

**Charter School Facilities Program  
Proposition 51 Funding Round  
Staff Summary Report – January 2019**

<b>Applicant/Obligor:</b>	St. HOPE Public Schools
<b>Project School:</b>	St. HOPE Public School #7
<b>CDS (County – District – School) Code:</b>	34-67439-0101048
<b>School Address/Proposed Site:</b>	5201 Strawberry Ln., Sacramento CA 95820-4815
<b>OPSC Application Numbers:</b>	54/67439-00-007; 54/67439-00-008
<b>Type of Project:</b>	New Construction; Rehabilitation
<b>Type of Apportionment:</b>	Advance
<b>County:</b>	Sacramento
<b>District in which Project is Located:</b>	Sacramento City Unified School District
<b>Charter Authorizer:</b>	Sacramento City Unified School District
<b>Total OPSC Project Cost:*</b>	NC: \$14,393,160 <u>Rehab: \$11,221,206</u> Total: \$25,614,366
<b>State Apportionment (50% Project Cost):</b>	NC: \$7,196,580 <u>Rehab: \$5,610,603</u> Total: \$12,807,183
<b>Lump Sum Contribution:</b>	N/A
<b>Total CSFP Financed Amount:</b>	NC: \$7,196,580 <u>Rehab: \$5,610,603</u> Total: \$12,807,183
<b>Length of CSFP Funding Agreement:</b>	30 Years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	NC: \$367,164 <u>Rehab: \$286,249</u> Total: \$653,413
<b>First Year of Occupancy of New Project:</b>	2020-21

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

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that St. HOPE Public Schools (“CMO” or “SHPS”), on behalf of St. HOPE Public School #7 (“School” or “PS7”), is financially sound for purposes of an Advance Apportionment under the Charter School Facilities Program (“Program” or “CSFP”). This determination as it relates to Advance 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 St. HOPE

Public Schools, on behalf of St. HOPE Public School #7, 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.

**Background:** In February 2018, the Authority found SHPS financially sound for a Preliminary Apportionment on behalf of PS7. SHPS was awarded its Preliminary Apportionment at the State Allocation Board’s May 2018 meeting.

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of St. HOPE Public Schools on behalf of St. HOPE Public School #7. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Obligor Information</b>	
Demographic Information	In 2017-18, SHPS operated three schools with a total enrollment of 1,453 and an ADA rate of 92.6%. In 2017-18, SHPS had an unduplicated pupil population percentage of 85.5%; 81.7% of students qualified for free/reduced price meals, and 4.3% students are English learners. By 2018-19, SHPS has enrollment of 1,376 students.
Debt Service Coverage	SHPS’ debt service coverage (DSC) is 160.2% and 209.6% for 2021-22 and 2022-23 respectively.
Other Financial Factors	SHPS’ operating fund has a projected balance of \$744,041 at the end of 2017-18. SHPS’ expected annual total of CSFP payments only account for 3.5% and 3.4% operating revenue for SHPS for 2012-22 and 2022-23 respectively.
<b>School Information</b>	
Demographic Information	In 2017-18, PS7 had a total enrollment of 554 and an ADA rate of 92.5%. In 2017-18, PS7 had an unduplicated pupil population percentage of 94.5%; 87.0% of students qualified for free/reduced price meals, and 4.3% students are English learners. By 2018-19, PS7 has enrollment of 568 students.
Eligibility Criteria	PS7 has met all eligibility criteria: (1) PS7 has been in operation since 2003-04; (2) PS7’s charter was approved in 2016 and is in place through 2022; (3) PS7 is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	PS7 has performed similar to its district and slightly better than the average of local schools reviewed serving the same grade span. PS7 performed much better than the average of the local schools reviewed serving a similar population as well as grade span.

**Program Eligibility:** On December 6, 2018, at CSFA staff’s request, verification was received from Sacramento City Unified School District confirming that ST. HOPE Public School #7 is (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. ST. HOPE Public School #7’s current charter is effective through 2022.

