

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – October 2022
Item 7(D) Resolution 22-50**

Applicant/Obligor:	San Diego Unified School District
Project School:	King-Chavez Academy of Excellence
CDS (County – District – School) Code:	37-68338-6119598
School Address/Proposed Site:	2716 Marcy Avenue, San Diego, CA 92113
Type of Project:	Rehabilitation and New Construction
Type of Apportionment:	Preliminary and Advance
County:	San Diego
District in which Project is Located:	San Diego Unified
Charter Authorizer:	San Diego Unified
Total OPSC Project Cost:	\$31,034,260
State Apportionment (50% Project Cost):	\$15,517,130
Local Matching Share Lump Sum:	\$15,517,130
Total CSFP Financed Amount:	\$0
First Year of Occupancy of New Project:	2026-27

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that San Diego Unified School District (District or SDUSD) on behalf of King-Chavez Academy of Excellence (School or KCAE) is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Preliminary and Advance Apportionment. This determination, as it relates to Preliminary and Advance 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 SDUSD fulfilling the Program local matching share requirement by providing a lump sum in the amount of \$15,517,130, 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 KCAE. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2021-22, KCAE had a total enrollment of 255 students in grades K-8; the average daily attendance (ADA) rate was 88.5%, and the Unduplicated Pupil Percentage (UPP) of ADA was 99%.
Origin of Lump Sum	SDUSD will satisfy the local matching share requirement by drawing from general obligation bond proceeds raised by the passage of Measure YY (2018), which included \$588 million for charter school projects within the boundaries of SDUSD. On September 10, 2019, the SDUSD Board of Education budgeted \$213 million toward charter school projects, of which more than \$38.9 million is reserved for projects at KCAE.
Eligibility Criteria	KCAE has met all eligibility criteria: (1) KCAE commenced operations in 2001; (2) KCAE’s charter is in place through June 2025; (3) KCAE is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	KCAE students consistently perform as well or better than demographic peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: SDUSD has confirmed that as of October 4, 2022, KCAE 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 scope of the project includes demolition and removal of 13 portable classrooms, 2 portable restrooms and a modular administration building; construction of 2 new two-story classroom buildings; a new single-story administration building; a new modular food service facility; site improvements to all playground areas and ADA path of travel upgrades through the site.

School Organizational Information: King-Chavez Neighborhood of Schools (KCNS) is a family of five free public charter schools, serving students from TK through 12th grade. Each unique school was born out of community need in Barrio Logan, southeast, and downtown San Diego. At King-Chavez schools, educating students involves more than the traditional classroom experience. An unwavering personal investment is made in every student in every school, rooted from a foundation of love.

KCNS is governed by its corporate Board of Trustees (Board), whose members have a legal fiduciary responsibility for the well-being of the school. The Corporation will be managed by its Chief Executive Officer (CEO), with duties and responsibilities as delegated by the Board. Board members have been selected to represent the community-at-large, the business community, educators, and parents.

Cynthia Kelley is the current CEO of KCNS; Laura May is the current Chief Administrative Officer (CAO). Staff reviewed the credentials of the CEO and CAO and concluded the management team demonstrates the required experience and educational background to effectively oversee the operations of KCNS and, by extension, KCAE.

2021-22 King-Chavez Neighborhood of Schools Board of Directors

Name	Position	Term
Dr. Tim Wolf	President	2021-22
Joe Arnold	Treasurer/Secretary	2021-22
David Massey	Member	2021-22
Jackie Ho	Member	2021-22

School Academic Performance: The following tables represent the recent academic performance of KCAE, a similar local K-8 school, Perkins K-8, and the SDUSD. Results are provided through CDE’s CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards. Staff would note that the schools compared below have **significantly** higher UPP than the SDUSD average.

**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
KCAE	23%	36%	33%	*	**
Perkins K-8	26%	22%	27%	*	**
District	56%	56%	57%	*	**

Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21
KCAE	16%	24%	22%	*	**
Perkins K-8	13%	15%	17%	*	**
District	46%	47%	49%	*	**

Enrollment Trends and Projections: The table below presents enrollment and average daily attendance information for KCAE from FY 2019 through FY 2027. Consistent with state-wide trends, KCAE enrollment declined during the COVID-19 pandemic. The school has adapted to meet community needs by expanding their TK program and begun offering dual-language instruction. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

KCAE Student Enrollment and Average Daily Attendance

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Enrollment	295	289	277	255	247	265	280	300	315
ADA	95.3%	94.5%	98.6%	88.5%	94.9%	94.9%	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 KCAE: (1) audited and unaudited financial statements for FYs 2018-19 through 2020-21; (2) unaudited actuals for FY 2021-22; and (3) projections for FYs 2022-23 through 2023-24 along with assumptions.

