

**Charter School Facilities Program  
 Proposition 51 Funding Round  
 Staff Summary Report – March 2023  
 Item 10 Resolution 23-15**

<b>Applicant/Obligor:</b>	Visalia Unified School District
<b>Project School:</b>	Blue Oak Academy
<b>CDS (County – District – School) Code:</b>	54-10546-0135459
<b>School Address/Proposed Site:</b>	28050 Rd. 148 Visalia, CA 93292
<b>Type of Project:</b>	New Construction and Rehabilitation
<b>Type of Apportionment:</b>	Final
<b>County:</b>	Tulare
<b>District in which Project is Located:</b>	Visalia Unified School District
<b>Charter Authorizer:</b>	Tulare County Office of Education
<b>Total OPSC Project Cost:</b>	\$17,044,269
<b>State Apportionment (50% Project Cost):</b>	\$8,522,135
<b>Total CSFP Financed Amount:</b>	\$8,522,135
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	2.40%
<b>Estimated Annual CSFP Payment:</b>	\$401,758
<b>First Year of Occupancy of New Project:</b>	2023-24

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Visalia Unified School District (VUSD) on behalf of Blue Oak Academy (School or BOA) 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 VUSD 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 VUSD/BOA. Detailed information is contained in the body of the report:

<b>Criteria</b>	<b>Comments</b>
Demographic Information	In 2021-22, VUSD had a total enrollment of 27,635 students across all district schools; the average daily attendance (ADA) rate was 89.1%, and the Unduplicated Pupil Percentage (UPP) of ADA was 76.8%.
Debt Service Coverage	VUSD’s debt service coverage from adjusted net income on this CSFP loan is projected to average 8535% over the first three years that payments are due.
Eligibility Criteria	BOA has met all eligibility criteria: (1) BOA commenced operations in 2017; (2) BOA’s charter is authorized through June 2024 per Assembly Bill 130 [Approved by Governor on July 09, 2021] which 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) BOA is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	BOA students consistently perform as well or better on average than demographic peers in their local district based on California standardized testing (CAASPP).

**Program Eligibility:** Tulare County Office of Education (TCOE) has confirmed that as of March 10, 2023, BOA 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 scope includes both new construction and rehabilitation elements. One new building will be constructed, which will include eight new classrooms as well as accompanying restroom and utility space.

Rehabilitation measures being applied to two classroom wings of the original structure will include energy efficiency upgrades, interior design upgrades, new sinks and cabinets, ADA compliance upgrades, and new built-in audio-visual equipment. In addition to the classroom improvements, upgraded areas will also include administrative offices, the existing kitchen, multi-purpose room, and building-wide upgrades to electrical systems, fire alarms, bells and intercom system, HVAC systems, security, and surveillance systems.

**School Organizational Information:** BOA is a public K-7 charter school located within the boundaries of VUSD, authorized by TCOE. BOA’s charter was approved through June 30, 2022, and has been extended to June 30, 2024 via Assembly Bill 130. The school is a direct-funded independent charter school operated by a California public benefit corporation with IRS approved 501(c)(3) status: The Academies charter management organization.

BOA shares the same mission statement as the Academies which is “to provide a rich, meaningful education in a nurturing environment where students are continually challenged

and their natural curiosity, creativity, and talents can thrive. We are a collaborative community of educators and families working together to help our students grow into virtuous, courageous, and intelligent citizens, equipped with a love of learning and a love of life, and eager to contribute to a better world.”

BOA is governed by The Academies Board of Directors. The Board of Directors is composed of not less than five, and not more than nine members; four to eight members of the charter school community (including parents), and no less than one member of the community at large who is not a parent or guardian of an attending student.

**2022-23 The Academies District Board of Directors**

Name	Role(s)	Term End
Harold Rollin, Esp.	Chair	January 31, 2024
Erin Andersen	Vice Chair	January 31, 2024
Alex Tietjen	Secretary	January 31, 2024
Marilou Monsivais	Treasurer	January 31, 2025
Michelle Phillips	Member	January 31, 2025
Craig Wheaton	Member	January 31, 2024
Cristina Gutierrez	Member	January 31, 2025

**School Academic Performance:** The following tables represent the recent academic performance of BOA; a similar local K-6 school, Mineral King Elementary; a similar local 7-8 school, Valley Oak Middle; and Visalia Unified. 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**

	FY19	FY20	FY21	FY22
Blue Oak	42%	*	**	33%
Mineral King	39%	*	**	29%
Valley Oak	46%	*	**	37%
District	50%	*	**	42%

**Mathematics Achievement**

	FY19	FY20	FY21	FY22
Blue Oak	49%	*	**	21%
Mineral King	31%	*	**	19%
Valley Oak	27%	*	**	16%
District	33%	*	**	25%

