

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – December 2022
 Item 8 Resolution 22-56**

Applicant/Obligor:	St. Hope Public Schools
Project School:	St. Hope Public School #7
CDS (County – District – School) Code:	34-67439-0101048
School Address/Proposed Site:	5201 Strawberry Lane, Sacramento, CA 95820
Type of Project:	Rehabilitation and New Construction
Type of Apportionment:	Final
County:	Sacramento
District in which Project is Located:	Sacramento City Unified
Charter Authorizer:	Sacramento City Unified
Total OPSC Project Cost:	\$28,080,110
State Apportionment (50% Project Cost):	\$14,040,055
Total CSFP Financed Amount:	\$14,040,055
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	2%
Estimated Annual CSFP Payment:	\$626,887
Projected Occupancy of New Project:	August 2024

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that St. Hope Public Schools (SHPS) on behalf of St. Hope Public School 7 (School or SHPS7) 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 SHPS 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 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 SHPS. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2020-21 SHPS7 had a total enrollment of 565 students in grades K-8, with an average daily attendance (ADA) rate of 94.8% and Unduplicated Pupil Percentage of ADA of 87%. SHPS had a total enrollment of 983 students in grades K-12, with an average daily attendance (ADA) rate of 99% and Unduplicated Pupil Percentage of ADA of 78.3%.
Debt Service Coverage	SHPS's debt service coverage from adjusted net income on the proposed CSFP loan is projected to average 240% over the first three years that payments are due.
Eligibility Criteria	SHPS has met all eligibility criteria: (1) SHPS7 commenced operations in 2003; (2) SHPS7's charter was last renewed by Sacramento City Unified through June 2022 - Assembly Bill 130 [Approved by Governor on July 09, 2021] extends the terms of all charter schools whose terms expire on or between January 1, 2022, and June 30, 2025, inclusive, by two years.; (3) SHPS7 is in good standing with its chartering authority and in compliance with the terms of its charter.
Student Performance	SHPS7 students consistently perform as well or better on average than peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: Sacramento City Unified School District confirmed as of November 18, 2022, SHPS7 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: St Hope Public Schools intends to add new and replace in-kind classrooms on the existing PS7 Elementary School site located at 5201 Strawberry Lane, Sacramento, California 95820.

The Rehabilitation request for funding comprises the replacement in-kind of 16 existing Classrooms comprising 21,426 square feet of non-toilet facilities, and 1,463 square feet of restroom facilities for a total of 22,889 square feet. The rehabilitation project will also include renovation of an existing Multipurpose/Kitchen Building.

The New Construction project will create an additional 15 new, permanent/stick-built classrooms serving grades kindergarten through 5th grade.

School Organizational Information: The mission of St. Hope Public Schools is to graduate self-motivated, industrious, critically thinking leaders who are committed to serving others, passionate about life-long learning and prepared to earn a degree from a four year college.

SHPS7 is an independent charter school operated by St. Hope Public Schools, a California Nonprofit Public Benefit Corporation that also has tax exempt 501(c)(3) status. SHPS and PS7 are governed by the St. HOPE Public Schools’ Board of Directors. The Board is responsible for ensuring the Charter School fulfills its mission, remains true to the terms of the charter, is a fiscally viable and responsible organization, and ensures access and accountability to the public.

Lisa Ruda is the current SHPS Chief of Schools; Ted Reiterman is the current SHPS Chief Financial Officer. Staff reviewed the credentials of school administrators and board members, and determined that collectively and individually, the management team demonstrates the required experience and educational background to effectively oversee the operations of SHPS7.