Assumptions: Staff’s financial analysis of KCAE is based upon the following assumptions: (1) final occupancy of the new facilities by August 2026; (2) the provision of KCAE’s local matching share by SDUSD as a lump sum in the amount of \$15,517,130; (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 KCAE’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	Unaudited FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL											
Enrollment	295	289	277	255	247	265	280	300	315		
Average Daily Attendance (ADA)	281	273	273	226	234	251	266	285	299		
Average Daily Attendance (%)	95.3%	94.5%	98.6%	88.5%	94.9%	94.9%	94.9%	94.9%	94.9%	94.6%	< 94.0%
FTE Teachers	19	16	16	16	16	16	16	16	16	16	
Pupil-Teacher Ratio	15.5	18.1	17.3	15.9	15.4	16.6	17.5	18.8	19.7	17.2	> 25.0
LCFF Sources/ADA	\$ 9,713	\$ 10,003	\$ 9,966	\$ 10,451	\$ 16,373	\$ 16,074	\$ 15,825	\$ 15,319	\$ 15,096	\$ 13,202	
% Change		3.0%	-0.4%	4.9%	56.7%	-1.8%	-1.6%	-3.2%	-1.5%	7.0%	
Operating Revenues/ADA	\$ 14,533	\$ 13,548	\$ 15,421	\$ 20,748	\$ 29,234	\$ 20,128	\$ 19,661	\$ 18,899	\$ 18,505	\$ 18,964	
% Change		-6.8%	13.8%	34.5%	40.9%	-31.2%	-2.3%	-3.9%	-2.1%	5.4%	
Operating Expenses plus CSFP Lease/ADA	\$ 13,839	\$ 13,924	\$ 14,792	\$ 20,400	\$ 21,151	\$ 19,717	\$ 19,197	\$ 18,423	\$ 18,033	\$ 17,720	
% Change		0.6%	6.2%	37.9%	3.7%	-6.8%	-2.6%	-4.0%	-2.1%	4.1%	
Free Cash Flow/ADA	\$ 694	\$ (376)	\$ 628	\$ 348	\$ 8,083	\$ 411	\$ 463	\$ 477	\$ 473	\$ 1,245	< 0
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$ 4,084,491	\$ 3,700,477	\$ 4,211,967	\$ 4,680,726	\$ 6,852,548	\$ 5,061,777	\$ 5,224,278	\$ 5,380,671	\$ 5,531,882		
Total Operating Expenses	3,889,344	3,803,211	4,040,323	4,602,249	4,957,858	4,958,542	5,101,138	5,244,951	5,390,615		
Total Other Sources/Uses	-	110,000	413,875	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	195,147	7,266	585,519	78,477	1,894,690	103,235	123,140	135,720	141,267		
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-		
Add Back Depreciation	-	-	-	150,749	179,000	184,370	189,901	195,597	201,467		
Adjusted Net Income Available for CSFP Lease Pymt.	195,147	7,266	585,519	229,226	2,073,690	287,605	313,041	331,317	342,734		
CSFP Lease Payments	-	-	-	-	-	-	-	-	-		
Free Cash Flow	\$ 195,147	\$ 7,266	\$ 585,519	\$ 229,226	\$ 2,073,690	\$ 287,605	\$ 313,041	\$ 331,317	\$ 342,734	\$ 485,061	< 0
LIQUIDITY											
Current Assets	\$ 1,678,860	\$ 1,501,957	\$ 2,876,992	\$ 3,726,542							
Current Liabilities	854,693	810,276	1,432,761	2,053,056							
Net Working Capital	\$ 824,167	\$ 691,681	\$ 1,444,231	\$ 1,673,486							
Net Working Capital/Oper. Expenses	21.2%	18.2%	35.7%	36.4%						27.9%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 1,111,368	\$ 949,442	\$ 1,813,367	\$ 2,598,844							
Unrest. Cash & CE/Oper. Expenses (Days)	104	91	164	206							
Unrest. Cash & CE/All Expenses (Days)	104	91	164	206						141	< 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 increase in FY 2022-23 owed to the award of multiple one-time grants: Learning Recovery, Art and Music, and Educator Effectiveness.
- Net Working Capital relative to Operating Expenses – KCAE liquidity metrics are strong with ratio of Net Working Capital to Operational Expenses at nearly 28%, and Unrestricted Cash and Equivalents on hand equal to 141 days worth of expenses.
- SDUSD has provided documentation including record of the passage of local Measure YY; district Board of Education meeting minutes; and a formal letter of certification from the Director of Project Management 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 San Diego Unified School District (SDUSD) on behalf of King-Chavez Academy of Excellence (KCAE) is financially sound for the purposes of this Charter School Facilities Program (CSFP) Preliminary and Advance Apportionment. This determination, as it relates to Preliminary and Advance 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 SDUSD fulfilling the Program local matching

share requirement by providing a lump sum in the amount of \$15,517,130, pursuant to Sections 17199.4. 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.