

**Charter School Facilities Program
Staff Summary Report
February 2019**

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| Applicant/Obligor: | Chula Vista Elementary School District |
| Project School: | Leonardo di Vinci Health Science Charter |
| CDS (County – District – School) Code: | 37-68023-01195494 |
| School Address/Proposed Site: | 229 East Naples, Chula Vista, CA 91911 |
| Type of Project: | Rehabilitation |
| Type of Apportionment: | Final |
| County: | San Diego |
| District in which Project is Located: | Chula Vista Elementary School District |
| Charter Authorizer: | Chula Vista Elementary School District |
| Total OPSC Project Cost: | \$5,731,332 |
| State Apportionment (50% Project Cost): | \$2,865,666 |
| Lump Sum Contribution: | \$2,865,666 |
| 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 Full Year of Occupancy of New Project: | 2019-20 |

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Chula Vista Elementary School District (District or CVESD), on behalf of Leonardo di Vinci Health Science Charter (School or LDVHSC), is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Final Apportionment. This determination as it relates to Final Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is made contingent upon the fact the District has fulfilled its local matching share obligation through a lump sum contribution. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination. *As this project has already been completed, the District provided a Notice of Completion which was filed with San Diego County in January 2019. As required per Program Regulations, OPSC will verify the matching share contribution prior to release of any funds.*

Background: In February 2018, the Authority found CVESD, on behalf of LDVHSC financially sound for a Preliminary and an Advance Apportionment. This determination has since expired. LDVHSC was awarded its Preliminary Apportionment at SAB’s February 2018 board meeting.- LDVHSC project has been completed and the Notice of Completion submitted to San Diego county were executed on January 23, 2019.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Chula Vista Elementary School District on

behalf of Leonardo di Vinci Health Science Charter. Detailed information is contained in the body of the report.

| Criteria | Comments |
|--------------------------------|---|
| Eligibility Criteria | LDVHSC has met all eligibility criteria: (1) LDVHSC commenced operations in 2009; (2) LDVHSC's current charter was approved in November 2014 and is in place through June 2019. LDVHSC has had its charter petition for 2019-20 through 2023-24 approved by CVESD; (3) Sierra is in good standing with its chartering authority, and in compliance with the terms of its charter. |
| Student Performance | LDVHSC did not perform as well as comparable local schools and the authorizing district in Mathematics and did not perform as well as the authorizing district in ELA but did perform better than the comparable local schools. Student performance at LDVHSC has improved in both ELA and Mathematics over the last three years. |
| Demographic Information | Sierra currently serves 290 students in grades K-6. Enrollment in 2019-20 is expected to remain at 290 students. ADA rates averaged 94.3% from 2015-16 through 2017-18. |
| Special Contingency | The LDVHSC project is already completed per a Notice of Completion provide by CVESD executed on January 23, 2019. |

Program Eligibility: On January 28, 2019, at CSFA staff's request, verification was received from Chula Vista Elementary School District confirming that Leonardo di Vinci Health Science Charter (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. Leonardo di Vinci Health Science Charter's current charter is effective through June 2019 and received approval for renewal by the District at its December 5, 2018 board meeting by a unanimous approval. The new charter term is from 2019-20 through 2023-24.

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: Leonardo di Vinci Health Science Charter's rehabilitation project will be located at their current address of 229 East Naples, Chula Vista, CA 91911. The project consists of the rehabilitation of 12 relocatable classrooms. The estimated square footage of the project is 13,911 and no additional square footage will be built.

Obligor Organizational Information: Chula Vista Elementary School District is a school district located in San Diego County and operates and/or authorizes 50 schools: 41 traditional public elementary schools, five public charter schools, three public charter K-8 grade schools, and one preschool. The CVESD is comprised of the following mix of races/ethnicities: 69.7% Hispanic or Latino; 11.2% Caucasian; 3.6% African American/Black; 0.2% American Indian or Alaska Native; 2.2% Asian; 9.1% Filipino, 0.4%

Pacific Islander, and 3.4% Two or More Races. The District has an unduplicated pupil population of 59.1%. 52.6% of students are Socio-Economically Disadvantaged and 30.6% are English Learners.

The board members for Chula Vista Elementary School District include President Laurie K. Humphrey, Vice President Armando Farias, Clerk Eduardo Reyes, Leslie Ray Bunker, and Francisco Tamayo. Dr. Francisco Escobedo is the Superintendent and Carolyn School is the Facilities Planning Manager. 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 CVESD.

School Organizational Information: Leonardo di Vinci Health Science Charter is a public charter school located within the boundaries of Chula Vista Elementary School District and is authorized by the Chula Vista Elementary School District. LDVHSC's initial charter was submitted to the CVESD prior to the 2009-10 year. LDVHSC most recent charter was approved in 2014 with the charter set to expire on June 30, 2019. LDVHSC received approval for its charter renewal by the District at its December 5, 2018 board meeting by a unanimous approval. The new charter term is from 2019-20 through 2023-24.