St. Hope Public Schools Board of Trustees 2022-2023

Name	Position	Term Ends
Cassandra Jennings	Chair	2023
Ron Tom	Vice Chair	2023
Stephanie Walton	Secretary	2023
Carolyn Veal-Hunter	Member	2023
Janet Rice	Member	2023
Ronald West	Member	2023
Angelia Dickens	Member	2023
Michelle Johnson	Member	2023
Gladys Mitchell	Member	2023
Kathy McKim	Member	2023

SHPS7 Academic Performance: The following tables represent the recent academic performance of SHPS7; a similar local elementary school, Oak Ridge Elementary; a similar local middle school, Will C. Wood Middle; and Sacramento City Unified School District (OUSD). Results are provided through the California Department of Education’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 testing participation varied due to factors surrounding the novel coronavirus (COVID-19) pandemic.*

English Language Arts Achievement

	FY17	FY18	FY19	FY22
SHPS7	40%	39%	46%	46%
Oak Ridge	15%	15%	21%	16%
Will C. Wood	34%	31%	29%	31%
SCUSD	39%	40%	43%	38%

Mathematics Achievement

	FY17	FY18	FY19	FY22
SHPS7	34%	36%	38%	24%
Oak Ridge	11%	14%	14%	9%
Will C. Wood	24%	21%	21%	17%
SCUSD	31%	32%	33%	27%

Enrollment Trends and Projections: The table below presents enrollment and ADA information for SHPS and SHPS7 from fiscal year 2019 through fiscal year (FY) 2028. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

SHPS(7) Student Enrollment and Average Daily Attendance

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
SHPS7 Enrollment	571	586	565	563	633	706	907	1043	1128	1203
SHPS7 ADA (%)	89.3	91.4	94.8	89.3	89.2	89.2	89.2	89.2	89.2	88.9
SHPS Enrollment	1204	1091	983	973	999	1115	1372	1535	1641	1732
SHPS ADA (%)	89.4	92	99	89.5	89.5	89.5	89.5	89.5	89.5	89.5

Financial Analysis

Financial Data Sources: This financial analysis is based on the consideration and review of the following for SHPS: (1) audited and unaudited financial statements for FYs 2018-19 through 2021-22; (2) adopted budget for FY 2022-23; and (3) budget projections for FYs 2023-24 through 2027-28 along with assumptions.

