

**Charter School Facilities Program (CSFP)  
 Proposition 51 Funding Round  
 Staff Summary Report – October 2019**

<b>Applicant/Obligor:</b>	Tracy Unified School District
<b>Project School:</b>	Primary Charter School
<b>CDS (County – District – School) Code:</b>	39-75499-0102384
<b>School Address/Proposed Site:</b>	51 E. Beverly Place, Tracy, CA 95376
<b>Type of Project:</b>	Rehabilitation
<b>Type of Apportionment:</b>	Final
<b>County:</b>	San Joaquin
<b>District in which Project is Located:</b>	Tracy Unified School District
<b>Charter Authorizer:</b>	Tracy Unified School District
<b>Total OPSC Project Cost:*</b>	\$4,939,758
<b>State Apportionment (50% Project Cost):</b>	\$2,469,879
<b>Lump Sum Contribution:</b>	\$2,469,879
<b>Total CSFP Financed Amount:</b>	N/A
<b>Length of CSFP Funding Agreement:</b>	N/A
<b>Assumed Interest Rate:</b>	N/A
<b>Estimated Annual CSFP Payment:</b>	N/A
<b>First Year of Occupancy of 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 final financial soundness review.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Tracy Unified School District (“District” or “TUSD”) on behalf of Primary Charter School (“Primary”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Final Apportionment. This recommendation is contingent upon Tracy Unified School District, on behalf of Primary Charter School, providing a lump sum contribution as a matching share. The funds for the lump sum payment are pledged from the Tracy Unified School District Facilities Improvement District No. 3 Bond Issue, Measure B proceeds. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board (SAB) regarding this determination.

**Background:** In February 2018, the Authority found TUSD, on behalf of Primary financially sound for a Preliminary and an Advance Apportionment. This determination has since expired. Primary was awarded its Preliminary Apportionment at SAB’s February 2018 board meeting.

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

<b><i>Criteria</i></b>	<b><i>Comments</i></b>
<b><i>District Information</i></b>	
Demographic Information	In 2018-19, the District operated/authorized three comprehensive high schools, two alternative education high schools, one community school, two middle schools, four K-8 schools, seven K-5 schools, and one charter school. Enrollment totaled 15,906 with an Average Daily Attendance (“ADA”) rate of 96% for 2018-19.
Debt Service Coverage	The District is providing its matching share through Measure B bond proceeds. Measure B was approved by the voters in 2014 for \$82 million.
<b><i>School Information</i></b>	
Eligibility Criteria	Primary has met all eligibility criteria: (1) Primary commenced operations in 2004; (2) Primary’s renewal charter was approved in August 2015 and is in place through June 2021; and (3) Primary is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Primary students have outperformed both the closest local Elementary schools and the District as a whole in both English Language Arts and Mathematics per the “Smarter Balanced” assessment provided by the California Department of Education.
Demographic Information	Primary currently serves 362 students in grades K-4. Enrollment in 2018-19. ADA rates average 96.3% from 2013-14 through 2019-20.

**Program Eligibility:** On October 22, 2019, at CSFA staff’s request, verification was received from the TUSD confirming that Primary is in compliance with the terms of its charter agreements, and in good standing with its chartering authority. Primary’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:** The school plans to renovate all its classrooms and auxiliary facilities; the estimated total area of the project will be 11,000 square feet. The projects consists of the replacement-in-kind three portable classrooms, one portable kindergarten classrooms, and three permanent classrooms for a total of seven classroom replacements. There is a zero net increase of classrooms and no additional student capacity is being added by this project. The projected opening date for the project is September 2020.

**District Organizational Information:** TUSD is a school district located in San Joaquin County and operates/authorized a total of 22 schools: three comprehensive high schools, two alternative education high schools, one community school, two middle schools, four K-8 schools, seven K-5 schools, and three charter schools.

TUSD is comprised of the following mix of races/ethnicities: 52.1% Hispanic or Latino; 19.8% Caucasian; 5.7% African American; 11.6% Asian; 5.4% Filipino; 1.0% Pacific Islander; 0.3% American Indian/Alaskan Native; and 4.0% identifying with two or more races/ethnicities. The District had an unduplicated pupil percentage of 58.8% with 53% of the student's eligible for Free/Reduced Priced Meals (FRPM) and 27.1% are considered English Learners.

Key staff members of TUSD's management team are Superintendent, Dr. Brian Stephens, and Associate Superintendent for Business Services, Dr. Casey Goodall, and School Board President Greg Silva. Staff reviewed the credentials of TUSD's management team and determined that collectively, and individually, the management team has the required experience and educational background

**School Organizational Information:** Primary is located in the city of Tracy, in San Joaquin County. The school's demographics are not particularly dissimilar to those of their authorizing school district, TUSD. Primary is comprised of the following mix of races/ethnicities: 46.4% Hispanic or Latino; 24.7% Caucasian; 9.1% Asian; 5.8% African American; 4.4% Filipino; 0.3% Pacific Islander; and 9.3% identifying with two or more races/ethnicities. Primary has an unduplicated pupil percentage of 28.4% with 19.8% of the student's eligible for FRPM and 13.2% are considered English Learners.