**Legal Status Questionnaire:** Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. SHPS provided an affirmative response and disclosed material information relating to regulatory decisions regarding some teachers working at SHPS campuses who did not possess valid certifications. Findings 2015-002, 2016-002, and 2017-002 were for the 2014-15, 2015-16 and 2016-17 school years respectively. These findings were disclosed during Staff's financial soundness determination for preliminary apportionment but SHPS was still in negotiation with the Education Audit Appeals Panel and the State Controller's Office regarding a decision and payment agreement. Findings 2015-002 and 2016-002 had penalties assessed over a ten year period. Those penalties are included in Staff's financial soundness determinations and the financial considerations of these penalties are discussed in the Financial Analysis Section. It should be noted that Finding 2017-002 had no associate penalty as no individual student incurred a deficit in the instruction minutes.

**Project Description:** St. HOPE Public Schools intends to add new and replace in-kind classrooms to the existing PS7 Elementary School site located at 5201 Strawberry Ln, Sacramento, CA 95820. The rehabilitation request for funding comprises the replacement-in-kind of 16 existing classrooms, administration facilities, and multipurpose facilities comprising 21,426 square feet of non-toilet facilities and 1,463 square feet of restroom facilities for a total square footage of 22,889 square feet. The new construction project is anticipated to create an additional 15 new, permanent/stick-built/modular classrooms (if the budget allows) serving grades kindergarten through the fifth grade. The project will also include the potential acquisition of an adjacent parcel comprising .53 acres. It is anticipated the project will be completed in time for the 2020-2021 school year.

**Obligor Organizational Information:** ST. HOPE Public Schools is a nonprofit public benefit corporation which was founded in 2002. SHPS operates three schools in Oak Park, California: Sacramento Charter High School, Oak Park Preparatory, and PS7. SHPS serves approximately 1,700 students in a Pre K-12 education pipeline focused on assisting students to obtain a four-year college degree and to serve as leaders in their communities. The mission of St. HOPE Public Schools is to graduate self-motivated, industrious, critically thinking leaders who are committed to serving others, passionate about life-long learning and prepared to earn a degree from a four year college.

The 2018-19 board members for SHPS are Chairperson Michelle Johnson, Vice Chairperson Dennis O'Reilly, Secretary and 2<sup>nd</sup> Vice Chairperson Clint Williams, Francisco Castillo, Dr. Ron Tom, Doug Love, Mike Marion, Parent Representative Gladys Mitchell, and Student Representative Kiarah Young. Jake Mossawir is the Chief Executive Officer and Julian B. Love is the Managing Director of Finance. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of SHPS.

**School Organizational Information:** ST. HOPE Public School #7 is a public, college preparatory, independent charter school initially authorized by the Sacramento City Unified School District in 2002. The Charter School is currently in its fourteenth year of operation and serves students in grade levels K-8. PS7 is operated and governed by St. HOPE Public Schools, a nonprofit public benefit corporation. SHPS operates 3 schools in Oak Park, serving approximately 1700 students in a Pre K-12 education pipeline focused on assisting students to obtain a four-year college degree and to serve as leaders in their communities. The mission of

St. HOPE Public Schools is to graduate self-motivated, industrious, critically thinking leaders who are committed to serving others, passionate about life-long learning and prepared to earn a degree from a four-year college. PS7 most recent charter was approved on December 8, 2016 with the charter set to expire on June 30, 2022.

The SHPS leadership team commits to promote students from PS7 with the highest levels of academic achievement and character development. These academic and life skills will give students the tools to meet the educational, professional and personal challenges of college and society. In order to meet the diverse needs of the student body, PS7 will provide all students with the following: **Academic Standards:** PS7 will ensure that students master the applicable state standards, including but not limited to, the Common Core State Standards (“CCSS”) and Next Generation Science Standards (“NGSS”) as the state continues its transition to these new, more rigorous standards. Grade level appropriate standards shall be clearly articulated, integrated into all lesson plans and classroom activities, and, where appropriate, are referenced in assignments, on progress reports and report cards. **Character Development:** PS7 students will acquire life skills that provide a meaningful connection to their world outside of school. Character development looks different across the grade levels as age-appropriate content is adjusted. In all grades, skills are reinforced to enable students to apply classroom learning in meaningful contexts within the real world. These skills also equip students to participate fully and positively in our society. **Curriculum Selection:** PS7 uses curriculum that is standards-based and rigorous, ensuring students will not only master the grade level content in a particular year, but that they will also be prepared for the following year’s standards.

