

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – April 2021
Item 7 Resolution 21-11**

Applicant/Obligor:	San Juan Unified School District
Project School:	Gateway International School
CDS (County – District – School) Code:	34-67447-0128124
School Address/Proposed Site:	900 Morse Ave, Sacramento, CA 95864
Type of Project:	Rehabilitation
County:	Sacramento
District in which Project is Located:	San Juan Unified School District
Charter Authorizer:	San Juan Unified School District
Total OPSC Project Cost:	\$13,651,306
State Apportionment (50% Project Cost):	\$6,825,653
Lump Sum Contribution:	\$6,825,653
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:	2021-22

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that San Juan Unified School District (SJUSD or District) on behalf of Gateway International (GI or School), 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. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination.

Background: While SJUSD now intends to provide a lump sum contribution to this project, the last time GI was reviewed in January 2018, Gateway Community Charters (GCC), the Charter Management Organization which operates GI, was found financially sound for Preliminary/Advance Apportionment as obligor for this project. The same month, SAB awarded GCC with Preliminary Apportionment in the amount of \$13,277,436. In February 2019 SAB awarded GCC with Advance Apportionment in the amount of \$6,663,872 for design costs.

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

Criteria	Comments
Obligor Information	
Demographic Information	In 2019-20 SJUSD served approximately 50,820 students in grades K-12 with an average daily attendance (ADA) rate of 94.9%, which staff find reasonable. In 2019-20 VUSD's unduplicated pupil (UPP) count as a percentage of ADA was 55.2%.
Lump Sum Contribution	<ul style="list-style-type: none"> • SJUSD Measure P was approved by voters in the November 8, 2016 election. This measure allowed SJUSD to incur bonded indebtedness up to \$750,000,000 for the purpose of construction, reconstruction, rehabilitation, or replacement of school facilities. • SJUSD has provided formal notice that the former Winterstein Elementary / Adult School campus, now occupied by GI, is listed as one of the authorized district-owned facilities eligible to receive Measure P funds, and that the District intends to provide the required matching share from those funds.
School Information	
Demographic Information	GI currently serves 561 students in grades K-8, with an ADA rate of 96.1%. In 2020-21 GI's unduplicated pupil count as a percentage of ADA is 90.6%
Eligibility Criteria	GI has met all eligibility criteria: (1) the School began operation in 2013; (2) the school's most recent charter was approved December 8, 2020 and is in place through June 30, 2026; (3) GI was confirmed to be in good standing with its chartering authority, and in compliance with the terms of its charter, as of April 20, 2021.
Student Performance	GI has performed comparably or better than its authorizing district and local public elementary schools.

Program Eligibility: On April 20, 2021, the District verified GI is: 1) in compliance with the terms of its charter agreement, and 2) in good standing with its chartering authority. The school confirmed their most recent charter renewal was approved December 8, 2020 and is valid through June 30, 2026.

Legal Status Questionnaire: Staff reviewed GI'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 project recipient.

Project Description: The Winterstein campus located at 900 Morse Avenue in Sacramento, is comprised of 32,985 square feet of building area on eight acres of land. The majority of the buildings were constructed in 1952 with the exception of the portables which are all less than 15 years old. The facilities are occupied in their entirety by GI. This rehabilitation project will encompass 17 permanent classrooms and support facilities comprising 25,263 sq. ft. and 1,270 sq. ft. of restroom facilities and other incidental areas. Rehabilitation measures include: Americans with Disabilities compliance upgrades,

restroom upgrades, complete heating ventilation and air condition replacement, new electrical service and distribution, new plumbing infrastructure, new interior finishes and flooring, new windows and doors, structural upgrades, new roofing/gutters, and exterior painting. There will be no new capacity added as part of this project.

Obligor Organizational Information: San Juan Unified is a school district located in Sacramento County that operates and/or authorizes 77 schools: 47 elementary schools, nine high schools, eight intermediate/middle schools, four K-12 schools, four special education schools, two adult education centers, 2 alternative schools, and one continuation high school.

SJUSD’s UPP indicates an average of 55.2% of students served by the district are eligible to receive Free or Reduced Price Meals (FRPM), and/or are classified as English Learners, and/or are classified as Foster Youth during the period examined. For reference, an estimated 62.5% of students in Sacramento County, and 62.6% of California students state-wide met this classification during the same period.

Staff has reviewed the credentials of key board members and staff and determined all have the proper background and experience to govern and effectively oversee the operations of SJUSD. The 2020-21 SJUSD board consists of the following:

2020-21 SJUSD Unified Governing Board

Name	Position	City of Residence	Term Expiration
Paula Villescaz	President	Carmichael, CA	2024
Michael McKibbin	Vice President	Orangevale, CA	2022
Pam Costa	Member	Sacramento, CA	2024
Saul Hernandez	Member	Carmichael, CA	2024
Zima Creason	Clerk	Sacramento, CA	2022

School Organizational Information: GI is a public K-8 charter school authorized by and located within the boundaries of SJUSD. GI commenced operations in 2013. GI’s most recent charter was approved by SJUSD on December 8, 2020 and is active through June 30, 2026. The school is a direct-funded independent charter school operated by Gateway Community Charters (GCC), a California public benefit corporation with IRS approved 501(c)(3) status. GCC also operates six other public charter schools located throughout the greater Sacramento Valley region.