Primary falls under the umbrella of the Tracy Learning Center (TLC). The TLC, founded in 2001, is a tuition-free, K-12 public school. TLC is a three-charter school campus consisting of Primary (K-4), Discovery Charter (5-8) (Discovery), and Millennium Charter (9-12) (Millennium). The nine member TLC Board of Directors includes Patty Warwick, (President), Mike Sousa, (Vice President), Kim Kerr, CP Riddle, Tracy Williams, Linda Wilcox, Tim Murray, Marni Churchill, and Kerry Johnson. Daily school administration is managed by the Executive Director, Virginia Stewart.

In addition to overseeing the Executive Director, the Board of Directors establishes policy, engages annually in strategic planning, and manages the primary fiduciary and oversight tasks.

**School Academic Performance:** The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of Primary; TLC, as a whole organization; the combined averages (Local Schools) of South/West Park Elementary and McKinley Elementary schools; and TUSD. The results are provided through CDE's CAASPP Smarter Balanced testing data.

**English Language Arts – Comparison**

	Years		
	2015-16	2016-17	2017-18
Primary	<b>57.00%</b>	49.24%	40.45%
TLC	54.50%	<b>53.58%</b>	<b>47.97%</b>
Local Schools	35.00%	34.65%	35.95%
TUSD	40.00%	40.82%	41.98%

	2016-17		2017-18	
	Perf. Level	+/- Standard	Perf. Level	+/- Standard
Primary	Low	<b>-7.9</b>	Low	-17.5
TLC	Low	-17.5	Low Average	<b>-16.85</b>
Local Schools	Low	-38.25	Low Average	-31.6
TUSD	Low	-33.1	Low	-23.4

**Mathematics– Comparison**

	Years		
	2015-16	2016-17	2017-18
Primary	<b>57.00%</b>	<b>43.94%</b>	<b>47.73%</b>
TLC	40.00%	36.34%	32.01%
Local Schools	28.50%	30.32%	31.36%
TUSD	28.00%	28.43%	29.93%

	2016-17		2017-18	
	Perf. Level	+/- Standard	Perf. Level	+/- Standard
Primary	Average	<b>-6.3</b>	High	<b>-0.1</b>
TLC	Low	-37.4	Low	-53.3
Local Schools	Low Average	-44.7	Low	-45.8
TUSD	Low	-61.1	Low	-56.7

In 2017-18, Primary served 52 students who were classified as English Learners. 73.1% of these English Learners' progress is considered well or moderately developed. This is greater than TUSD's percentage of 69.0% and the State percentage of 65.2%.

Primary has also met CDE's Implementation of Academic Standards, which measures the implementation of state academic standards. Local educational agencies (LEAs) annually measure their progress in implementing state academic standards and report the results to its local governing board at a regularly scheduled meeting and reports to stakeholders and the public through the online services such as the California Department of Education's "Dashboard" website.

*Academic Engagement:* According to CDE, Primary's chronic absenteeism rate was 4.6% in 2017-18. The only other school used in this comparison that had a chronic absenteeism rate provided by CDE is Discovery at 4.2%. Both rates are lower than that State's chronic absenteeism rate of 9.0%. Primary also met the standard regarding 'Access to a Broad Course of Study'. This measure explores whether students have access to, and are enrolled in, a broad course of study including the programs and services developed and provided to unduplicated students and individuals with exceptional needs. The summary of progress is required to be based on

information collected through locally selected tools and measures that identifies differences across school sites and student groups, barriers preventing student access, and any revisions to ensure access for all students.

**Academic Conditions and Climate:** Primary has an exceptionally low suspension rate with 0.0% of student being suspended at least once for 2017-18. Millennium also has a rate of 0.0% whereas Discovery has a rate of 1.3%. Both local school have higher rates of 2.4% for McKinley and 8.3% for South/West. The District has the highest rate of comparison at 9.4%. Primary has met the State standard for 'Basics: Teachers, Instructional Materials, and Facilities'. This measure addresses the percentage of appropriately assigned teachers; students' access to curriculum-aligned instructional materials; and safe, clean and functional school facilities. Primary has also met the State standard regarding 'Parent and Family Engagement'. This measure addresses receiving parent input in decision-making and promoting parental participation in education programs for students. Local education agencies report progress of how schools and districts have sought input from parents in decision making and promoted parent participation in programs.