The school is a direct-funded independent charter school and is operated as a California public benefit corporation with IRS approved 501(c)(3) status. LDVHSC operates autonomously from the District, with the exception of the supervisory oversight, special education services, and other services purchased by Leonardo da Vinci Health Sciences Charter School from the District, as outlined in the Memorandum of Understanding (MOU) between the parties

Based on information provided by the school, Leonardo da Vinci Health Sciences Charter School is designed as a student-centered community of learners. All students have sufficient access to standards-aligned instructional materials, and, as first-hand inquirers and producers of knowledge, are involved with project-based learning (PBL) activities embedded in the curriculum and guided by Next Generation Science Standards and the California History-Social Studies Science Content Standards and integrated with the Common Core State Standards for California English Language Arts and Mathematics. In addition to the core academic subject areas, LDVHSC provides enrichment programs embedded within the regular school day as well as after school.

LDVHSC's Mission Statement is *“As a nurturing learning community, Leonardo da Vinci Health Sciences Charter School cultivates health-literate students who have the knowledge, critical thinking skills and attitudes, which empower them to become influential contributors in an ever-changing global society.”* LDVHSC's Vision Statement is *“Leonardo da Vinci Health Sciences Charter School believes in a student-centered approach to learning that encourages all students to become compassionate, innovative and intelligent thinkers who are knowledgeable about, and value, what it means to be healthy.”*

Leonardo da Vinci Health Sciences Charter School supports a multi-disciplinary instructional approach to instruction and learning, as it lends meaning to individual standards, and increases the content's relevance to students. As part of the curriculum design process, research-based instructional strategies for increasing student achievement

are embedded into the daily culture of the classroom. While the curricular focus is health sciences, all students have access to a broad course of study including the academic core curriculum of English language arts, mathematics, history/social science, the visual and performing arts, physical education, and health education.

LDVHSC is comprised of the following mix of races/ethnicities: 82.3% Hispanic or Latino; 7.0% Caucasian; 1.7% African American/Black; 0.7% American Indian or Alaska Native; 0.3% Filipino, 1.3% Pacific Islander, and 2.3% Two or More Races. The School has an unduplicated pupil population of 65.6%. 53.2% of students are Socio-Economically Disadvantaged and 42.1% are English Learners.

The board members for LDVHSC are Chairperson Angelica Gastelum, Dr. Jennifer Reiter-Cook, Guastavo Perez, Armando Garcia, Nina Fuentes, and Patti Saunders. The director of LDVHSC is Josh Stepner. Mr. Stepner earned a MA in Educational Leadership from San Diego State University as well as his Preliminary Administrative Service Credential in 2001. He has been LDVHSC's director since 2016 and his last position prior was principal of Barona Indian Charter School in Lakeside, California from 2015 through 2016. Mr. Stepner also acts as an advisor to the board in his role as director. 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 LDVHSC.

School Academic Performance: According to LDVHSC's recently approved charter, there is the following plan for students who are academically low achieving in place to continue the academic improvement demonstrated over the past three years. This plan is based on three tenets: (1) Identification; (2) Parental Notification and Involvement; and (3) Support.

Students will be identified as "at risk" if they are displaying any of the following characteristics: (1) standardized test results are below proficient; (2) initial diagnostic assessments indicate skills in math, reading and/or writing are below grade level; (3) student has poor attendance; (4) student is not responding to academic interventions; and (5) student is displaying behavioral issues.

Parents receive weekly updates from teachers, engage in conferences and receive progress reports/report cards throughout the year. Per LDVHSC's petition, parents can be involved with their students' learning by "volunteering in classrooms, participating in field trips, presenting career information in their classrooms, acting as a resource for projects, reading to students, and other unique ways identified with the instructors."

In terms of support, LDVHSC implements several types of response strategies to assist these students including: (1) the Student Support Team which is a panel that consists of at least one teacher of the student, a parent/guardian, and the referred student which meets to discuss the student's academic and social progress, the reasons for referral, discuss possible solutions, and outline a plan for providing additional supports for the student; (2) targeted small group instruction in which LDVHSC teachers use whole group, small group and individual instruction to provide students with the supports they need in order to acquire concepts and skills necessary to think critically while gaining academic proficiency; (3) after-school tutoring provided by teachers, staff, and/or volunteers providing one-on-one and small group help to LDVHSC students; and (4) Response to Intervention which is an

instructional model that delineates necessary student supports in three levels: specific supports that teachers provide within the classroom; targeted supports provided by instructional assistants during the school day along with before and after school tutoring; and support provided by the instructional assistants and intervention teacher.

