

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – July 2020**

Applicant/Obligor:	Natomas Unified School District
Project School:	Natomas Pacific Pathways Prep (NP3) Elementary School
CDS (County – District – School) Code:	34-75283-0134049
School Address/Proposed Location:	3800 Del Paso Road, Sacramento, CA 95834
Type of Project:	Rehabilitation
County:	Sacramento County
District in which Project is Located:	Natomas Unified School District
Charter Authorizer:	Natomas Unified School District
Total OPSC Project Cost:	\$5,719,658*
State Apportionment (50% Project Cost):	\$2,859,829
Lump Sum Contribution:	\$2,859,829
Total CSFP Financed Amount:	N/A
Length of CSFP Funding Agreement:	N/A
Assumed Interest Rate:	N/A
Advance Apportionment Amount:	\$285,982.90
Estimated Annual CSFP Payment:	N/A
First Year of Occupancy of New Project:	2022-2023**

**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.*

***Due to the COVID-19 pandemic, the occupancy year was pushed back from 2020-21 to 2022-23*

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Natomas Unified School District (NUSD or District), on behalf of Natomas Pacific Pathways Preparatory Elementary School (NP3 E) 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 time period. In the event a loan is incurred, this recommendation is contingent upon NUSD, on behalf of NP3 E, 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.

For purposes of supporting funds available to make the lump-sum payment of \$2,859,829, NUSD plans to fund the match with bond sales occurring in October 2020 of Bond Measures J and L, totaling approximately \$129 million. Staff notes that, prior to release of funds for Final

Apportionment, the Applicant will be required to produce evidence of having the appropriate amount of funds in a restricted bank account, specifically designated for the CSFP project.

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

Criteria	Comments
<i>District Information</i>	
Demographic Information	1. In 2019-20, NUSD had 15,595 students across 20 schools and is expecting enrollment to grow through 2019-20. 2. NUSD has demonstrated it has an average daily attendance 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 payment towards the local match of \$2,859,829 using the District's local bond Measures J and L, which is restricted for making these types of disbursements. NUSD is preparing an October 2020 bond sale totaling approximately \$129 million. 2. NUSD's net working capital (NWC), in their General Fund as of June 30, 2020, was at \$14,218,928 or 10.9% of total operating expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient.
Special Considerations and Mitigating Factors	Notwithstanding its net deficit for 2019-20 and projected deficits through 2021-2022, NUSD General Fund has sufficient fund reserves totaling \$12,623,203 to offset its net deficit for 2019-20. It is projected to have more than sufficient fund reserves to offset the deficits in the projected years.

School Information	
Eligibility Criteria	NP3 E has met all eligibility criteria: (1) NPE’s charter is in place through June 2021 and (2) NP3 E is in good standing with its chartering authority and in compliance with the terms of its charter.
Student Performance	NP3 E students have outperformed both Natomas Park Elementary School (NPES), a neighboring K-5 public school, and NUSD in English Language Arts and Mathematics per the Smarter Balanced assessment provided by the California Department of Education (CDE).
Demographic Information	<ol style="list-style-type: none"> 1. NP3 E currently has 300 students, and is projecting its enrollment to grow to 350 students by 2021-22. 2. NP3 E’s target population is diverse students in grades K-5 representative of the demographics of the surrounding Natomas community and the State of California. 3. NP3 E is located in Sacramento County and is comprised of the following mix of races/ethnicities: 33.9% Asian; 25.7% Hispanic or Latino; 6.1% African-American; and 18.7% Caucasian.

Program Eligibility: On June 18, 2020, the Authority received verification from the NUSD confirming that NP3 E is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority. NP3 E’s current charter is effective through June 2021. NUSD exceeds the requirement of two years of oversight of charter school operations with its oversight of the following charters: Leroy Green Academy, Natomas Pacific Pathways Preparatory Elementary, Natomas Pacific Pathways Preparatory Middle School, Natomas Pacific Pathways Preparatory High School, Natomas Charter, and Westlake Charter.

Legal Status Questionnaire: Staff reviewed NP3 E’s response to the questions contained in the Legal Status Questionnaire (LSQ). The completed LSQ, which was submitted on July 21, 2020, indicates that there are no disclosures to provide regarding material information relating to legal or regulatory proceedings or legal action in which NUSD or any of its affiliates is a named party.

