

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 1D
STAFF SUMMARY REPORT – JULY 2020**

Applicant/Obligor:	Nord Country School
Project School:	Nord Country School
CDS (County – District – School) Code:	04-61424-0110551
School Address/Proposed Site:	5554 California St., Chico, CA 95973
Type of Project:	Rehabilitation
County:	Butte
District in which Project is Located:	Chico Unified School District
Charter Authorizer:	Chico Unified School District
Total OPSC Project Cost:	\$802,332
State Apportionment (50% Project Cost):	\$401,166
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$401,166
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$20,467
First Year of Occupancy of New Project:	2019-20

Staff Recommendation: Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Nord Country School (“Nord”) is financially sound for the purposes of the 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. In the event a loan is incurred, this recommendation is contingent upon Nord 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: Nord converted to Final Apportionment of its Proposition 1D New Construction project in 2017. Nord is currently in repayment of the CSFP loan it incurred for the new construction project. The rehabilitation project in consideration for Final Apportionment is a separate project also funded with Proposition 1D proceeds. The rehabilitation project was completed and occupied on 8/21/2019 and final apportionment funds will be used to reimburse the district for costs incurred on the project. Nord will begin repayment of the rehabilitation project loan in September 2020. Furthermore, Nord’s project costs were revised upward by the Office of Public School Construction since its last financial review in 2016 from \$554,040 to \$802,332

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

Criteria	Comments
Eligibility Criteria	Nord meets all eligibility criteria, including having been in operations for more than two years, having a charter in place through 2021-22, and being in good standing with its chartering authority and in compliance with the terms of its charter.
Demographic Information	<ol style="list-style-type: none"> 1. Nord began operations in 2005-06 with 71 students in grades K-6, and has grown to 196 students in grades K-8 for 2019-20 with stable enrollment over the years. 2. Nord’s average daily attendance for 2017-18, 2018-19 and 2019-20 was 96.3%, 97.3%, and 96.3%, respectively, which is supportive of the assumption of 95% within the multi-year projections. 3. Nord is located in Butte County and within Chico Unified School District, and is comprised of the following mix of races/ethnicities: 1.0% Asian; 20.4% Hispanic or Latino; 1.5% African-American; 71.4% Caucasian; 0.5% American-Indian; and 0.5% Pacific Islander.
Debt Service Coverage	Nord projects debt service coverage of 2,330.5% and 481.5% for 2020-21 and 2021-22, respectively, the first two years of CSFP loan repayment. While Nord projects contributions and fundraising in years to come, it has slashed its projected contributions by 55% from that of historical records. Furthermore, while Nord does not rely on contributions to meet its 2020-21 or 2021-22 debt service coverage, when contributions are reduced to 0%, Nord still meets the Program’s minimum debt service coverage requirement of 100% in both 2021-22 and 2022-23 with 2,135.1% and 286.1% coverage, respectively. The 2020-21 debt service coverage ratio is high due to a \$321,650 PPP loan and approximately \$90,740 in COVID Relief Aid the school received from the State.
Other Financial Factors	Nord’s net working capital as of June 30, 2018 was \$1,938,651 or 110.0% of total expenses. Nord’s net working capital as of June 30, 2019 was \$2,113,917 or 113.4% of expenses. Nord’s net working capital as of June 30, 2020 was \$2,005,078 or 103.9% of expenses. All three years are well above the 5% threshold to be considered sufficient.
Student Performance	Nord students outperformed both Hamilton Elementary, a neighboring K-8 public school, and Chico Unified School District in English Language Arts and Mathematics per the “Smarter Balanced” assessment provided by the California Department of Education (CDE).

Program Eligibility: On July 6, 2020, the Authority received verification from the Chico Unified School District (District) confirming that Nord is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority. Nord’s current charter is effective through June 2022.

Legal Status Questionnaire: Staff reviewed Nord’s responses to the questions contained in the Legal Status Questionnaire (LSQ). Nord answered “None” to all LSQ questions (signed by Lead Administrator and Governing Board Secretary on July 23, 2020), indicating there were no disclosures to provide regarding material information relating to legal or regulatory proceedings or legal action in which it or any of its affiliates is a named party.

Project Description: Nord is requesting funding for rehabilitation of classrooms and areas around its campus including its basketball court. The expected project occupancy date for the rehabilitation project is 2020-21.

Organizational Information: Nord began operations in 2005 with 71 students in grades K-6 and received its status as a 501(c)(3) non-profit organization in 2006. Nord has since grown to approximately 196 students in grades K-8 for the most recent 2019-20 year. Nord is located in Butte County within Chico Unified School District, serving a population that is approximately 20% Hispanic and approximately 47% socioeconomically disadvantaged.

