

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – July 2022
 Item# 14 Resolution 22-43**

Applicant/Obligor:	Perris Elementary School District
Project School:	Innovative Horizons Charter
CDS (County – District – School) Code:	33-671996-105571
School Address/Proposed Site:	1461 North A Street, Perris, CA 92570
Type of Project:	New Construction & Rehabilitation
Type of Apportionment:	Final
County:	Riverside
District in which Project is Located:	Perris Elementary School District
Charter Authorizer:	Perris Elementary School District
Total OPSC Project Cost:	\$16,815,788
State Apportionment (50% Project Cost):	\$8,407,894
Local Matching Share Lump Sum:	\$8,407,894
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 Perris Elementary School District (District or PESD) on behalf of Innovative Horizons Charter (School or IHC) 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 PESD fulfilling the Program local matching share requirement by providing a lump sum in the amount of \$8,407,894, 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 IHC. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2020-21, IHC had a total enrollment of 907 students in grades K-8 (the ADA rate was 98%).
Origin of Lump Sum	PESD will satisfy the local matching share requirement by drawing from district funds 09, 21, and 35. Asst. Superintendent of Educational Services Dr. Jason Angle has certified the availability of these funds.
Eligibility Criteria	IHC has met all eligibility criteria: (1) IHC commenced operations in 2011; (2) IHC’s charter is in place through June 2026; (3) IHC is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	IHC students consistently perform as well or better than peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: PESD has confirmed that as of July 18, 2022, IHC 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 project involves new construction as well as rehabilitation elements. Highlights include: 1) Construction of a new 13,674 sq. ft. two-story classroom building; 2) Construction of a new 1,961 sq. ft. locker room; 3) Construction of a new 20,304 sq. ft. gymnasium; 4) Construction of a new 30,797 sq. ft. Admin/Classroom building; 5) Construction of a new lunch shelter; 6) Modernization of existing 6,514 sq. ft. multi-purpose building into library building; 7) Modernization of two existing classrooms into 1,929 sq. ft. art lab; 8) Site improvements and playground equipment; and 9) Additional shade structures.

School Organizational Information: “Innovative Horizons believes that a balance of academic knowledge and creative and personal ability as well as an understanding of the world around you are the basis for a solid innovative education. As such, our instructional program supports this balance by providing students a rigorous standards-based curriculum as well as an engaging visual and performing arts program. We believe that the integration of these two components into our program will prepare our students for success in school and for the future as productive members of society in the 21st Century.”

Innovative Horizons Charter is a district-dependent charter school operated by the PESD. Jean Marie Frey is the current PESD Superintendent and Sharill Cortez is the school Principal. Staff reviewed the credentials of the Superintendent and Principal and determined that, collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of IHC.

2021-22 Perris Elementary School District Board Members

Name	Position	Term Expiration
Michelle Maisel	President	Dec. 2022
Douglas Corona	Clerk	Dec. 2024
Jose Garcia	Member	Dec. 2022
Erika Guzman Medina	Member	Dec. 2024
Maribel Nava	Member	Dec. 2022

School Academic Performance: The following tables represent the recent academic performance of IHC, a similar local elementary and middle school, Clearwater Elementary and Pinacate Middle, respectively, and the Perris Elementary School District. 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

	FY16	FY17	FY18	FY19
IHC	41%	35%	37%	42%
Local K-6	N/A	38%	41%	42%
Local 7-8	25%	28%	23%	27%
District	33%	34%	33%	35%

Mathematics Achievement

	FY16	FY17	FY18	FY19
IHC	26%	22%	24%	25%
Local K-6	N/A	27%	28%	28%
Local 7-8	12%	9%	11%	13%
District	21%	23%	23%	24%

Enrollment Trends and Projections: The table below presents enrollment and average daily attendance information for IHC from FY 2019 through FY 2026. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

IHC Student Enrollment and Average Daily Attendance

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026
Enrollment	934	926	907	885	892	892	892	892
ADA	95.8%	95.1%	98.0%	97.5%	97.5%	97.5%	97.5%	97.5%

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 IHC: audited and unaudited financial statements for FYs 2018-19 through 2021-22 and adopted budget for FY 2022-23. As a dependent charter, the District does not maintain out-year projections for IHC.