Additionally, LDVHSC offers a five-week summer session for at-risk students. This summer session runs for three hours, five days a week and is structured into two teaching sessions. Half of the session is focused on English language arts and the other half on math. Two credentialed staff members manage the class.

The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of LDVHSC, the averages of similar local public schools (Karl H. Kellogg Elementary, Palomar Elementary, and Castle Park Elementary), and CVESD. The results are provided through CDE’s CAASPP Smarter Balanced testing data for English Language Arts (ELA) and Mathematics. The percentage of student groups performing below average is based on the number of student groups served, e.g. a school where 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 |
| LDVHSC | 39.00% | 40.00% | 51.43% |
| Local Schools | 47.33% | 43.80% | 48.95% |
| CVESD | 62.00% | 63.00% | 64.39% |

All Students Performance

| | | | |
|---------------|---------|-------------|-------------|
| | 2015-16 | 2016-17 | 2017-18 |
| LDVHSC | N/A | Average | High |
| Local Schools | N/A | Low | Average |
| CVESD | N/A | High | High |

Student Groups w/ Below Avg. Performance

| | | | |
|---------------|---------|-----------------|-----------------|
| | 2015-16 | 2016-17 | 2017-18 |
| LDVHSC | N/A | 0% (0/3) | 0% (0/3) |
| Local Schools | N/A | 100% (9/9) | 40% (4/10) |
| CVESD | N/A | 17% (2/12) | 8% (1/12) |

Mathematics– Comparison

% of Students Meeting or Exceeding Avg. Performance

| | 2015-16 | 2016-17 | 2017-18 |
|---------------|---------------|---------------|---------------|
| LDVHSC | 26.00% | 29.00% | 36.57% |
| Local Schools | 33.33% | 31.75% | 37.16% |
| CVESD | 49.00% | 51.00% | 51.67% |

All Students Performance

| | 2015-16 | 2016-17 | 2017-18 |
|---------------|---------|-------------|-------------|
| LDVHSC | N/A | Average | Average |
| Local Schools | N/A | Low | High |
| CVESD | N/A | High | Average |

Student Groups w/ Below Avg. Performance

| | 2015-16 | 2016-17 | 2017-18 |
|---------------|---------|------------------|-------------------|
| LDVHSC | N/A | 33% (1/3) | 33% (1/3) |
| Local Schools | N/A | 78% (7/9) | 30% (3/10) |
| CVESD | N/A | 0% (0/12) | 25% (3/12) |

Enrollment Trends and Projections: LDVHSC currently serves grades K-6 with two classrooms per grade for all grades and serves 290 students. The slight decrease in enrollment beginning in 2016-17 due to the start of this rehabilitation project. Prior to the rehabilitation project, LDVHSC averaged 18.2% enrollment growth annually from 2009-10 through 2015-16 and an overall growth of 181 students or 124%. By 2020-21, LDVHSC will begin to serve TK students in which there is projected to be a 7% increase in enrollment. LDVHSC will also begin to serve grades 7 and 8 by 2021-22 and 2022-23 respectively. There is projected to be a 5% and 6% increase in enrollment for each year respectively. These projected enrollment numbers used for Staff’s determination match those in LDVHSC approved charter petition for 2019-20 through 2023-24. LDVHSC has a well-developed recruitment and marketing strategy. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

LDVHSC does not have actual retention rates on file therefore staff relied on estimated retention rates based on enrollment regarding promotion, e.g. the number of students enrolled in grade 2 compared as a ratio to the number of students enrolled in grade 1 the prior year. For example, the 2014-15 estimated retention rate would be based on the average of each retention rate between 2013-14 grades to their promotion counterpart in 2014-15. This does not include the new student in kindergarten classes or student lost due to promotion to a grade not served by LDVHSC at that time. For the actual years reviewed, LDVHSC only served grades K-6. Based on the historic enrollment, LDVHSC averaged an annual estimated 99% regarding student retention between the years 2009-10 through 2017-18. As for the historic years reviewed for this determination, LDVHSC’s estimated retention rates are 98%, 93%, and 98% for 2015-16 through 2017-18 respectively.

The tables below present enrollment information for LDVHSC from 2015-16 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

School Student Enrollment and Average Daily Attendance

| <u>LDVHSC</u> | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Enrollment | 327 | 308 | 299 | 290 | 290 | 310 | 325 | 345 |
| ADA | 94.6% | 95.3% | 93.0% | 94.0% | 94.0% | 94.1% | 94.2% | 94.2% |

Financial Analysis: Though LDVHSC has no financial obligation with the CSFP project, staff reviewed LDVHSC’s financials to ensure the school was financial viable to continue operations. This financial analysis is based on the consideration and review of (1) audited financial statements for 2015-16, 2016-17 and 2017-18; and (2) board approved budget for 2018-19 and (3) budget projection from 2019-20 through 2022-23. Please note that staff’s analysis of LDVHSC’s financial performance is purely for financial viability as the matching share is being provided through a lump sum contribution from the District.