According to the charter, Nord’s mission is to educate students in a small school environment where they are in close association with caring teachers, staff, parents and community members. In addition, the mission provides that students will receive a quality academic foundation based on core curriculum standards that promote self-motivation, being a life-long learner, and respect for differences among people, as well as acquisition of technological skills and global awareness necessary to succeed in a changing world.

According to the materials submitted with the application, Nord’s educational curriculum is focused on developing well-rounded students. Teachers at Nord use whole literature teaching methods, thematic units, and real-life experiences and outside-the-classroom activities. In addition, the school provides for formal instructions in art, music, Spanish, and physical education for every student as well as an emphasis on technology, including computer applications.

Educational Management Organization: Not applicable, as Nord is not under an Educational Management Organization.

Management Experience: The description of experience of Nord’s personnel and management team demonstrates that professional, experienced and qualified individuals are serving in key capacities within the organization, as described below.

Kathy Dahlgren has served as Principal at Nord since 2009. Prior to this position, Ms. Dahlgren served as a Teacher-in-Charge at Nord (2005-09) in which she took over discipline duties when the Principal was not available and second-grade teacher at Nord (1999-2009). Ms. Dahlgren holds a B.A. in Child Development from California State University, Chico, and a California Multiple Subject Credential.

Lisa Speegle is currently the Chief Business Officer for Nord and has served as Chief Business Officer for Nord since 2012. Prior to this position Ms. Speegle served specifically as Chief Business Officer at Forest Ranch Charter School (2008-17). Prior to this position, Ms. Speegle held operations and finance positions at a bank and other private corporations. Ms. Speegle holds a B.S. in Business Administration from California State University, Chico.

Board Experience: The Board of Directors is composed of representatives from the school community and the community at-large, including parents, professionals, and community leaders. The following table sets forth the members of Nord’s Board of Directors.

Nord Country School Board of Directors

Name	Role	Title	Term
Hilary Tricerri	Parent Representative	President	Expires 6/2024
Radley Ott	Parent Representative	Vice President	Expires 6/2023
Janet Ellner	Education Representative	Secretary	Expires 6/2023
Todd Lewis	Community Representative	Treasurer	Expires 6/2022
Katrina Duval	Parent Representative	Member	Expires 6/2024
Jesse Scherba	Parent Representative	Member	Expires 6/2023
Levi Russell	Community Representative	Member	Expires 6/2023
Sheila Koester	Teacher Representative	Member	Expires 6/2024
Junell Lawrence	Community Representative	Member	Expires 6/2022

Based on Nord’s charter, the primary roles and responsibilities of the Board include establishing and approving all major educational and operation policies, approving all major contracts, approving the school’s annual budget, overseeing the school’s fiscal affairs, selecting and evaluating the top administrative staff, and overseeing fundraising activities.

Management Experience for Schools Open Less than Two Years: Not applicable. Nord began instructional operations in 2005-06 and exceeds the minimum instructional requirements of two years.

School Academic Performance: The following tables represent the 2016-17 through 2018-19 academic performance of Nord as compared to Hamilton Elementary (HE), a neighboring K-8 public school, and Chico Unified School District (District). 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
Nord	40.91%	50.35%	61.03%
HE	35.43%	40.76%	37.03%
District	51.09%	53.37%	55.94%

Mathematics – Comparison

Standard Met or Exceed			
	2016-17	2017-18	2018-19
Nord	40.35%	45.63%	50.79%
HE	17.28%	21.19%	15.53%
District	42.67%	43.76%	42.63%

Nord's English Learner (EL) Progress Indicator, which measures the percentage of EL students making progress towards English language proficiency, does not show any information regarding the school's EL population. However, in 2019-20 27.57% of Nord's EL population was "Redesignated" as "Fluent English Proficient." The State's EL Progress Indicator stands at 48.3% while the District's EL Progress Indicator measures at 53.1%. Nord 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: Nord's Chronic Absenteeism rate was 4.3% for 2018-19, which was a 0.5% increase 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. Nord's rate is lower than the District's rate of 8.7%, and HE, which stands at 6.0%.

Nord 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: Nord has a student suspension rate (suspended at least once during a school year) of 4.3% for 2018-19, which is a 0.9% increase from the previous year. The local school (HE) has a rate of 2.5%. The District records a rate of 4.3% while CDE recorded a rate of 3.4%.

Nord 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.

