, drainage issues, and HVAC repair and deferred maintenance. Project completion is expected 2019-20 and there is no increased student capacity from the project.

District Organizational Information: MCUSD is school district located in Mariposa County and operates 12 schools: six elementary schools (Greeley Hill Elementary, Lake Don Pedro Elementary, Mariposa Elementary, Woodland Elementary, El Portal Elementary, and Yosemite Valley Elementary,); three high schools (Coulterville High, Mariposa County High, & Yosemite Park High), one K-12 independent learning school (Sierra Home School); one continuation school (Spring Hill High – Continuation) & one adult school (Mariposa Adult). Sierra is the lone district charter and it operates independently.

MCUSD is comprised of the following mix of races/ethnicities: 68.7% Caucasian; 18.1% Hispanic or Latino; 6.2% identifying with two or more races/ethnicities; 4.1% American Indian/Alaska Native; 0.8% Asian; 0.7% Filipino; and 0.5% African American/Black.

Key staff members of the MCUSD’s management team are Superintendent Robin Hopper, Chief Business Officer Norma Dwyer, and Maintenance, Operations, Transportation, Facilities and Warehouse Coordinator Charlotte Kelsey. Staff reviewed the credentials of MCUSD’s management team and determined that, collectively and individually, the management team demonstrates having the required experience and educational background.

School Organizational Information: Sierra is a transitional college preparatory public charter school. Sierra’s charter was approved by the MCUSD on November 10, 2016, with the charter set to expire on June 30, 2022. Sierra opened in 2012-13 school year and serves grades K-8. The school is a directly funded independent charter school and operated

as a California nonprofit public benefit corporation, pursuant to California law upon approval of this charter. Sierra operates autonomously from the District, with the exception of the supervisory oversight as required by statute and other contracted services as negotiated between the District and the School. Sierra's mission statement is "to provide a rigorous, well-rounded education - with a focus on science and sustainability – that helps students acquire the academic and personal skills they need to excel in higher education, think creatively, engage in a diverse society, and pursue their dreams."

According to the materials submitted, Sierra's curriculum is systematically structured and organized based on the adopted Common Core State Standards, Next Generation Science Standards, and History Social Science Content Standards. The curricular materials used at Sierra are aligned with adopted California content standards and the Sierra's Vision, Mission, and Educational Philosophy. Instructional materials are reviewed and selected by the Academic Excellence Committee, made up of teachers, the Principal/Superintendent, and Board representatives.

In addition to research-based, copyrighted textbooks and instructional materials, teachers also use Open Educational Resources. Open Educational Resources are openly licensed, free documents and media for teaching, learning, and assessment that include full courses, course materials, modules, textbooks, streaming videos, tests, software, and any other tools, materials, or techniques used to support access to knowledge. Teachers use curricular resources and program materials to design instruction to support mastery of standards. Curriculum and supplemental materials are evaluated every year, and adjustments are made to ensure they are the best match and that there is seamless articulation between grades.

Curriculum materials were selected according to the following criteria: aligned to California standards; promotes critical thinking and problem solving skills; provides information and materials for instructional planning and support; provides strategies and resources for Universal Access; provides alternative approaches for enrichment and intervention; supports or lends itself to project-based instruction; provides opportunities for interdisciplinary and multi-level instruction; has been developed and proven effective based on research; promotes inquiry and interest driven learning; provides strategies for assessing what students know and are able to do; and aligned with Sierra vision and mission

Beyond the core subject areas of English language arts, mathematics, science, and history social science, Sierra also provides additional instruction programs in such subjects as service-based learning, music, art, physical education, gardening and agriculture, character development, interventional, and family life/sex education.

Sierra is located in Mariposa County within the District, and is comprised of the following mix of races/ethnicities: 78.7% Caucasian; 15.4% Hispanic or Latino; 3.7% identifying with two or more races/ethnicities; and 2.2% Asian.

Sierra is governed by its own board consisting of no less than five and no more than nine voting members. The 2017-18 board members consist of Chair Crystal Eastwood, Vice Chair Angelia Brouillette, Treasurer Denisha Dawson, Secretary Amber Edwards, Caroline Frank, Kori Smith and MCUSD representative Jeff Aranguena. Board members serve a

term of two year with member elections staggered so that no more than three members are up for re-election. Staff has reviewed the credentials of the key board member and determined them to have the proper background and experience to govern.

Mindy Bolar is the current principal of Sierra. Staff reviewed the credentials of the Principal of Sierra and determined that, collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of Sierra.