This curriculum forms the foundation for the instructional program and teachers are able to incorporate additional supplemental materials, which are often teacher generated. PS7’s goal is to utilize and implement a balanced and comprehensive curriculum so all teachers have access to instructional resources that provide: Assessment: a system for measuring student learning and establishing academic achievement goals; Skills Development: a set of instructional strategies and resources to develop student mastery of each of the core subject content standards; Intervention: a specific academic plan and course of action for students who are below grade level and whose learning must be quickly accelerated in order to be on track to meeting state standards; Re-Teaching: strategies and resources for students who did not attain mastery the first time a lesson or topic on a specific standard was presented; Differentiation: curriculum and instruction fits the needs of all students and includes differentiated strategies and materials that are interactive, including multiple learning modalities to engage all students. Students who are ahead are challenged while struggling learners are supported effectively and their achievement is accelerated to grade level. Furthermore, materials must be accessible to students with special needs and those who are English Learners; English Language Learners: Materials that help students develop mastery of all oral and literacy skills in the English language. The PS7 curriculum is and will be enhanced by library and technology resources that are readily available to all students: Library Resources: Each PS7 classroom has access to a selection of literature. Students are able to select books to read in class or can check out books to read on their own. In addition, students participate in Drop Everything And Read (“DEAR”) and middle school students (grades 6-8) are required to always have a novel with them to read during DEAR. Reading is tracked regularly to ensure students are making progress and reading books at their instructional level. To ensure they have access to appropriate novels, PS7 middle school students have access to a library. All students participate in a 30 minute Reading Block 4 times a week in addition to their regular English class. During the reading block students read as a whole class, write written

responses, and analyze the book through discussion. **Technology Resources:** Each class has access to laptop carts for technology and Internet access. Elementary school students presently have their own computer lab where they participate in a technology enrichment class and middle school students currently have a ratio of one computer for every two students. Technology access allows students to build computer literacy and research skills through various programs and activities. Students use computers to review concepts, practice skills, conduct research, write reports, and create presentations. PS7 believes that technology is a tool, just like a student's pencil, that should be available as often as possible as a student's learning needs arise in the classroom and to ensure students are prepared for the technology needs of the CAASPP exam and a college prep high school.

PS7 benefits from curricula that provide both rigorous, standards-based instructional resources and effective tools for timely and very specific differentiation for students who are either above, at, or below grade level academically. PS7's curriculum may be revised, as needed and as resources become available to align with applicable standards and to best meet student needs. The governing board of PS7 is the SHPS board and the Principal of PS7 is Keri Wehrly. Staff has reviewed the credentials of the key staff and determined them to have the proper background and experience to govern and effectively oversee the operations of PS7.

**School Academic Performance:** The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of PS7, the combined averages of Ethel Phillips Elementary, Leonardo di Vinci, Palomar, and Will C. Wood Middle (Local Schools), and Sacramento City Unified School District (District). The results are provided through CDE's CAASPP Smarter Balanced testing data. The percentage of student groups performing below average is based on the number of student groups serve, e.g. a school with one of four student groups performed below average would have a percentage of 25%. Student groups, as determined in Ed. Code Section 52052 (a)(2), are ethnic subgroups, socioeconomically disadvantaged pupils, English learners, pupils with disabilities, foster youth, and homeless youth. The data for student groups performing below average was first made available for 2016-17.

**English Language Arts – Comparison**

**% of Students Meeting or Exceeding Avg.  
Performance**

	2015-16	2016-17	2017-18
PS7	<b>39.0%</b>	<b>40.0%</b>	38.7%
Local Schools	35.0%	36.2%	37.2%
District	<b>39.0%</b>	39.4%	<b>40.0%</b>

**All Students Performance**

	2015-16	2016-17	2017-18
PS7	N/A	Low	Low
Local Schools	N/A	<b>Average</b>	<b>Average</b>
District	N/A	Low	Low

**Student Groups w/ Below Avg. Performance**

	2015-16	2016-17	2017-18
PS7	N/A	83.3% (5/6)	60.0% (3/5)
Local Schools	N/A	66.7% (10/15)	75% (12/16)
District	N/A	84.6% (11/13)	69.2% (9/13)

**Mathematics– Comparison**

**% of Students Meeting or Exceeding Avg. Performance**

	2015-16	2016-17	2017-18
PS7	<b>32.0%</b>	<b>33.6%</b>	<b>35.6%</b>
Local Schools	26.7%	29.7%	30.4%
District	31.0%	31.5%	32.0%