Nord 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, Nord 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 and Retention Rates: The table below represents historical, current and projected enrollment information for Nord, as well as average daily attendance (ADA) and projected ADA through 2022-23. The Applicant is projecting a moderate 4% growth each year for the next three years and ADA of 95.0% through all projected years (through 2022-23), which is consistent with historical enrollment and ADA. Based on consideration of the

historical enrollment and ADA, staff considers the assumed enrollment projections and ADA, as incorporated into the multi-year budget projections, to be reasonable

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	182	181	180	196	201	217	221
ADA	95.1%	96.3%	97.3%	96.3%	95.0%	95.0%	95.0%

Financial Analysis: Highlighted in this section are financial data and credit indicators used to evaluate Nord’s ability to meet its CSFP obligations. The table below summarizes key aspects of the school’s past and projected financial performance based on the financial model used in the evaluation. Among other things, the financial model sets forth Nord’s financial projections along with adjustments, where applicable, based on Nord’s financial documents.

Staff’s financial analysis of Nord is based upon review and consideration of the following documents: (1) audited financial statements for 2016-17, 2017-18, and 2018-19; (2) Second Interim Financial Statements for 2019-20; and (3) multi-year budget projections for 2020-21 and 2021-22.

Nord’s financial projections are based upon the following assumptions: (1) project occupancy in 2019-20 for its Rehabilitation project; (2) projected enrollment as described above (under “Enrollment and Retention Rates”); (3) Per ADA LCFF funding rates of \$8,655 and \$8,737 for 2020-21 and 2021-22, respectively; (4) projected ADA rates of at least 95%, which is below historical Nord ADA rates; (5) cost of living adjustment (COLA) on LCFF per ADA funding rate of 0.0% for both 2020-21 and 2021-22, respectively; and (6) private contributions totaling \$40,000 per year.

Staff notes that it considers Nord’s assumptions to be reasonable. Staff also notes that Nord’s assumption regarding private contributions are conservative at 45% of prior year contribution levels from 2016-17 to 2019-20, with average annual contributions of approximately \$88,340.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS							
	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Projected FY 2021	Projected FY 2022	
OPERATIONAL & FINANCIAL							
Enrollment	182	181	180	196	201	217	
Average Daily Attendance (ADA)	173	174	175	189	191	206	
Average Daily Attendance (%)	95.1%	96.3%	97.3%	96.3%	95.0%	95.0%	
	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Projected FY 2021	Projected FY 2022	
DEBT SERVICE COVERAGE							
Total Operating Revenues	\$ 1,849,386	\$ 1,871,794	\$ 2,035,213	\$ 2,008,328	\$ 2,474,006	\$ 2,201,006	
Total Operating Expenses	\$ 1,611,629	\$ 1,762,519	\$ 1,863,480	\$ 1,929,774	\$ 2,061,873	\$ 2,167,304	
Total Other Sources/Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Income Available	\$ 237,757	\$ 109,275	\$ 171,733	\$ 78,554	\$ 412,133	\$ 33,702	
Add Back Capital Outlay	\$ 79,887	\$ 125,857	\$ 141,910	\$ 64,855	\$ 64,855	\$ 64,855	
Add Back Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Adj. Net Income Available for CSFP Matching Share Pymt.	317,644	235,132	313,643	143,409	476,988	98,557	
CSFP Matching Share Payments	-	-	-	-	20,467	20,467	
Free Cash Flow	\$ 317,644	\$ 235,132	\$ 313,643	\$ 143,409	\$ 456,521	\$ 78,090	
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	2330.5%	481.5%	
DSC from LCF Sources subject to CSFA Intercept					5919.5%	6473.7%	
CSFP Matching Share Payment/Oper. Revenues	N/A	N/A	N/A	N/A	0.8%	0.9%	
FUNDRAISING							
Fundraising for Operations	\$ 83,878	\$ 97,854	\$ 139,437	\$ 32,189	\$ 40,000	\$ 40,000	
Fundraising/Oper. Revenues	4.5%	5.2%	6.9%	1.6%	1.6%	1.8%	
DSC without Fundraising	N/A	N/A	N/A	N/A	2135.1%	286.1%	
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	-1041.3%	-95.2%	
LIQUIDITY							
Current Assets	\$ 2,347,697	\$ 2,336,999	\$ 2,489,175	\$ 3,219,035			
Current Liabilities	\$ 518,321	\$ 398,348	\$ 375,258	\$ 1,213,957			
Net Working Capital	\$ 1,829,376	\$ 1,938,651	\$ 2,113,917	\$ 2,005,078			
Net Working Capital/Oper. Expenses	113.5%	110.0%	113.4%	103.9%			
Unrestricted Cash & Cash Equivalents	\$ 888,630	\$ 1,107,329	\$ 1,324,511	\$ 1,478,417			
Unrest. Cash & CE/Oper. Expenses (Days)	201	229	259	280			
Unrest. Cash & CE/All Expenses (Days)	168	202	222	260			