Assumptions: Staff's financial analysis of IHC is based upon the following assumptions: (1) occupancy of the new facility in August 2022; (2) the provision of IHC's local matching share as a lump sum in the amount of \$8,407,894; (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.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding IHC'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	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL							
Enrollment	934	926	907	885	892		
Average Daily Attendance (ADA)	895	881	888	800	849		
Average Daily Attendance (%)	95.8%	95.1%	98.0%	90.3%	95.2%	94.9%	< 94.0%
FTE Teachers	42	42	42	42	42	42	
Pupil-Teacher Ratio	22.2	22.0	21.6	21.1	21.2	21.6	> 25.0
LCFF Sources/ADA	\$ 10,546	\$ 10,927	\$ 10,795	\$ 11,926	\$ 12,674	\$ 11,374	
% Change		3.6%	-1.2%	10.5%	6.3%	4.8%	
Operating Revenues/ADA	\$ 11,384	\$ 11,634	\$ 12,697	\$ 13,367	\$ 13,408	\$ 12,498	
% Change		2.2%	9.1%	5.3%	0.3%	4.2%	
Operating Expenses plus CSFP Lease/ADA	\$ 8,565	\$ 20,999	\$ 10,330	\$ 12,839	\$ 12,126	\$ 12,972	
% Change		145.2%	-50.8%	24.3%	-5.6%	28.3%	
Free Cash Flow/ADA	\$ 2,819	\$ (9,365)	\$ 2,367	\$ 527	\$ 1,282	\$ (474)	< 0
	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023	AVERAGE	THRESHOLD LEVEL
DEBT SERVICE COVERAGE							
Total Operating Revenues	\$10,187,928	\$10,246,449	\$11,280,371	\$10,686,617	\$11,385,039		
Total Operating Expenses	7,665,422	18,494,284	9,177,820	10,265,172	10,296,253		
Total Other Sources/Uses	-	15,950	14,175	-	-		
Net Income Available for CSFP Lease Payment	2,522,506	(8,231,885)	2,116,726	421,445	1,088,786		
Add Back Capital Outlay	592,288	11,304,716	1,059,521	2,320,789	1,403,219		
Add Back Depreciation	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	3,114,794	3,072,830	3,176,247	2,742,234	2,492,005		
CSFP Lease Payments	-	-	-	-	-		
Free Cash Flow	\$ 3,114,794	\$ 3,072,830	\$ 3,176,247	\$ 2,742,234	\$ 2,492,005	\$ 2,919,622	< 0
LIQUIDITY							
Current Assets	\$16,257,979	\$ 7,700,192	\$10,988,886				
Current Liabilities	3,060,958	2,735,056	3,806,768				
Net Working Capital	\$13,197,021	\$ 4,965,136	\$ 7,182,118				
Net Working Capital/Oper. Expenses	172.2%	26.8%	78.3%			92.4%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$15,612,468	\$ 5,875,053	\$ 7,622,967				
Unrest. Cash & CE/Oper. Expenses (Days)	743	116	303				
Unrest. Cash & CE/All Expenses (Days)	743	116	303			388	< 90

Benchmark Summary:

- Enrollment – ADA consistently exceeds target threshold of 94%. Temporary decrease in FY 2022 attributed to COVID and remote/hybrid instruction factors.
- FTE Teachers – Pupil-teacher ratio maintains below maximum target of 25.
- Free Cash Flow and/or per ADA – School operates with historically positive cash flow; uncharacteristic decline in FY 2020 attributed to significant one-time outlay.
- Net Working Capital as Portion of Operating Expenses – IHC liquidity metrics are very strong with ratio of Net Working Capital to Operational Expenses exceeding 92%.
- Average Unrestricted Cash and Equivalents on hand over the last three years equal to 388 days average operating expenses, well in excess of target threshold.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Perris Elementary School District (PESD) on behalf of Innovative Horizons Charter (IHC) 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 PESD

fulfilling the Program local matching share requirement by providing a lump sum in the amount of \$8,407,894. 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.