**All Students Performance**

	2015-16	2016-17	2017-18
PS7	N/A	Low	Average
Local Schools	N/A	<b>Average</b>	Average
District	N/A	Low	Low

**Student Groups w/ Below Avg. Performance**

	2015-16	2016-17	2017-18
PS7	N/A	83.3% (5/6)	40.0% (2/5)
Local Schools	N/A	60.0% (9/15)	43.7% (7/16)
District	N/A	76.9% (10/13)	69.2%(9/13)

**Enrollment Trends and Projections:** PS7 plans to adopt a slow growth model, expanding the students served by one grade level a year until all grade levels are at maximum capacity. The school took a similar approach when it opened, although it opened with grades K-4 in 2003-04 and grew one grade level at a time until reaching a K-8 in 2007-08. This slow growth approach means that the first year new classrooms are available (at least two new classrooms appropriate for kindergarten), kindergarten will be the only grade level to expand. The school estimates this will be in the 2020-21 school year. The following year, K and 1 will expand as the kindergartners from the previous year matriculate up a grade and the school recruits and brings on a new class of K students. This expansion will continue to push up one grade level per year until all the classrooms are full, K-5. This also creates a realistic recruitment scenario where the school is only budgeting and planning to bring in approximately 50 new students annually. In terms of capacity to recruit students, PS7 and SHPS have and will look to expand the full time team working on student recruitment and admissions and, when the facility is ready to open, this team's primary focus for PS7 will be on filling the new classrooms with 50 kindergartners, as the other grades will fill up with matriculating students. This team has shown great success over the years

recruiting students as they have at times added more than 500 new students to the SHPS system in a single year given the multiple entry points across our schools.

While facilities and willingness to expand are important components of ensuring the viability of this project, students must actually show up to take the seats created by the new classrooms. In addition to showing demand at the Kindergarten entry point, should PS7 have the ability to serve students in grade levels ahead of the slow growth model the school will do so, provided the facilities are ready. For example, if, for some reason, PS7 plans on only expanding in grades K, 1 and 2 in 2022-23, but there are enough 4th grade applications to open a new class in that grade level, the school will do so, since the facilities will already be available.

The tables below present enrollment information for SHPS and PS7 from 2013-14 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**CMO-wide Student Enrollment and Average Daily Attendance**

<u>SHPS</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	1,657	1,741	1,677	1,605	1,453	1,376	1,437
ADA	93.7%	92.5%	92.2%	91.0%	92.6%	89.5%	89.5%

  

	2020-21	2021-22	2022-23
Enrollment	1,566	1,646	1,646
ADA	89.5%	89.5%	89.5%

**School-wide Student Enrollment and Average Daily Attendance**

<u>PS7</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	610	621	601	565	554	568	637
ADA	93.3%	91.1%	91.8%	89.6%	92.5%	92.5%	89.5%

  

	2020-21	2021-22	2022-23
Enrollment	686	736	736
ADA	89.5%	89.5%	89.5%

**CMO Financial Analysis:** This financial analysis is based on the consideration and review of the following for SHPS, the financial obligor and applicant, on behalf of PS7: (1) audited financial statements for 2013-14 through 2017-18; (2) adopted budget for 2018-19; and (3) budget projections for 2019-20 through 2022-23 along with assumptions.

**Assumptions:** SHPS' financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation and new construction projects in 2020-21; (2) CMO-wide enrollment projections as provided above under "Enrollment Trends and Projections"; (3) projected CMO-wide ADA rates of 89.6%, which are conservatively below the CMO's five-year average of 92.4%; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$10,191

for 2017-18 with total LCFF revenues/ADA projected to increase by an average of 2.0% from 2019-2023; (5) a projected unduplicated pupil population rate of 82.3% of ADA relative to the five-year average of 83.9%; and (6) a COLA rate of 2.5% for salaries.

**Long Term Liabilities:** As of June 30, 2018, SHPS had no typical long-term liabilities recorded as loans for facilities or operations, but did have another long-term liability. During 2018, SHPS reached a stipulated agreement with the EAAP regarding penalties for insufficient instructional minutes at SCHS and PS7 during years 2014-15 and 2015-16. The penalties total to \$1.181 million, with \$147,626 to be paid annually over eight years from 2018-19 to 2025-26. These payments are incorporated into SHPS' financial projections.