GI’s UPP indicates an average of 90.6% of students served by the school are eligible to receive FRPM, and/or are classified as English Learners, and/or are classified as Foster Youth during the period examined. For reference, an estimated 55.2% of students in SJUSD, and 62.5% of students in Sacramento County met this classification during the same period.

GI shares the same mission statement as GCC, which is “to develop the whole child as a compassionate, life-long learner. Through inquiry, reflection, and rigor, students will become globally aware and actively involved in their community and the world.”

GI provides a collaborative and supportive environment with shared responsibility amongst students, family, community, teachers, and staff, with a focus on student learning. Structured time for collaboration between school groups regarding student progress is built into procedures and schedules. Teachers meet weekly to discuss learning goals. GI’s school wide Learner Outcomes include:

- 1) Pose and pursue substantive questions
- 2) Critically interpret, evaluate, and synthesize information
- 3) Explore, define, and solve complex problems
- 4) Communicate effectively for a given purpose
- 5) Advocate for ideas, causes, and actions
- 6) Generate innovative, creative ideas, and products
- 7) Collaborate with others to produce a unified work and/or heightened understanding

The 2020-21 GCC board consists of President Lillie Campbell; Vice President Bruce Mangerich; Treasurer Mark Anderson; Member Harry Block; and Member Jack Turner. The superintendent and Chief Executive Officer is Dr. Cindy Petersen. 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 GI.

School Academic Performance: The following tables present the 2014-15 through 2018-19 academic testing results for GI; two similar local public schools: Sierra Oaks K-8 and Starr King K-8; and SJUSD. The results provided are from the annual California Assessment of Student Performance and Progress (CAASPP) testing data. Due to the COVID-19 pandemic, CAASPP tests were not administered in 2019-20.

In English Language Arts testing GI students have demonstrated significant improvement over the period examined. By 2018-19, GI had surpassed District wide levels despite higher than average numbers of economically and/or language disadvantaged pupils among its student body.

English Language Arts – Comparison

	Standard Met or Exceeded					Academic Factors			
	FY15	FY16	FY17	FY18	FY19	Grade Span	2018-19 Enrollment	Pupil-Teacher Ratio	UPP
Gateway International	33%	33%	38%	45%	58%	K-8	566	20.2	87.7%
Sierra Oaks K-8	43%	49%	45%	52%	57%	K-8	708	21.1	49.6%
Starr King K-8	21%	22%	2%	17%	24%	K-8	706	18.2	95%
San Juan Unified	42%	46%	44%	46%	47%	K-12	50,820	21	54.1%

In Mathematics testing GI students once again demonstrate steady improvement over time, as well as higher than average competency compared to local public schools and the district wide average.

Mathematics – Comparison

Standard Met or Exceeded					Academic Factors				
	FY15	FY16	FY17	FY18	FY19	Grade Span	2018-19 Enrollment	Pupil-Teacher Ratio	UPP
Gateway International	41%	43%	44%	45%	47%	K-8	566	20.2	87.7%
Sierra Oaks K-8	37%	39%	32%	40%	44%	K-8	708	21.1	49.6%
Starr King K-8	12%	13%	13%	11%	15%	K-8	706	18.2	95%
San Juan Unified	32%	36%	34%	35%	37%	K-12	50,820	21	54.1%

Enrollment Trends and Projections: The following tables present enrollment information for SJUSD and GI from 2017-18 through 2023-24, and 2025-26, respectively. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data. Staff notes that while GI enrollment numbers demonstrate minor periodic decreases in total enrollment, these decreases do not appear indicative of an overall declining trend.

SJUSD Student Enrollment and Average Daily Attendance

Year (FY)	2018	2019	2020	2021	2022	2023
Enrollment	50,044	50,509	50,820	50,820	50,820	50,820
ADA	94.2%	94.0%	95.9%	95.9%	95.9%	95.9%

GI Student Enrollment and Average Daily Attendance

Year (FY)	2018	2019	2020	2021	2022	2023	2024	2025	2026
Enrollment	549	564	562	561	562	563	562	568	574
ADA	94.2%	94.5%	94.9%	96.1%	95.6%	95.6%	95.6%	95.6%	95.6%

Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for GI: (1) audited financial statements for fiscal years (FY)s 2017-18 through 2019-20; (2) unaudited financial statements for FY 2020-21; (3) adopted budget for FY 2020-21; and (4) budget projections for FYs 2021-22 through 2022-26 along with assumptions.

Assumptions: Staff’s financial analysis of GI is based upon the following assumptions: (1) GI will not be undertaking CSFP loan payments due to the matching share requirement being

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satisfied by a lump sum contribution from SJUSD; (2) school enrollment and ADA projections as provided above under “Enrollment Trends and Projections”; (3) 0.00% cost of living adjustment (COLA) rate increase to the Local Control Funding Formula (LCFF) for 2020-21, and 2021-22.

