

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

Applicant:	California Montessori Project
Obligor:	San Juan Unified School District
Project School:	California Montessori Project San Juan Campus (at Orangevale)
CDS (County – District – School) Code:	34-67447-0112169
School Address/Proposed Site:	6545 Beech Ave., Orangevale, CA 96625
Type of Project:	Rehabilitation
OPSC Project Numbers:	54/67199-00-001
Type of Apportionment:	Advance
County:	Sacramento
District in which Project is Located:	San Juan Unified School District
Charter Authorizer:	San Juan Unified School District
Total OPSC Project Cost:*	Total - \$10,414,210
State Apportionment (50% Project Cost):	Total - \$5,207,105
Lump Sum Contribution:	Total - \$5,207,105
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:	2022-23

**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.*

Staff recommends the California School Finance Authority (Authority or CSFA) Board determine that California Montessori Project (CMP) - San Juan Campus - Orangevale (School or CMP-SJO), is financially sound for the purposes of Charter School Facilities Program (Program or CSFP), Advance Apportionment. 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 period. This recommendation is contingent upon San Juan Unified School District (SJUSD), on behalf of CMP-SJO, providing a lump sum contribution as the Program's matching share. Staff recommends the Authority Board direct staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination.

Background: In February 2018, the Authority found CMP-SJO financially sound for a Preliminary and Advance Apportionment, and the SAB awarded CMP-SJO a Preliminary Apportionment in the amount of \$5,207,105 for the rehabilitation project.

Application Highlights: Below staff highlighted key criteria evaluated when conducting its financial soundness review of CMP-SJO. Detailed information is contained in the body of the report.

Criteria	Comments
Obligor Information	
Demographic Information	<ul style="list-style-type: none">• In 2018-19 SJUSD operated/authorized 79 schools, which include: (1) two adult education centers, (2) two alternative schools of choice, (3) a continuation high school, (4) 47 elementary schools, (5) nine high schools, (6) eight intermediate/middle schools, (7) six K-12 schools, and (8) four special education schools.• Per SJUSD's 2018-19 Second Interim Report, enrollment is 29,762 with an ADA rate of 95.38%• The expected Unduplicated Pupil Percentage (UPP) for 2018-19 is expected to be 47.55%.
Other Financial Factors	<ul style="list-style-type: none">• SJUSD will provide a lump sum contribution as the matching share; staff has confirmed available funds.• Per 2017-18 audited financial statements, the Measure P Building Fund, which is the committed fund for the CMP-SJO project, had a balance of \$36,008,067.

School Information	
Eligibility Criteria	CMP-SJO meets all eligibility criteria: (1) began operation in August 2016; (2) most recent charter was approved in July 2015 and is in place through June 2021; and (3) is in good standing with its chartering authority as well as in compliance with the terms of its charter.
Student Performance	CMP-SJO students have performed slightly better than local school averages, and SJUSD as a whole, in English Language Arts. It is comparable in Mathematics 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	<ul style="list-style-type: none"> • CMP-SJO currently serves 1,332 students in grades K-8. Expected Enrollment in 2019-20 to be 1,362 students. Projected ADA rates are 96%, which is deemed reasonable based on historical information. • The expected Unduplicated Pupil Percentage (UPP) for 2018-19 is expected to be 27.4%

Program Eligibility: On June 27, 2019, CSFA staff requested verification, and it was received, from the SJUSD confirming CMP-SJO: (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. CMP-SJO’s current charter is effective through June 2021.

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: CMP-SJO is an independent charter located 6545 Beech Avenue, Orangevale, CA 96625, a site formerly known as Coleman Elementary School. The campus is comprised of 26,878 square feet (sq. ft.) of building area on 10 acres of land. The majority of the buildings were constructed in 1957. In addition to CMP, the facilities are also occupied by the SJUSD preschool classes. CMP occupies 22,555 sq. ft. of the total building area.

The anticipated project scope has not changed from the time of initial application to OPSC and CSFA. The project will include the renovation of 14 classrooms serving grades K-6. All facilities, but one, are identified as permanent construction: the single exception is a portable style classroom. Pending the budget and bid climate, the construction work is likely to entail: accessibility upgrades, restroom upgrades, complete heating, ventilation, and air conditioning replacement, new electrical service and distribution, new plumbing infrastructure, new interior finishes and flooring, addition of more energy efficient windows and doors, new roofing/gutters, and exterior painting.

The construction work is anticipated to begin in early 2021 and is expected to be completed by early 2022.

Obligor Organizational Information: The SJUSD is located in Sacramento County and operates/authorized 79 schools including: (1) two adult education centers, (2) two alternative schools of choice, (3) a continuation high school, (4) 47 elementary schools, (5) nine high schools, (6) eight intermediate/middle schools, (7) six K-12 schools, and (8) four special education schools.

SJUSD is comprised of the following mix of races/ethnicities: Hispanic/Latino, 63.8%; White, 31.8%; 2 or More Races, 1.6%; Asian, 0.6%; African American, 0.5%; Filipino, 0.5%; American Indian/Alaska Native, 0.4%; and 0.8% Non-Reporting.