Long-term Obligations: As of June 30, 2020, Nord had an open line of credit of up to \$100,000 with Northern California National Bank at a variable rate of approximately 5.375% per annum and a \$0 balance. Additionally, Nord is currently in repayment for its Proposition 1D New Construction CSFP project; annual payments total approximately \$8,466 with a maturity of 10/1/2046. Lastly, Nord received a \$321,650 loan through the Paycheck Protection Program (PPP) that is has nearly fully drawn down. Nord expects to have the full \$321,650 forgiven by October 2020 based on the forgiveness criteria.

Financial Performance: For 2017-18, Nord produced net revenues of \$235,132 based on revenues and expenses of \$1.87 million and \$1.76 million, respectively. In 2018-19, Nord produced net revenues of \$313,642 on revenues and expenses of \$2.03 million and \$1.86 million, respectively. For 2019-20, Nord produced net revenues of \$143,409 on revenues and expenses of \$2.00 million and \$1.93 million, respectively. With the assumptions for projections described above, Nord anticipates net revenues of \$456,521 and \$78,090 for 2020-21 and 2021-22, respectively. For these same years, Nord anticipates ending net assets of approximately between \$2.06 and \$2.16 million each year. Staff notes that, based on Nord’s projected ending net assets, Nord will likely be able to withstand any unexpected reduction in revenues in order to make its CSFP loan payment. Moreover, based on Nord’s demonstrated stability with enrollment and contributions, staff considers the projections reasonable and that Nord will likely meet or exceed such projections.

Projected Debt Service Coverage of CSFP Payments: Assuming a conservative 3.0% interest rate and 30-year repayment period, as well as an estimated project cost of \$802,332 for Rehabilitation, Nord's annual CSFP payment for this project will be \$20,467 beginning in 2020-21. Coupled with Nord's existing annual CSFP payment for its Proposition 1D New Construction project, the school's total joint CSFP payment will be approximately \$28,933. Nord's projected net revenues, after adjustments for capital outlay, of \$456,521 and \$78,090 for 2020-21 and 2021-22, respectively. This will provide debt service coverage levels of 2,330.5% and 481.5% for each of those years, respectively, which is significantly above the minimum requirement of 100.0%. The 2020-21 debt service coverage ratio is high due to a \$321,650 PPP loan and approximately \$90,740 in COVID Relief Aid the school received from the State.

The CSFP payments would represent 0.8% and 0.9% of projected revenues for both 2020-2021 and 2021-22, respectively, both of which are within the preferred maximum range of 10-15%. While Nord includes private contributions in its projected revenues, such contributions represent less than 2% of revenues in all projected years. Staff considers Nord's demonstrated success of garnering contributions, with average annual contributions of \$88,340 from 2016-17 to 2019-20, as supportive of Nord's projected annual contributions of \$40,000.

Liquidity: Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Nord's NWC as of June 30, 2018 was \$1,938,651, which was 110.0% of total expenses. Nord's NWC as of June 30, 2019 was \$2,113,917, 113.4% of total expenses. Nord's NWC as of June 30, 2020 was \$2,005,078, 103.9% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient. On June 30, 2020, Nord reported \$1,478,417 in cash and cash equivalents.

Overall, staff considers Nord's projected debt service coverage levels, as well as stable enrollment, consistency with private contributions, and substantial liquidity as supportive of a recommendation for financial soundness.

Strengths, Weaknesses and Mitigants:

- + Nord projects debt service coverage of 2,330.5% and 481.5% for 2020-21 and 2021-22, respectively.
- + Nord's NWC as of June 30, 2018 was \$1,938,651, which was 110.0% of total expenses. Nord's NWC as of June 30, 2019 was \$2,113,917, 113.4% of total expenses. Nord's NWC as of June 30, 2020 was \$2,005,078, 103.9% of total expenses. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient. On June 30, 2020, Nord reported \$1,478,417 in cash and cash equivalents.
- + Nord's student enrollment has remained relatively stable over the past four years. Nord's current enrollment is 196 students and is projected to grow to 221 students in 2022-23.
- + Nord students outperformed both Hamilton Elementary, a neighboring K-5 public school, and Chico Unified School District in English Language Arts and Mathematics

per the “Smarter Balanced” assessment provided by the California Department of Education (CDE) from 2016-17 through 2018-19.

Staff Recommendation: : Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Nord Country School (“Nord”) is financially sound for the purposes of the 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. In the event a loan is incurred, this recommendation is contingent upon Nord 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.