**Enrollment Trends and Projections:** The tables below present enrollment information for Primary from 2015-16 through 2022-23. The assumptions made in the projected years are considered optimistic yet reasonable by staff and consistent based on historical data provided below

**School Student Enrollment and Average Daily Attendance**

<b>Primary</b>	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	361	365	364	361	387	387	387	387
ADA	346	351	350	348	377	377	377	377
%	95.7%	96.0%	96.1%	96.4%	97.5%	97.5%	97.5%	97.5%

**Charter Management Organization Student Enrollment and Average Daily Attendance**

<b>TLC</b>	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	1,222	1,271	1,264	1,232	1,301	1,350	1,355	1,355
ADA	1,198	1,234	1,238	1,188	1,269	1,316	1,321	1,321
%	98.1%	97.1%	97.9%	96.4%	97.5%	97.5%	97.5%	97.5%

As part of Staff's review, historical enrollment from 2014-15 through 2017-18 is used as a measure for the reasonability regarding projected enrollment for 2019-20 through 2023-24. From 2014-15 through 2017-18, Primary grew an average of 0.31% with the largest increase in the school year of 2016-17 at 4.01%. The projected 1.8% average growth from 2018-19 through 2022-23 is consistent with historical performance but it should be noted this span includes a 7.1% increase in enrollment in a single year. While staff considers this unlikely to happen in a single year based on historical performance, Primary provided a current waitlist of more than 400 K-4 students to support this projection.

Staff also compared Primary's historical enrollment changes with TLC schools, Local Schools and the District as an additional measure of reasonability. Discover and Millennium averaged 0.5% and 3.9% respectively over the last four years. Local Schools averaged about 0.1% growth in

enrollment. The District's enrollment decreased by an average of 1.4% over those four years. With this information, staff considered Primary's average projected growth of 1.8% reasonable. Regarding retention, Primary has averaged a 96.7% retention rate over the last five academic years. In 2018-19, Primary reported a retention rate of 97.2%. Over the same time period, TLC has averaged a 94.6% retention rate.

**Financial Analysis:** Though Primary has no financial obligation with the CSFP project, staff reviewed Primary's audited financial statements to ensure the school was financial viable to continue operations. Please note that staff's analysis of Primary's financial performance is purely for viability as the matching share is being provided through the TUSD verified lump sum contribution.

**Financial Data Sources:** This financial analysis is based on the consideration and review of Primary's (1) audited financial statements for its fiscal years of 2015-16, 2016-17, and 2017-18; and (2) unaudited actuals for 2018-19 and (3) budget projection from 2019-20 through 2022-23.

**Assumptions:** Primary's financial projections are based upon the following assumptions: (1) a occupancy of the rehabilitation project in 2020-21; (2) Enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected ADA rates of 97.5%, which slight higher than recent years ADA rates but consistent with a longer historical period as well the recent performance of the CMO; (4) COLA rates of 3.26% for 2018-19 and averaging about 3.0% for 2019-20 through 2022-23.

**Long Term Liabilities:** Primary, and TLC as a whole, does not have any long-term liabilities.

**Private Contributions:** Private contributions account for less than 2% of revenue for the past three years for Primary and projected budgets are in consistent with that historical rate.

**Summary of Financial Findings and Considerations:** Given that TUSD has agreed to make a lump-sum payment of \$2,469,879 to cover the local matching share, no loan is anticipated and debt service coverage is not a consideration. This lump sum contributions is being provided through Measure B bond proceeds. Measure B was approved by the voters in 2014 for \$82 million and, according to TUSD, as of October 22, 2019 all Measure B funds have been expended or assigned.

Though Primary has no financial obligation with the CSFP project, staff reviewed the school's audited financial statements to ensure the school is viable to continue operations. Primary closed the 2016-17 year with a positive net income of \$89,406, the 2017-18 year with a deficit of (\$15,152), and the 2018-19 year with \$182,766 in net income. Primary's ending fund balance for 2018-19 was \$967,403. As of June 30, 2019, Primary has 105 operating days of unrestricted cash & equivalents and the available working capital averages 28.9% as a portion of the operating expenses. Both of these exceed the Authority's benchmarks for project's requiring a matching share loan.

**Strengths, Weaknesses and Mitigants:**

- Primary students have performed better than two local schools and TUSD on average in Mathematics assessment in the last three years and English Language Arts for two of the last three years.
- TUSD has confirmed the matching share will be through a lump sum payment from Measure B bond proceeds
- Primary, and TLC as a whole, are financially viable per staff's reviews.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine Tracy Unified School District, on behalf of Primary Charter School, 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 period. This recommendation is contingent upon Tracy Unified School District, on behalf of Primary Charter School, providing a lump sum contribution as a matching share. Staff recommends the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.