Long-Term Liabilities: GCC does have pre-existing loans under the CSFP program related to other schools, however these obligations do not impact SJUSD or GI for the purpose of this analysis.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding GI’s financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2018	Actual FY 2019	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	AVERAGE
OPERATIONAL & FINANCIAL										
Enrollment	553	566	568	561	562	563	562	568	574	
Average Daily Attendance (ADA)	521	535	539	539	538	538	537	543	545	
Average Daily Attendance (%)	94.2%	94.5%	94.9%	96.1%	95.6%	95.6%	95.6%	95.6%	95.0%	95.2%
FTE Teachers	29	28	27	26	26	26	26	26	26	27
Pupil-Teacher Ratio	19.1	20.2	21.0	21.6	21.6	21.7	21.6	21.8	22.1	21.2
LCFF Sources/ADA	\$ 9,469	\$ 10,415	\$ 10,748	\$ 10,760	\$ 10,605	\$ 10,789	\$ 11,116	\$ 11,451	\$ 11,613	\$ 10,774
% Change		10.0%	3.2%	0.1%	-1.4%	1.7%	3.0%	3.0%	1.4%	2.6%
Operating Revenues/ADA	\$ 12,201	\$ 14,019	\$ 13,057	\$ 15,388	\$ 12,640	\$ 12,842	\$ 13,194	\$ 13,537	\$ 13,719	\$ 13,400
% Change		14.9%	-6.9%	17.9%	-17.9%	1.6%	2.7%	2.6%	1.3%	2.0%
Operating Expenses plus CSFP Lease/ADA	\$ 10,986	\$ 10,747	\$ 10,862	\$ 13,097	\$ 12,893	\$ 13,039	\$ 13,318	\$ 13,612	\$ 13,988	\$ 12,505
% Change		-2.2%	1.1%	20.6%	-1.6%	1.1%	2.1%	2.2%	2.8%	3.3%
Free Cash Flow/ADA	\$ 1,215	\$ 3,272	\$ 2,195	\$ 2,291	\$ (253)	\$ (196)	\$ (124)	\$ (75)	\$ (269)	\$ 895
	Actual FY 2018	Actual FY 2019	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	AVERAGE
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$ 6,356,102	\$ 7,495,102	\$ 7,041,446	\$ 8,298,501	\$ 6,794,334	\$ 6,911,248	\$ 7,086,671	\$ 7,350,706	\$ 7,478,048	
Total Operating Expenses	5,723,066	5,745,654	5,857,558	7,063,029	6,930,444	7,016,816	7,153,071	7,391,641	7,624,613	
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	
Net Income Available for CSFP Lease Payment	633,036	1,749,448	1,183,888	1,235,472	(136,110)	(105,569)	(66,401)	(40,936)	(146,565)	
Add Back Capital Outlay	-	-	-	71,988	50,000	10,000	25,000	25,000	25,000	
Add Back Depreciation	65,609	75,440	92,576	-	-	-	-	-	-	
Adjusted Net Income Available for CSFP Lease Pymt.	698,645	1,824,888	1,276,464	1,307,460	(86,110)	(95,569)	(41,401)	(15,936)	(121,565)	
CSFP Lease Payments	-	-	-	-	-	-	-	-	-	
Free Cash Flow	\$ 698,645	\$ 1,824,888	\$ 1,276,464	\$ 1,307,460	\$ (86,110)	\$ (95,569)	\$ (41,401)	\$ (15,936)	\$ (121,565)	\$ 527,431
LIQUIDITY										
Current Assets	\$ 1,955,050	\$ 2,801,969	\$ 3,759,386							
Current Liabilities	262,441	288,946	352,862							
Net Working Capital	\$ 1,692,609	\$ 2,513,023	\$ 3,406,524							
Net Working Capital/Oper. Expenses	29.6%	43.7%	58.2%							43.8%
Unrestricted Cash & Cash Equivalents	\$ 1,214,137	\$ 2,262,321	\$ 2,836,243							
Unrest. Cash & CE/Oper. Expenses (Days)	77	144	177							
Unrest. Cash & CE/All Expenses (Days)	77	144	177							133

Benchmark Summary:

- Free Cash Flow/ADA – Met: \$895 average (>\$0)
- Free Cash Flow – Met: \$527,431 average (>\$0)
 - While benchmark averages are met for Free Cash Flow(/ADA), GI is projecting marginal cash flow deficits from FY2022-26. Staff is confident these deficits will not endanger the general financial soundness as GI's Unrestricted Cash reserves totaling over \$2.8 million in FY2020 is available to address and short term cash flow challenges.
 - The School was receiving elevated levels of State revenue during FYs 18-20; the source was from an SB740 eligible lease, which they have since ended.
 - The School also received an infusion of federal revenue in FY 21 thanks to COVID 19 stimulus funds.
- Net Working Capital as Portion of Operating Expenditures – Met: 43.8% average (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of Expenses – Met 133 days average (>90 days)

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that San Juan Unified School District on behalf of Gateway International, is financially sound for the purposes of the 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. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.