School Academic Performance: The following tables represent the 2014-15 and 2015-16 academic performance of Sierra, the averages of similar local public schools (Mariposa Elementary, Cesar E. Chavez Middle, Planada Elementary, Woodland Elementary, Lake Don Pedro Elementary, and Greeley Hill Elementary), and MCUSD. The results are provided through CDE’s CAASPP Smarter Balanced testing data.

English Language Arts (2015-16) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Sierra	58%	High	0/2
Local Schools	28%	Average	(Avg) 0.6/3
MCUSD	40%	High	4/6

Mathematics (2015-16) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Sierra	33%	Highest	2/2
Local Schools	20%	Average	(Avg) 1.6/3
MCUSD	30%	Highest	5/6

English Language Arts (2014-15) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Sierra	37%	N/A in 2014-15	N/A in 2014-15
Local Schools	27%	N/A in 2014-15	N/A in 2014-15
MCUSD	38%	N/A in 2014-15	N/A in 2014-15

Mathematics (2014-15) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Sierra	26%	N/A in 2014-15	N/A in 2014-15
Local Schools	20%	N/A in 2014-15	N/A in 2014-15
MCUSD	30%	N/A in 2014-15	N/A in 2014-15

Enrollment Trends and Projections: The tables below present enrollment information for MCUSD and BSFC from 2013-14 through 2019-20. 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

<u>MCUSD</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	1,817	1,806	1,871	1,844	1,814	1,786	1,833
ADA	92.6%	90.4%	90.0%	91.4%	91.0%	91.0%	91.1%

School Student Enrollment and Average Daily Attendance

<u>Sierra</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	120	143	124	136	156	156	156
ADA	97.6%	94.7%	94.4%	93.1%	94.9%	94.9%	94.9%

District Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for MCUSD, the financial obligor and Applicant, on behalf of Sierra: (1) audited financial statements for 2013-14, 2014-15 and 2015-16; (2) estimated unaudited actuals for 2016-17; (3) adopted budget for 2017-18; and (4) budget projections for 2018-19 and 2019-20, along with assumptions. Please note that staff’s analysis of MCUSD’s financial performance, including the evaluation operating budget and liquidity, is based on the General Fund only.

Assumptions: MCUSD’s financial projections are based upon the following assumptions: (1) a match share in the form of a lump sum payment made by MCUSD by using Measure L bond proceeds; (2) District-wide enrollment projections as provided above under “Enrollment Trends and Projections”; (3) Projected District-wide ADA rates of 91%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$10,363 for 2017-18, as included with MCUSD’s adopted budget document for 2017-18, along with annual cost-of-living adjustments (COLAs) of 1.56% (2017-18), 2.15% (2018-19), and 2.35% (2019-20).

Long Term Liabilities: As provided by the 2015-16 audited finances, the District has \$15,023,556 in long term debt. A majority of the debt is due to pension liability, \$14,494,879. The other commitments, compensated absences and other postemployment benefits, make up the rest of the long term debt, \$113,246 and \$415,431 respectively.

Private Contributions: MCUSD does not rely on any private contributions.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding MCUSD’s financial soundness. Where a threshold has

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been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
OPERATIONAL & FINANCIAL							
Enrollment	1,817	1,806	1,871	1,844	1,814	1,786	1,833
Average Daily Attendance (ADA)	1,683	1,632	1,684	1,685	1,651	1,625	1,669
Average Daily Attendance (%)	92.6%	90.4%	90.0%	91.4%	91.0%	91.0%	91.1%
LCFF Sources/ADA	\$ 8,427	\$ 8,801	\$ 9,574	\$ 10,024	\$ 10,363	\$ 10,730	\$ 10,952
% Change		4.4%	8.8%	4.7%	3.4%	3.5%	2.1%
Operating Revenues/ADA	\$ 10,329	\$ 10,653	\$ 12,681	\$ 12,483	\$ 12,224	\$ 12,635	\$ 12,823
% Change		3.1%	19.0%	-1.6%	-2.1%	3.4%	1.5%
Operating Expenses plus CSFP Lease/ADA	\$ 10,141	\$ 10,602	\$ 11,629	\$ 12,213	\$ 12,644	\$ 13,048	\$ 13,011
% Change		4.5%	9.7%	5.0%	3.5%	3.2%	-0.3%
Free Cash Flow/ADA	\$ 187	\$ 51	\$ 1,052	\$ 270	\$ (421)	\$ (413)	\$ (188)