Project Description: NP3 E will occupy approximately 35% of the site at 3800 Del Paso Road, in the community of Natomas, Sacramento, California. (Natomas Pacific Pathways Preparatory Middle School will occupy the other 65% of the site). The renovation project consists of the rehabilitation of two permanent buildings and either the rehabilitation or replacement-in-kind of four portable buildings comprising a total of 13,040 square feet, of which 12,720 square feet is “other area” and 320 square feet is “toilet area”. There are seven classrooms, restrooms, administration, library, storage/support space in the permanent facilities. There are two classrooms, a nurse’s office/administration, restrooms, and storage in the portable facilities. The capacity of this project will be 213 students (8 standard classrooms for 25 students; 1 non-severe classroom for 13 students). The project is expected to be occupied fall 2022.

Applicant Organizational Information: NP3 E is a charter school serving 300 students in grades K through 5. Their initial charter petition was approved by the District on February 10, 2016 and expires on June 30, 2021. The charter petition documents that NP3 E is part of P20 Consortium (P20) and will be operated by and under a delegation of authority of the P20, a California non-profit public benefit corporation. The P20 Consortium was organized to form a structure where professional schools, colleges, and universities work collaboratively with P12 educators in ways that result in exemplary education for disadvantaged and underrepresented youth, an expanded pool of qualified applicants along the education pipeline and increased diversity in colleges and in the professions. Specifically, P20 seeks to increase students' educational aspirations, their persistence in school, and their academic achievement. P20 delegates the operation of NP3 to a separate Board, which includes members of P20.

P20 and the District have had a Memorandum of Understanding since July 2016. NP3 E contracts the District for Special Education services, financial and non-instructional services, and facilities. NUSD is governed by a five-member Board of Trustees and currently operates twenty schools, which includes six charter schools.

NP3 completed its first year of instruction in 2016-17. According to the materials submitted, NP3 E is a site-based school program focused on the following goals: preparing students with the subject knowledge, skills and understanding to contribute to their community; developing the personal skills students need to be successful; helping students develop learning structures they may apply in a variety of situations; preparing students to become life-long learners; ensuring students have mastered grade level standards by the time they attend high school.

To achieve these goals, NP3 aims to provide its students: a curriculum that is challenging, integrative, and exploratory; varied teaching/learning approaches; assessment and evaluation that promote learning; programs and policies that foster health, safety, and wellness; and comprehensive guidance and support services.

NP3 E is located in Sacramento County and is comprised of the following mix of races/ethnicities: 33.9% Asian; 25.7% Hispanic or Latino; 6.1% African-American; 18.7% Caucasian. NP3 E's target population is primarily students from Natomas and surrounding communities.

Key staff members of NUSD's management team are Superintendent Chris Evans, Executive Director of Business and Financial Services, Vina Guzman, and Deputy Superintendent Javetta Cleveland. Marcie Lynn-Samp Dart has been the principal of NP3 E since its inception in 2016. Staff reviewed the resumes of NUSD's management team as well as the Principal of NP 3 E's and determined that, collectively and individually, the management team demonstrates the required experience and educational background to effectively oversee the operations of NP3 E.

School Academic Performance: The following tables represent the 2016-17 through 2018-19 academic performance of NP3 E as compared to Natomas Park Elementary School (NPES), a neighboring K-5 public school, and NUSD. The results are provided through CDE's

CAASPP Smarter Balanced testing data. Due to the COVID-19 pandemic, 2019-20 CAASP tests were not administered.

English Language Arts – Comparison

Standard Met or Exceeded			
	2016-17	2017-18	2018-19
NP3 Elementary	43.90%	57.15%	57.57%
NPES	24.45%	40.38%	41.30%
NUSD	42.99%	44.14%	47.12%

Mathematics – Comparison

Standard Met or Exceed			
	2016-17	2017-18	2018-19
NP3 Elementary	43.54%	45.62%	55.04%
NPES	26.54%	32.25%	34.46%
NUSD	33.04%	32.29%	34.87%

NP3 E's English Learner (EL) Progress Indicator states that 48.4% of the school's EL population is making progress towards English Language proficiency. Their performance level is consistently rated as medium by CDE which is equal to the state and is better than the district's performance level, which is 37.6%.

NP3 E met CDE's Implementation of Academic Standards, which measures the implementation of state academic standards. Annually, Local Educational Agencies (LEAs) measure progress with implementing state academic standards and report the results to its local governing board at a regularly scheduled meeting.

Academic Engagement: NP3 E's Chronic Absenteeism rate was 2.6% for 2018-19, which was a 3.3% decline from the previous year. Chronic Absenteeism is the percentage of students in grades K-8 who are absent 10% or more during the school year. NP3 E's rate is better than both NUSD's rate of 9.9% and NPES, which stands at 14.3%.