Assumptions: Staff’s financial analysis of SHPS is based upon the following assumptions: (1) occupancy of the new facility in August 2024; (2) the repayment of SHPS’s CSFP matching share loan in the amount of \$14,040,055 at 2% interest commencing in FY 2025-26; (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 SHPS'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	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL												
Enrollment	1,204	1,091	983	973	999	1,115	1,372	1,535	1,641	1,732		
Average Daily Attendance (ADA)	1,076	1,004	1,004	871	894	998	1,228	1,374	1,469	1,550		
Average Daily Attendance (%)	89.4%	92.0%	102.1%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	91.0%	< 94.0%
FTE Teachers	73	73	67	71	58	60	71	80	84	89		
Pupil-Teacher Ratio	16.5	14.9	14.7	13.7	17.2	18.6	19.3	19.2	19.5	19.5	17.3	> 25.0
LCFF Sources/ADA	\$ 11,571	\$ 11,141	\$ 11,190	\$ 10,931	\$ 13,332	\$ 12,190	\$ 12,143	\$ 12,099	\$ 12,088	\$ 12,004	\$ 11,869	
% Change		-3.7%	0.4%	-2.3%	22.0%	-8.6%	-0.4%	-0.4%	-0.1%	-0.7%	0.7%	
Operating Revenues/ADA	\$ 14,534	\$ 15,420	\$ 14,785	\$ 15,526	\$ 19,893	\$ 18,753	\$ 15,399	\$ 15,268	\$ 15,224	\$ 15,102	\$ 15,990	
% Change		6.1%	-4.1%	5.0%	28.1%	-5.7%	-17.9%	-0.8%	-0.3%	-0.8%	1.1%	
Operating Expenses plus CSFP Lease/ADA	\$ 15,031	\$ 13,953	\$ 13,247	\$ 15,325	\$ 17,286	\$ 17,093	\$ 14,694	\$ 14,738	\$ 14,583	\$ 14,480	\$ 15,043	
% Change		-7.2%	-5.1%	15.7%	12.8%	-1.1%	-14.0%	0.3%	-1.1%	-0.7%	0.0%	
Free Cash Flow/ADA	\$ (497)	\$ 1,468	\$ 1,538	\$ 201	\$ 2,607	\$ 1,660	\$ 705	\$ 530	\$ 641	\$ 622	\$ 947	< 0
DEBT SERVICE COVERAGE												
Total Operating Revenues	\$ 15,645,250	\$ 15,480,099	\$ 14,842,235	\$ 13,520,827	\$ 17,786,564	\$ 18,713,934	\$ 18,908,545	\$ 20,976,244	\$ 22,359,495	\$ 23,409,661		
Total Operating Expenses	16,180,617	14,006,869	13,298,445	13,345,913	15,455,396	17,057,752	18,043,455	19,621,226	20,791,597	21,818,595		
Total Other Sources/Uses	-	-	-	117,051	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	(535,367)	1,473,230	1,543,790	291,965	2,331,168	1,656,182	865,090	1,355,018	1,567,898	1,591,066		
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-		
Add Back Depreciation	-	-	-	127,281	53,000	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	(535,367)	1,473,230	1,543,790	419,246	2,384,168	1,656,182	865,090	1,355,018	1,567,898	1,591,066		
CSFP Lease Payments	-	-	-	-	-	-	-	626,887	626,887	626,887		
Free Cash Flow	\$ (535,367)	\$ 1,473,230	\$ 1,543,790	\$ 419,246	\$ 2,384,168	\$ 1,656,182	\$ 865,090	\$ 728,131	\$ 941,011	\$ 964,179	\$ 1,043,966	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	216.2%	250.1%	253.8%	240.0%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								2651.4%	2832.1%	2968.2%	2817.2%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.0%	2.8%	2.7%	2.8%	> 15.0%
LIQUIDITY												
Current Assets	\$ 6,030,523	\$ 6,098,548	\$ 6,886,964									
Current Liabilities	1,848,973	2,544,288	2,914,276									
Net Working Capital	\$ 4,181,550	\$ 3,554,260	\$ 3,972,688									
Net Working Capital/Oper. Expenses	25.8%	25.4%	29.9%								27.0%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 1,937,414	\$ 1,953,664	\$ 3,670,906									
Unrest. Cash & CE/Oper. Expenses (Days)	44	51	101									
Unrest. Cash & CE/All Expenses (Days)	44	51	101								65	< 90

Benchmark Summary:

- Enrollment – Average ADA rate over the period reviewed falls short of 94% threshold largely due to decline following the novel coronavirus (COVID-19) pandemic which affected FY 2022. Staff find SHPS projections of maintaining 89.5% to be conservative, but not unreasonably so considering aggressive enrollment growth goals.
- Full-time equivalent (FTE) Teachers – Pupil-teacher ratio consistently resides well below the maximum target of 25.
- Free Cash Flow and/or per ADA – SHPS operates with historically positive cash flow; Staff find projections reasonable and within tolerance given the length of period examined.
- Debt Service Coverage from Adj. Net Income – Staff finds estimated 240% average debt service coverage exceeds required threshold and projection factors used are reasonable.

- CSP Lease Payment relative to Operational Revenues: Representing an estimated 2.8% of annual operating revenues, estimated CSFP lease payment(s) are well under the 15% threshold—unlikely to create a hardship for the SHPS organization.
- Net Working Capital relative to Operating Expenses – SHPS liquidity metrics are satisfactory with ratio of Net Working Capital to Operational Expenses at 27%, and Unrestricted Cash and Equivalents on hand equal to 65 days worth of expenses.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that St. Hope Public Schools (SHPS) on behalf of St. Hope Public School 7 is financially sound for the purposes of 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 SHPS electing to have its CSFP payments intercepted at the state-level, 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.