The 2018-19 Board Members are: President Pam Costa, Vice President Paula Villescaz, Clerk Dr. Michael McKibbin, Zima Creason, and Saul Hernandez. The current Superintendent of California Montessori Project is Kent Kern, who has been in the position since 2014. Mr. Kern has been with SJUSD since 1993 and an administrator since 1998. Mr. Kern holds his Bachelor of Arts in Communication Studies from California State University, Sacramento. His teaching credential was earned at National University followed by a Masters of Education from the University of La Verne, along with his administrative services credential. Frank Camarda is the Assistant Superintendent overseeing Operations, Facilities, & Transportation and Nicholas Arps is the Director of Facilities, Construction & Modernization.

Staff has reviewed the credentials of the key Board Members and its staff and has determined the Board Members and staff to have the proper background and experience to govern and effectively oversee the operations of the SJUSD.

School Organizational Information: CMP-SJO is a public charter school located within the boundaries of the SJUSD and is authorized by the SJUSD. CMP-SJO 's initial charter was submitted to SJUSD in 2006 and subsequently approved. The most recent charter was submitted in 2015 and renewed from July 1, 2016 through June 30, 2021. The school is a direct-funded independent charter school and is operated by a California nonprofit public benefit corporation pursuant to California State Corporations Code, Title 1, Division 2, Part 2, section 5110, et seq.

The mission of the CMP is to offer a quality, tuition-free Montessori Education that challenges students to reach their full potential. Today, the CMP network serves over 2,500 students at seven campuses throughout the greater Sacramento region. Components of the current CMP include: **Learning Environment:** Comprehensive academic development using Montessori-based curriculum, social development to address the “whole” child, field-based learning for all grade levels, and focus on peaceful school community through character education and Montessori peace curriculum; **Teaching Staff:** CA State-Credentialed & Montessori-Certified teachers (dual certification), participation in state-accredited Teacher Induction Programs (BTSA), and low student-to-teacher ratios; **Family Support:** Parent education classes (Understanding the Montessori Classroom, Love & Logic, Parenting, Volunteer Training and others), extended care programs, afterschool academic intervention,

enrichment, and sports programs; Technology Based Curriculum: Individual access to technological devices at all grade levels, implementation of Rosetta Stone, foreign language technology-based program, implementation of Learning.com integrated technology program, implementation of Read Naturally, Signs for Sounds, and Word Warm Ups programs, an implementation of Response to Intervention program; Professional Growth/Orientation Opportunities: a pre-services orientation for new instructional staff - the sessions include orientation and overview addressing alignment of state standards and Montessori curriculum, use of Montessori materials, classroom management, and application of technology in the classroom.

The CMP, on an annual basis, has served between 15 and 20 new teaching staff, extensive training of new teachers not yet trained on Montessori pedagogy at site-based, accredited Montessori Training Centers and Teachers Colleges, staff development days, which include keynote speakers, as well as break-out workshops, and planning sessions facilitated by CMP instructional leaders, and two Early Release Days per month to focus on Staff Professional Development.

The current Executive Director/Superintendent of CMP is Gary S. Bowman, an educator with over 20 years of experience as teacher, administrator, school board member and consultant within the realms of traditional, charter and private schools. Mr. Bowman received his Masters of Science in Education Degree in Curriculum and Instruction from Dominican College of San Rafael, CA, and Administrative Services Credential (Levels One and Two) in association with coursework completed at St. Mary's College (Moraga, CA) and Chico State University.

CMP-SJO campus is governed by the CMP's Governing Board of Directors, which consists of eight members: Chairperson Rob Henderson, Dave Nelson, Jenny Savakus, Tamika L'Ecluse, Christopher Clark, Scott Porter, Jennifer Rezentes, and Maggie Carmona. Staff reviewed the credentials of the key Board Member and determined them to have the proper background and experience to govern and effectively oversee the operations of California Montessori Project San Juan Campus (at Orangevale).

School Academic Performance: The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of CMP-SJO, the averages of similar local public schools: Cameron Ranch Elementary, Carmichael Elementary, Mary Deterding Elementary, John Barrett Middle, and Winston Churchill Middle (Local Schools) and the SJUSD.

The results are provided through CDE's CAASPP "Smarter Balanced" testing data. The percentage of student groups meeting or exceeding average performance is based on the number of student groups served. Student groups, as determined in California Education 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 at or above average was first made available for 2016-17.