NP3 E 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: NP3 E has a student suspension rate (suspended at least once during a school year) of 0.0% for 2018-19, which is a 0.7% decline from the previous

year. The local school (NPES) has a rate of 3.5%. The District records a rate of 6.1% while CDE recorded a rate of 3.4%.

NP3 E 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.

NP3 E has also met the State’s 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. Inspire has also met the standard regarding parent and family engagement by implementing all required actions.

Lastly, NP3 E has also met the Local Climate Survey standard regarding the school environment based on a local climate survey administered every other year on the topics of school safety and connectedness.

Enrollment Trends and Projections: The table below represents historical, current, and projected enrollment information for Natomas Unified School District, as well as average daily attendance (ADA) and projected ADA through 2022-23. Currently, NUSD operates 20 schools, including six charter schools. The Applicant is projecting a 5% growth each year and an ADA of 95% through 2022-23, which is consistent with historical enrollment and ADA. Based on consideration of the historical enrollment and ADA, staff considers the assumed District-wide enrollment projections and ADA, as incorporated into the multi-year budget projections, to be reasonable.

District-wide Student Enrollment and Average Daily Attendance

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	14,631	14,861	15,290	15,595	13,834	13,595	13,505
ADA	97.4%	95.4%	95.4%	95.4%	95.0%	95.0%	95.0%

With current enrollment of 300 students at NP3 Elementary, the Applicant is projecting student enrollment growth of 7.6%. Based on the current wait lists, it is projected the applicant will reach the maximum enrollment of 396 students by 2021-22. (The waitlist for 2017-18 contains 407 students.) Staff considers these projections reasonable.

Financial Analysis:

District Financial Analysis: Despite having a contribution from the District to satisfy the local matching share, staff conducts an analysis of the school to ensure the financial solvency of the school once the project school is operational. As this is a lump sum contribution, the Authority reviews the most recent audited financial statements, 2018-19, as well as the Second Interim Unaudited Financial Statements for the 2019-20 fiscal year.

Lump Sum Contributions: NUSD indicated it will provide a lump sum contribution as a matching share for the NP3 E project. This contribution is available in the “Building Fund”,

which is funded from GO Bond proceeds. As of June 30, 2020, the Building Fund had a balance of \$62,423,004 and the Building Fund has \$3,633,059. Per the 2018-19 audited financial statements, PESD's Charter School Fund has \$9,646,723 already encumbered for IHCS's modernization.

Liquidity and Reserves: As of June 30, 2020, NUSD's General Fund balance is expected to end the fiscal year at \$14,939,036 with \$3,900,000 of the unrestricted funding meant for economic uncertainties. NUSD has been certified by the CDE as able to meet its financial obligations for years 2016-17 through 2018-19 and is expected to meet its financial obligations for 2019-20 through 2021-22. Per the District's 2018-19 audited financial statements, NUSD's General Fund decreased by \$897,952 in revenue. Moody's rating services assigned an insured rating of AA- and an underlying rating of A+ to PESD's 2017 GO Bond refunding, the District's most recent financing.

Charter School Financial Summary and Information: Per the second interim statements, NP3 E is projected to end the current fiscal year with a fund balance of \$965,625. According to the first interim statements, the Charter School Fund balance is expected to be \$3,081,496. This balance accounts for 113 operating days based on the expected daily expenditures amount in the report.

Major funding sources for Innovative Horizons Charter School (IHCS), from its 2019-20 First Interim Report, include the following: Local Control Funding Formula income sources accounts for approximately 95% of IHCS's revenue; other state revenue sources, such as Mandate Cost Reimbursements, and Lottery Funds, account for approximately 3% of revenue; and other local revenue sources known as After School Program Revenue account for approximately 2% of IHCS's current revenue.

Strengths, Weaknesses and Mitigants:

- + NP3 Elementary has outperformed both Natomas Park Elementary and NUSD on average in both English Language Arts and Mathematics assessment in the last three years of instruction.
- + NUSD has available Measure J bond proceeds in excess of \$7.6 million available to make a lump-sum payment of \$2,859,829 to cover the local matching share.
- NUSD is estimated to have incurred a net deficit of \$1.045 million for 2019-20, and is now projecting net deficits of \$1.30 million and \$601,608, for 2020-21 and 2021-22, respectively.
- + NUSD has sufficient net working capital and fund balances to offset its most-recent-year deficit as well as the deficits in all projected years.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Natomas Unified School District (NUSD), on behalf of NP3 Elementary,

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 time period. In the event a loan is incurred, this recommendation is contingent upon NUSD, on behalf of NP3 Elementary, electing to have its Charter School Facilities Program 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.

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