

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – June 2022
 Item #13 Resolution 22-42**

Applicant/Obligor:	Natomas Unified School District
Project School:	Natomas Pacific Pathways Prep Elementary
CDS (County – District – School) Code:	34-75283-0134049
School Address/Proposed Site:	3800 Del Paso Rd, Sacramento, CA 95834
Type of Project:	Rehabilitation
Type of Apportionment:	Final
County:	Sacramento
District in which Project is Located:	Natomas Unified
Charter Authorizer:	Natomas Unified
Total OPSC Project Cost:	\$2,882,332
State Apportionment (50% Project Cost):	\$1,441,166
Local Matching Share Lump Sum:	\$1,441,166
Total CSFP Financed Amount:	\$0
First Year of Occupancy of New Project:	2023

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Natomas Unified School District (District or NUSD) on behalf of Natomas Pacific Pathways Prep Elementary (School or NP3) is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Final Apportionment. This determination, as it relates to Final Apportionment, shall remain in effect for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon NUSD fulfilling the Program local matching share requirement by providing a lump sum in the amount of \$1,441,166, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. 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.

Application Highlights: Below staff highlighted key criteria evaluated when conducting the financial soundness review for NP3. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2021-22, NP3 had a total enrollment of 401 students in grades K-5 (the ADA rate was 95.3%).
Origin of Lump Sum	NUSD will satisfy the local matching share requirement by drawing from general obligation bond proceeds raised by the passage of Measure L (2018), which included \$52.98 million for facilities projects, and identified NP3 among specific recipients.
Eligibility Criteria	NP3 has met all eligibility criteria: (1) NP3 commenced operations in 2016; (2) NP3’s charter is in place through June 2028; (3) NP3 is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	NP3 students consistently perform as well or better than peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: NUSD has confirmed that as of July 12, 2022, NP3 is in compliance with the terms of its Charter Agreement, has no pending or outstanding Notices of Violation, and has no unresolved or outstanding Notices of Intent to Revoke.

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 current project consists of the replacement-in-kind of portable buildings with modular permanent buildings, comprising a total of 5,760 square feet of which 5,640 square feet is “other area” and 120 square feet is “toilet area”. There are three (3) classrooms, administration area, library, restrooms, and storage in the portable facilities. The capacity of this project will be 75 students (3 standard classrooms multiplied by 25).

School Organizational Information: NP3 manages three high performing schools in a K12 continuum. Students matriculate from the elementary to the middle to the high school where nearly every student graduates (98%) and completes the requirements to enroll at a UC or CSU campus (92%).

NP3 is governed by a ten-member board, which is elected annually and includes a parent representative from each school (elementary, middle, high), as well as one student representative. Marcie Dart is the current school Principal. Staff reviewed the credentials of the Principal and board members, and determined that collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of NP3.

2020-21 Natomas Pacific Pathways Prep Board Members

Name	Position	Term
Chris Minero	Board Chair	2020-21
Keith Staten	Vice Chair	2020-21
Debrah Wurgler	Member	2020-21
David Hunt	Member	2020-21
Thea Stidum	Member	2020-21
Troy Nunley	Member	2020-21
Sumiti Meta	Elementary Parent Rep	2020-21
Douglas Crancer	Middle School Parent Rep	2020-21
Kendra Zapara	High School Parent Rep	2020-21
Fernando Serratos	Student Rep	2020-21

School Academic Performance: The following tables represent the recent academic performance of NP3, a similar local elementary school, Natomas Park Elementary, and the NUSD. Results are provided through CDE’s CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards.

**2019–20 results are not available due to the suspension of testing as a result of the novel coronavirus disease 2019 (COVID-19).*

***2020-2021 data was suppressed to protect student privacy.*

English Language Arts Achievement

	FY17	FY18	FY19	FY20	FY21
NP3	44%	57%	57%	*	**
Local K-5	24%	40%	41%	*	**
District	43%	44%	47%	*	62%

Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21
NP3	43%	45%	55%	*	**
Local K-5	27%	32%	34%	*	**
District	33%	32%	35%	*	35%

Enrollment Trends and Projections: The table below presents enrollment and average daily attendance information for NP3 from FY 2019 through FY 2025. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

NP3 Student Enrollment and Average Daily Attendance

Year (FY)	2019	2020	2021	2022	2023	2024	2025
Enrollment	300	342	356	401	415	450	470
ADA	97%	96.8%	93%	95.3%	94.9%	94.9%	94.9%

Financial Analysis

When evaluating a project wherein the local matching share will be satisfied by a lump sum, rather than evaluating debt service coverage (as in the case of a state loan), staff seek to determine: 1) whether the school is being managed in a responsible and sustainable manner; and 2) the origin and availability of funds set aside for the local matching share.

Financial Data Sources: This financial analysis is based on the consideration and review of the following for NP3: (1) audited and unaudited financial statements for FYs 2018-19 through 2020-21; (2) interim budget for FY 2021-22; and (3) projections for FYs 2022-23 through 2023-24 along with assumptions.