**Private Contributions:** As to provide conservative projections, SHPS' financial projections do not assume any private contributions. It should be noted that grants/fundraising averaged \$424,400 annually over the last five years.

**Benchmark Summary and Financial Analysis:** The following summary and table sets forth the results of staff's analysis regarding SHPS's financial soundness. Where a threshold/benchmark 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 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
<b>OPERATIONAL &amp; FINANCIAL</b>										
Enrollment	1,657	1,741	1,677	1,605	1,453	1,376	1,437	1,566	1,646	1,646
Average Daily Attendance (ADA)	1,553	1,610	1,545	1,461	1,345	1,232	1,287	1,402	1,474	1,474
Average Daily Attendance (%)	93.7%	92.5%	92.2%	91.0%	92.6%	89.6%	89.5%	89.5%	89.5%	89.5%
LCFF Sources/ADA	\$ 7,129	\$ 8,059	\$ 9,219	\$ 9,790	\$ 10,191	\$ 10,404	\$ 10,649	\$ 10,945	\$ 10,917	\$ 11,244
% Change	13.0%	14.4%	6.2%	4.1%	2.1%	2.4%	2.8%	-0.3%	3.0%	
Operating Revenues/ADA	\$ 9,784	\$ 10,720	\$ 12,526	\$ 12,682	\$ 12,500	\$ 12,958	\$ 12,572	\$ 12,770	\$ 12,688	\$ 13,158
% Change	9.6%	16.9%	1.2%	-1.4%	3.7%	-3.0%	1.6%	-0.6%	3.7%	
Operating Expenses plus CSFP Lease/ADA	\$ 9,921	\$ 11,250	\$ 12,141	\$ 12,615	\$ 12,063	\$ 12,167	\$ 12,195	\$ 12,158	\$ 12,462	\$ 12,713
% Change	13.4%	7.9%	3.9%	-4.4%	0.9%	0.2%	-0.3%	2.5%	2.0%	
Free Cash Flow/ADA	\$ (136)	\$ (530)	\$ 385	\$ 67	\$ 437	\$ 791	\$ 377	\$ 612	\$ 226	\$ 445
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
<b>DEBT SERVICE COVERAGE</b>										
Total Operating Revenues	\$ 15,198,645	\$ 17,261,957	\$ 19,358,291	\$ 18,530,552	\$ 16,812,343	\$ 15,967,342	\$ 16,178,405	\$ 17,908,340	\$ 18,702,036	\$ 19,395,138
Total Operating Expenses	15,410,567	18,115,753	18,762,890	18,432,109	16,225,134	14,992,478	15,693,145	17,049,599	17,715,047	18,085,461
Total Other Sources/Uses	136,068	(46,444)	(50,106)	204,585	(53,320)	-	-	-	-	-
Net Income Available for CSFP Lease Payment	(75,854)	(900,240)	545,295	303,028	533,889	974,864	485,261	858,741	986,989	1,309,677
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-
Add Back Depreciation	86,176	77,172	69,981	33,948	43,534	60,000	60,000	60,000	60,000	60,000
Adjusted Net Income Available for CSFP Lease Pymt.	10,322	(823,068)	615,276	336,976	577,423	1,034,864	545,261	918,741	1,046,989	1,369,677
CSFP Lease Payments	-	-	-	-	-	-	-	-	653,413	653,413
Free Cash Flow	\$ 10,322	\$ (823,068)	\$ 615,276	\$ 336,976	\$ 577,423	\$ 1,034,864	\$ 545,261	\$ 918,741	\$ 393,576	\$ 716,264
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	160.2%	209.6%
DSC from LCFF Sources subject to CSFA Intercept								N/A	2232.7%	2299.7%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.5%	3.4%
<b>FUNDRAISING</b>										
Fundraising for Operations	\$ 364,326	\$ 608,642	\$ 406,495	\$ 440,684	\$ 301,836	\$ -	\$ -	\$ -	\$ -	\$ -
Fundraising/Oper. Revenues	2.4%	3.5%	2.1%	2.4%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	160.2%	209.6%
<b>LIQUIDITY</b>										
Current Assets	\$ 3,631,089	\$ 2,630,395	\$ 3,282,936	\$ 3,176,644	\$ 4,865,013					
Current Liabilities	2,498,952	2,283,016	2,329,329	1,974,320	3,255,634					
Net Working Capital	\$ 1,132,137	\$ 347,379	\$ 953,607	\$ 1,202,324	\$ 1,609,379					
Net Working Capital/Oper. Expenses	7.3%	1.9%	5.1%	6.5%	9.9%					
Unrestricted Cash & Cash Equivalents	\$ 681,183	\$ 1,908,208	\$ 986,433	\$ 1,327,015	\$ 1,990,376					
Unrest. Cash & CE/Oper. Expenses (Days)	16	38	19	26	45					
Unrest. Cash & CE/All Expenses (Days)	16	38	19	26	45					