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
DEBT SERVICE COVERAGE							
Total Operating Revenues	\$ 17,378,027	\$ 17,387,939	\$ 21,350,979	\$ 21,028,418	\$ 20,181,701	\$ 20,529,783	\$ 21,403,364
Total Operating Expenses	17,063,179	17,303,896	19,580,161	20,573,327	20,876,697	21,201,214	21,718,000
Total Other Sources/Uses	(4,265)	(60,141)	(533,559)	(85,464)	(92,451)	(95,400)	(98,129)
Net Income Available for CSFP Lease Payment	310,583	23,902	1,237,259	369,628	(787,447)	(766,831)	(412,765)
Add Back Capital Outlay	307,422	257,803	424,544	839,107	166,354	171,661	176,570
Free Cash Flow	\$ 618,005	\$ 281,705	\$ 1,661,803	\$ 1,208,735	\$ (621,093)	\$ (595,170)	\$ (236,195)
LIQUIDITY							
Current Assets	\$ 5,465,725	\$ 5,670,036	\$ 6,599,535	\$ 6,454,670			
Current Liabilities	1,712,324	1,892,733	1,584,973	1,070,480			
Net Working Capital	\$ 3,753,401	\$ 3,777,303	\$ 5,014,562	\$ 5,384,190			
Net Working Capital/Oper. Expenses	22.0%	21.8%	25.6%	26.2%			
Unrestricted Cash & Cash Equivalents	\$ 3,679,852	\$ 4,955,232	\$ 5,633,052	\$ 5,555,937			
Unrest. Cash & CE/Oper. Expenses (Days)	79	105	105	99			
Unrest. Cash & CE/All Expenses (Days)	79	105	105	99			

Benchmark Summary:

- Free Cash Flow/ADA – Met (\$77 avg.)
- Free Cash Flow – Met (\$257,532)
- Net Working Capital as Portion of Operating Revenue – Met (23.9%)
- Unrestricted Cash & Cash Equivalents as Portion of All Revenue – Met (97 days)

Summary of Financial Findings and Special Considerations: Though Sierra has no financial obligation with the CSFP project, staff reviewed Sierra’s financials to ensure the school was financial viable to continue operations. Sierra projects a positive operative revenue from 2017-18 through 2019-20. Sierra also projects ending cash balances of \$263,643 in 2017-18, \$304,938 in 2018-19, and \$335,125 in 2019-20. Major funding sources for Sierra include federal income sources (LCFF Revenue, Title I and Title II funds, Child Nutrition Program and other federal income), which accounts for approximately 91% of Sierra’s current income; state income sources (Child Nutrition Program, Mandate Block Grant and other state income), which accounts for approximately 4% of the Sierra current income; and local income sources (food service sales, private fundraising efforts and other local income), which accounts for approximately 5% of Sierra’s current income. There no

long-term liabilities or obligations. In addition and on average, Sierra has 80 operating days of unrestricted cash & equivalents and the available net working capital averages 19.5% as a portion of the operating expenses.

Given that MCUSD has agreed to make a lump-sum payment of \$1,539,274 to cover the local matching share, no loan is anticipated and debt service coverage is not a consideration. Rather, the financial analysis focuses on whether MCUSD can meet its “General Fund” annual operating obligations. Though projecting negative net revenue for 2017-18 through 2019-20, the General Fund’s balance averages \$3,947,934 over those three fiscal years. Staff also notes that in the projected years of 2017-18 through 2019-20, the net deficits would represent 17.0%, 20.0%, and 12.1% of the ending fund balances, respectively. Hence, MCUSD has sufficient reserves to offset its net deficits, and is projected to have more than sufficient reserves to offset the deficits in the projected years, if necessary.

Strengths, Weaknesses and Mitigants:

- + Sierra has outperformed their district counterparts on average in both English Language Arts and Mathematics assessment in the last two years and that overall trend is improving.
- + Sierra is strong financially as it comfortably met all the financial soundness benchmarks prescribed.
- + MCUSD has available GO bond proceeds of \$8.5 million to make a lump-sum payment of \$1,539,274 to cover the local matching share.
- +/- MCUSD projects its general fund performing at a deficit from 2017-18 through 2019-20 but has an adequate fund balance at the end of each of these years.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Mariposa County Unified School District on behalf of Sierra Foothill Charter is financially sound for the purposes of Charter School Facilities Program Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation, as it relates to Advanced Apportionment, is contingent upon MCUSD providing evidence of the restricting of funds for the lump sum matching share payment for the CSFP project. In the event a loan is incurred, this recommendation is contingent upon Mariposa County Unified School District, on behalf of Sierra Foothill Charter, 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 Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.