**Liquidity metrics for NP3 were unavailable as the District does not maintain discrete balance sheets for individual charter schools. Metrics for the entire District are shown instead.*

Assumptions: Staff's financial analysis of NP3 is based upon the following assumptions: (1) occupancy of the new facility in July 2022; (2) the provision of NP3's local matching share as a lump sum in the amount of \$1,441,166; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

Long-Term Liabilities: Staff do not foresee any significant long-term liabilities. Additionally, applicants are required to notify the Authority before taking on additional debt that exceeds certain thresholds.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding NP3'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 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	AVERAGE	THRESHOLD LEVEL	
OPERATIONAL & FINANCIAL									
Enrollment	300	342	356	401	415	450			
Average Daily Attendance (ADA)	291	331	331	382	394	427			
Average Daily Attendance (%)	97.0%	96.8%	93.0%	95.3%	94.9%	94.9%	95.3%	< 94.0%	
FTE Teachers	12	15	16	17	19	21	17		
Pupil-Teacher Ratio	25.0	22.8	22.3	23.6	21.8	21.4	22.8	> 25.0	
LCFF Sources/ADA	\$ 8,815	\$ 9,208	\$ 9,416	\$ 9,825	\$ 10,485	\$ 10,030	\$ 9,630		
% Change		4.4%	2.3%	4.3%	6.7%	-4.3%	2.7%		
Operating Revenues/ADA	\$ 10,638	\$ 11,932	\$ 11,034	\$ 12,206	\$ 11,586	\$ 11,046	\$ 11,407		
% Change		12.2%	-7.5%	10.6%	-5.1%	-4.7%	1.1%		
Operating Expenses plus CSFP Lease/ADA	\$ 10,246	\$ 11,299	\$ 10,279	\$ 13,138	\$ 11,489	\$ 10,769	\$ 11,203		
% Change		10.3%	-9.0%	27.8%	-12.6%	-6.3%	2.0%		
Free Cash Flow/ADA	\$ 392	\$ 634	\$ 755	\$ (932)	\$ 97	\$ 278	\$ 204	< 0	
DEBT SERVICE COVERAGE									
Total Operating Revenues	\$ 3,095,695	\$ 3,949,623	\$ 3,652,129	\$ 4,662,737	\$ 4,564,928	\$ 4,716,808			
Total Operating Expenses	2,981,684	3,739,885	3,402,351	5,018,888	4,526,596	4,598,247			
Total Other Sources/Uses	106,915	(83,058)	(82,860)	-	-	-			
Net Income Available for CSFP Lease Payment	220,926	126,680	166,918	(356,151)	38,332	118,561			
Add Back Capital Outlay	-	-	-	-	-	-			
Add Back Depreciation	-	-	-	-	-	-			
Adjusted Net Income Available for CSFP Lease Pymt.	220,926	126,680	166,918	(356,151)	38,332	118,561			
CSFP Lease Payments	-	-	-	-	-	-			
Free Cash Flow	\$ 220,926	\$ 126,680	\$ 166,918	\$ (356,151)	\$ 38,332	\$ 118,561	\$ 52,544	< 0	
LIQUIDITY									
Current Assets	\$ 155,971,174	\$ 198,721,538	\$ 265,550,070						
Current Liabilities	27,831,415	49,813,121	53,048,510						
Net Working Capital	\$ 128,139,759	\$ 148,908,417	\$ 212,501,560						
Net Working Capital/Oper. Expenses	4297.6%	3981.6%	6245.7%				4841.6%	< 5.0%	
Unrestricted Cash & Cash Equivalents	\$ 147,414,041	\$ 180,001,157	\$ 242,801,947						
Unrest. Cash & CE/Oper. Expenses (Days)	18,046	17,567	26,047						
Unrest. Cash & CE/All Expenses (Days)	18,046	17,567	26,047				20,554	< 90	

Benchmark Summary:

- Enrollment – ADA consistently exceeds target threshold of 94%.
- FTE Teachers – Pupil-teacher ratio consistently resides below maximum target of 25.
- Free Cash Flow and/or per ADA – School operates with historically positive cash flow; projections anticipate a temporary decline in FY 2021-22 due to increased operating expenses (staff, books and supplies, etc.) associated with increasing post-pandemic enrollment. Free Cash Flow resumes positive trend in FY 2023 with continued enrollment growth enabled by this project and subsequent phases.
- *As stated above, school-specific liquidity metrics were unavailable for NP3 Elementary. Thus Obligor (NUSD) metrics are displayed in the model.* NUSD demonstrates more than sufficient Net Working Capital as Portion of Operating Expenses as well as Average Unrestricted Cash and Equivalents as Portion of Operating Expenses.
- In addition to their balance sheets, NUSD has provided documentation of local Measure L, General Obligation Bond sales figures, and NUSD board meeting minutes to substantiate the availability of funds for the satisfaction of the local matching share via lump sum.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Natomas Unified School District (NUSD) on behalf of Natomas Pacific Pathways Prep Elementary (NP3) is financially sound for the purposes of this Charter School Facilities Program (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. This recommendation is contingent upon NUSD fulfilling the Program local matching share requirement by providing a lump sum in the amount of \$1,441,166. 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.