English Language Arts – Comparison**% of Students Meeting or Exceeding Average Performance**

	2015-16	2016-17	2017-18
CMP-SJO	52.00%	49.70%	50.62%
Local Schools	45.80%	44.20%	46.03%
SJUSD	46.00%	44.37%	45.66%

All Students Performance

	2015-16	2016-17	2017-18
CMP-SJO	N/A	Low	Low
Local Schools	N/A	Average	Average
SJUSD	N/A	Low	Low

Student Groups Meeting or Exceeding Average Performance

	2015-16	2016-17	2017-18
CMP-SJO	N/A	40%	80%
Local Schools	N/A	33%	41%
SJUSD	N/A	15%	38%

Mathematics– Comparison**% of Students Meeting or Exceeding Average Performance**

	2015-16	2016-17	2017-18
CMP-SJO	38.00%	34.83%	33.33%
Local Schools	40.80%	39.27%	38.49%
SJUSD	36.00%	34.07%	34.98%

All Students Performance

	2015-16	2016-17	2017-18
CMP-SJO	N/A	Low	Low
Local Schools	N/A	Average	Average
SJUSD	N/A	Low	Low

Student Groups Meeting or Exceeding Average Performance

	2015-16	2016-17	2017-18
CMP-SJO	N/A	0%	20%
Local Schools	N/A	28%	32%
SJUSD	N/A	23%	31%

District Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for SJUSD, the financial obligor, on behalf of CMP-SJO: (1) audited financial statements for 2016-17 and 2017-18; (2) second interim actuals for 2018-19; and (3) adopted budget for 2019-20. Please note: staff's analysis of SJUSD's financial performance, including the evaluation operating budget and liquidity, is based on the General Fund only.

Long Term Liabilities: As provided by the 2017-18 audited financial statements, SJUSD has \$1,143,789,695 in long-term debt. The long-term liabilities are from the following governmental activities: \$531,344,187 payable in General Obligation (GO) Bonds related liabilities; \$251,353 payable towards Qualified Zone Academy Bonds; \$127,287,799 payable towards other post-employment benefits (OPEB); \$505,421,000 payable towards net pension liability; \$1,529,572 in Capital Leases, and \$5,312,800 payable in compensated absences.

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the capitalized lease obligations and Qualified Zone Academy Bonds are made from the General and Capital Facilities Funds. Payments for OPEB and compensated absences are made from the fund for which the related employee worked.

Summary of Financial Findings and Other Considerations: SJUSD indicated it will provide a lump sum contribution as a matching share for the CMP-SJO project. This contribution is from the GO bond proceeds of Measure P, which was passed in 2016, and these proceeds are in the Building Fund. As of July 30, 2018, Measure P Fund had a balance of \$36,008,067. Bond proceeds are also overseen by the Bond Oversight Committee, a nine-member citizen oversight group established by SJUSD's Board to ensure bond proceeds are spent on facilities and as agreed.

SJUSD has been certified by the CDE as able to meet its financial obligations for years 2015-16 through 2017-18 and is expected to meet its financial obligations for 2018-19 through 2020-21. The General Fund balance has increased by \$21,502,270 over the past three years. The 2018-19 second interim report indicates a decrease of \$7,545,464 in the General Fund balance which is mainly due to an interfund transfer out of \$8,075,852. For a district of this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2018, the District meets and exceeds this requirement at 8.14% for 2017-18 is 9.30% and is also projected for 2018-19. Moody's Investors Service has assigned an Aa2 rating and a stable outlook to SJUSD's GO Bonds, the Election bond of 2012, Series 2019, and GO Bonds, Election of 2016, Series 2019.

Staff reviewed CMP-SJO's financials to verify the school is financially viable. Staff reviewed the audited financial statements from 2016-17 and 2017-18 and the Second Interim Report

for 2018-19. The average annual net operating income is \$261,781 and it should be noted, CMP-SJO averaged a fund balance of \$3,427,522.

Major funding sources for CMP-SJO from its 2018-19 Second Interim Report include the following: Local Control Funding Formula income sources accounts for approximately 86% of CMP-SJO's revenue; other state revenue sources, such as Mandate Cost Reimbursements, and Lottery Funds, account for approximately 9% of revenue; and other local revenue sources, such as After School Program Revenue, account for approximately 3% of revenue; and Federal revenue sources, such as Special Education Entitlement and Discretionary Grants, account for approximately 2% of revenue of CMP-SJO's current revenue.

Strengths, Weaknesses and Mitigants:

- + SJUSD will be providing a lump sum contribution as the matching share. Staff has confirmed funds available in the designated funds.
- + Moody's Investors Service has assigned an Aa2 rating to SJUSD's (CA) General Obligation Bonds, Election of 2012, Series 2019 and General Obligation Bonds, Election of 2016, Series 2019. Moody's also assigned a stable outlook.
- +/- SJUSD projects its General Fund performing at a deficit from 2018-19 through 2021-22, although SJUSD has an adequate fund balance at the end of each of these years.

Staff Recommendation: Staff recommends the California School Finance Authority Board determine that California Montessori Project - San Juan Campus, is financially sound for the purposes of Charter School Facilities Program Advance Apportionment. 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 period. This recommendation is contingent upon San Juan Unified School District, on behalf of California Montessori Project - San Juan Campus – Orangevale, providing a lump sum contribution as the matching share obligation for the Program. Staff recommends the Authority Board to direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination