

MEMORANDUM

Date: June 13, 2018

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 18-08 Approving Determination of Natomas Pacific Pathways Prep Middle's Financial Soundness for Purposes of a Final Apportionment under the Charter School Facilities Program

Consideration of Resolution No. 18-08, approving that Natomas Pacific Pathways Prep (NP3) Middle has maintained a financially sound status for purposes of a Final Apportionment under the Proposition 51 funding round of the Charter School Facilities Program (Program).

Background: At its November 8, 2017 board meeting, the California School Finance Authority (Authority) found Natomas Unified School District (NUSD), on behalf of NP3 Middle, financially sound for a Preliminary and Advance Apportionment, but not for Final apportionment, under Proposition 51 in the amount of \$6,836,396. This amount has since been revised to \$6,190,595. *NP3 Middle operates as an independent charter school, which is housed in a NUSD facilities.*

Recent Request for Final Apportionment: NP3 Middle has recently applied for release of funds for Final Apportionment in the amount of \$6,190,595. Given that it has been less than twelve months since the Authority's findings regarding the financial soundness for Preliminary and Advance Apportionment, and that no material financial or operational changes have occurred since then relative to NP3 Middle and NUSD, staff is recommending that NUSD, on behalf of NP3 Middle, be found financially sound for final apportionment. Additionally, staff verified that, as of May 15, 2018, NP3 Middle has maintained its good standing with its authorizers and is in compliance with the terms of its charter with NUSD.

Below are the highlights from the Staff Report presented at the November 8, 2017 Board meeting. Please note that projected debt service coverage has been recalculated with the revised project costs from OPSC.

Criteria	Comments
NUSD Information	
Demographic Information	1. In 2016-17, NUSD had 14,631 students across 20 schools and is expecting enrollment to grow through 2019-20. 2. NUSD has demonstrated having an average daily attendance of greater than 96% over the past three years.
Debt Service Coverage	Not Applicable
Other Financial Factors	1. The Applicant is planning to make a lump-sum

	<p>payment towards the local match of \$6,961,852 using the District's local bond Measure J, restricted for making these types of payments.</p> <p>2. NUSD's net working capital (NWC) in their General Fund as of June 30, 2016 was at \$18,343,139 or 19% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient.</p> <p>3. NUSD's building fund (that receives Measure J proceeds) has a balance of \$51,479,237 as of June 30, 2017.</p>
Special Considerations and Mitigating Factors	<p>Notwithstanding its net deficit for 2016-17 and projected net deficits for 2017-18 through 2019-20, NUSD 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.</p>
<i>NP3 Middle Information</i>	
Eligibility Criteria	<p>NP3 Middle has met all eligibility criteria: (1) NP3 Middle's charter is in place through June 2019; and (2) NP3 Middle is in good standing with its chartering authority, and in compliance with the terms of its charter.</p>
Student Performance	<p>NP3 Middle students have outperformed both the closest middle school and the district as a whole in English Language Arts and Mathematics per the "Smarter Balanced" assessment provided by the California Department of Education (CDE).</p>
Demographic Information	<ol style="list-style-type: none"> 1. NP3 Middle currently has 522 students, and its enrollment is expected to grow to 550 students by 2019-20, the estimated first year of project occupancy. 2. NP3 Middle's target population is diverse students in grades 6-8 representative of the demographics of the surrounding Natomas community and the State of California. 3. NP3 Middle is located in Sacramento County within the District, and is comprised of the following mix of races/ethnicities: 31.6% Asian; 26.2% Hispanic or Latino; 9.5% African-American; 16.7% Caucasian.

Recommendation: Staff recommends that the California School Finance Authority Board determine that NUSD, on behalf of NP3 Middle, is financially sound for the purposes of the Charter School Facilities Program Final Apportionment, and approve Resolution 18-08. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction regarding this determination.