Assumptions: LDVHSC’s financial projections are based upon the following assumptions: (1) the completion of the project with Notice of Completion per CVESD; (2) projected ADA rates of 94.2% at most, which are consistent with the recent average of 94.3%; (3) Local Control Funding Formula (LCFF) per-ADA target funding rate of \$9,403, \$9,679, \$10,004, and \$10,287 for 2019-20 through 2022-23 respectively; (4) a projected unduplicated pupil population rate of approximately 67% of ADA which are consistent with the recent average of 67% of ADA; and (5) a COLA rate increases for revenue of 2.57%, 2.67%, 3.42%, and 2.80% for the projected years of 2019-20 through 2022-23.

Long Term Liabilities: As of June 30, 2018, LDVHSC had no long term liabilities.

Private Contributions: As for private contributions and/or fundraising, LDVHSC projects an average of less than 1% of revenue.

Summary of Financial Findings and Special Considerations: Given that CVESD has agreed to make a lump-sum payment of \$2,865,666 to cover the local matching share, no loan is anticipated and debt service coverage is not a consideration. Rather, the financial analysis focuses on LDVHSC to ensure the school was financial viable to continue operations. Based on audited financial statements, LDVHSC exhibited free cash flow of \$173,103, \$47,508, and \$130,750 for 2015-16 through 2017-18, resulting in unrestricted cash and investments of \$1,138,209, \$1,161,059 and \$1,196,118 as of June 30, 2016, 2017 and 2018. Based on its adopted budget, LDVHSC is anticipated free cash flow of \$111,890 for 2018-19 fiscal year. LDVHSC’ financial projections projects the following free cash flow for 2019-20 through 2022-23, respectively: \$154,676, \$149,224, \$133,593, \$126,665, and \$152,018.

Staff considers LDVHSC’ liquidity as more than 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, LDVHSC had net working capital of

\$1,161,059, representing 42.2% of expenditures, and as of June 30, 2018, LDVHSC' net working capital was slightly greater at \$1,251,897, representing 45.5% of expenditures; both ratios greatly exceeds the recommended minimum threshold of 5.0%. Considering projections, LDVHSC averages \$1,454,839 in net working capital representing 43.6% of expenditures from 2019-20 through 2022-23.

As of June 30, 2017, LDVHSC had \$1.161 million in unrestricted cash and cash equivalents, approximately of operating expenses; and as of June 30, 2018, LDVHSC had \$1.196 million in unrestricted cash and cash equivalents. LDVHSC' unrestricted cash and cash equivalents as a portion of expenditures has averaged about 156 days over the past five years which is well above the recommended minimum threshold of 90 days. For the 2018-19, LDVHSC anticipates about \$1.159 million in unrestricted cash and cash equivalents which is about 150 operating days as a portion of expenditures. For the projected years, LDVHSC projects an average \$1.222 million in unrestricted cash and cash equivalents and average 139 operating days as a portion of expenditures.

Almost all funding for LDVHSC comes through the state's Local Control Funding Formula (LCFF) related revenue, consisting of LCFF funds, Education Protection Account funds, and finds in lieu of property taxes. From 2015-16 through 2017-18, an average of 86.5% of LDVHSC's revenue was from LCFF related revenue. As for private contributions and/or fundraising, LDVHSC projects an average of less than 1% of revenue.

Overall, staff's review of LDVHSC' financial performance finds that LDVHSC has demonstrated the ability to meet its operating expenses and has maintained adequate reserves and liquidity and therefore is more than financial viable to continue operations.

Strengths, Weaknesses and Mitigants:

- + LDVHSC is financially viable based on a review of financial statements and projected budgets from 2015-16 through 2022-23 which staff considers reasonable.
- +/- Students at LDVHSC did not perform as well as comparable local schools and the authorizing district in Mathematics and did not perform as well as the authorizing district in ELA but did perform better than the comparable local schools. Student performance at LDVHSC has improved in both ELA and Mathematics over the last three years.
- + LDVHSC project has been completed and therefore, CVESD has demonstrated meeting the matching share requirement.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Chula Vista Elementary School District, on behalf of Leonardo di Vinci Health Science Charter, is financially sound for the purposes of Charter School Facilities Program Final Apportionment. This determination as it relates to Final Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is made contingent upon the fact the District has fulfilled its local matching share obligation through a lump sum contribution. Staff

recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.