**Benchmark Summary (Benchmark):**

- Free Cash Flow/ADA – **Met:** \$267 average (>\$0)
- Free Cash Flow – **Met:** \$432,563 average (>\$0)
- CSFP Matching Share Payment/Operating Revenue – **Met:** 3.4% average (<15.0%)
- Debt Service Coverage (DSC) from Adj. Net Income – **Met:** 160.2% & 209.6% (>100%)
- DSC from Adjusted Net Income without Fundraising – **Met:** 160.2% & 209.6% (>100%)
- Net Working Capital/Operating Expenses – **Met:** 6.2% (>5.0%)
- Unrestricted Cash & Cash Equivalents/All Expenses – Not Met: 29 days (> 90 days)

**Financial Analysis:** Based on audited financial statements, SHPS exhibited free cash flow of \$615,276, \$336,976, and \$577,423 for 2015-16 through 2017-18, resulting in unrestricted cash and investments of \$986,433, \$1.327 million and \$1.990 million as of June 30, 2016, 2017 and 2018. Based on its adopted budget, SHPS is anticipated an increase in free cash flow of \$1.035 million for 2018-19 fiscal year. SHPS' financial projections show the following increases to free cash flow for 2019-20 through 2022-23, respectively: \$545,261, \$918,741, \$393,576 and \$716,264.

Staff considers SHPS' liquidity as marginally adequate, based on net working capital and cash and cash equivalents on-hand, as well as unrestricted cash and cash equivalents as portion of expenditures. As of June 30, 2017, SHPS had net working capital of \$1.202 million, representing 6.5% of expenditures, and as of June 30, 2018, SHPS' net working capital was slightly greater at \$1.609 million, representing 9.9% of expenditures; both ratios exceeded the recommended minimum threshold of 5.0%. As of June 30, 2018, SHPS had \$1.990 million in unrestricted cash and cash equivalents. SHPS' unrestricted cash and cash equivalents as portion of expenditures has averaged 29 days over the past five years, which is below the recommended minimum threshold of 90 days.

SHPS has chosen to enter into a loan repayment to cover the local matching share. Assuming a 3.0% interest rate, a 30-year repayment period, and a CSFP matching share amount of \$25,614,366, SHPS' annual CSFP payment would be \$653,413 commencing in 2021-22. SHPS' projected debt service coverage ratios from adjusted net income are 160.2% and 209.6% in 2021-22 and 2022-23, which are above the minimum requirement of 100%. The CSFP payments would represent 3.5% and 3.4% of the projected operating revenues for these years, which is below the maximum range of 10-15%.

Overall, staff's review of SHPS' financial performance finds that SHPS has demonstrated the ability to meet its operating expenses, projected debt service coverage, and has maintained adequate reserves and liquidity, all supportive of a recommendation of financial soundness.

**Strengths, Weaknesses and Mitigants:**

- + SHPS' DSC from adjusted net income is 160.2% and 209.6% for 2021-22 and 2022-23, the first two years of repayment, respectively.
- + SHPS's operating fund balance, as of June 30, 2018, was \$577,423 and is projected to be \$1,034,864 by June 30, 2019.

- + CSFP matching share payments account for 3.5% and 3.4% of projected operating revenues for 2021-22 and 2022-23, respectively.
- + SHPS has performed comparably to the district and slightly better than the local schools reviewed serving the same grade span on average in both English Language Arts and Mathematics assessment for the last three years.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that St. HOPE Public Schools, on behalf of St. HOPE Public School #7 is financially sound for purposes of an Advance Apportionment under the Charter School Facilities Program. This determination as it relates to Advance 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 St. HOPE Public Schools, on behalf of St. HOPE Public School #7, 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.