**Enrollment Trends and Projections:** The tables below present enrollment and average daily attendance information for VUSD schools collectively, and BOA individually, from FY 2019 through FY 2027. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**VUSD Student Enrollment and Average Daily Attendance**

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Enrollment	29107	29379	28884	27635	27476	27733	27990	27990	27990
ADA	91%	91%	92.6%	89.1%	92.3%	92.3%	92.3%	92.3%	92.3%

**BOA Student Enrollment and Average Daily Attendance**

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Enrollment	172	213	286	313	339	386	386	386	386
ADA	96.5%	96.6%	92.5%	94.5%	94.1%	95.1%	95.1%	95.1%	95.1%

**Financial Analysis**

*While this report’s academic analysis and project narrative describe local conditions at Blue Oak Academy, staff’s enrollment and financial analysis for purposes of debt service coverage references VUSD financials, as the district will be acting as Obligor for the proposed CSFP loan.*

**Financial Data Sources:** This financial analysis is based on the consideration and review of the following for VUSD: (1) audited financial statements for FYs 2019-20 through 2021-22; (2) approved budget for FY 2022-23; and (3) budget projections for FYs 2022-23 through 2026-27 along with assumptions.

**Assumptions:** Staff’s financial analysis of VUSD is based upon the following assumptions: (1) final occupancy of the project facilities by FY 2023-24; (2) the repayment of VUSD’s CSFP matching share loan in the amount of \$8,522,135 at 2.4% interest (based on 1/2019 PMIA rate) commencing in FY 2024-25; (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 VUSD’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	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	AVERAGE	THRESHOLD LEVEL
<b>OPERATIONAL &amp; FINANCIAL</b>											
Enrollment	29,107	29,375	28,884	27,635	27,476	27,733	27,990	27,990	27,990		
Average Daily Attendance (ADA)	26,484	26,745	26,745	24,615	25,360	25,597	25,834	25,834	25,834		
Average Daily Attendance (%)	91.0%	91.0%	92.6%	89.1%	92.3%	92.3%	92.3%	92.3%	92.3%	91.7%	< 94.0%
LCFF Sources/ADA	\$ 15,115	\$ 14,945	\$ 17,376	\$ 20,044	\$ 13,992	\$ 14,361	\$ 14,707	\$ 15,227	\$ 15,729	\$ 15,722	
% Change		-1.1%	16.3%	15.4%	-30.2%	2.6%	2.4%	3.5%	3.3%	1.5%	
Operating Revenues/ADA	\$ 15,696	\$ 15,401	\$ 17,959	\$ 20,162	\$ 24,130	\$ 17,721	\$ 18,049	\$ 18,539	\$ 19,059	\$ 18,524	
% Change		-1.9%	16.6%	12.3%	19.7%	-26.6%	1.8%	2.7%	2.8%	3.4%	
Operating Expenses plus CSFP Lease/ADA	\$ 15,032	\$ 15,353	\$ 16,153	\$ 16,770	\$ 23,764	\$ 16,564	\$ 16,646	\$ 16,982	\$ 17,346	\$ 17,179	
% Change		2.1%	5.2%	3.8%	41.7%	-30.3%	0.5%	2.0%	2.1%	3.4%	
Free Cash Flow/ADA	\$ 665	\$ 49	\$ 1,806	\$ 3,392	\$ 367	\$ 1,157	\$ 1,403	\$ 1,557	\$ 1,713	\$ 1,345	< 0
<b>DEBT SERVICE COVERAGE</b>											
Total Operating Revenues	\$ 415,700,000	\$ 411,900,000	\$ 480,300,000	\$ 496,300,000	\$ 611,935,396	\$ 453,600,975	\$ 466,264,653	\$ 478,934,555	\$ 492,351,176		
Total Operating Expenses	398,100,000	410,600,000	432,000,000	412,800,000	602,633,575	423,978,648	429,614,733	438,299,375	447,695,148		
Total Other Sources/Uses	-	-	-	-	(6,710,713)	(10,156,502)	(6,656,502)	(6,656,502)	(6,656,502)		
Net Income Available for CSFP Lease Payment	17,600,000	1,300,000	48,300,000	83,500,000	2,591,108	19,465,825	29,993,418	33,978,678	37,999,526		
Add Back Capital Outlay	-	-	-	-	40,792,234	300,621	300,621	300,621	300,621		
Add Back Depreciation	-	-	-	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	17,600,000	1,300,000	48,300,000	83,500,000	43,383,342	19,766,446	30,294,039	34,279,299	38,300,147		
CSFP Lease Payments	-	-	-	-	-	-	401,758	401,758	401,758		
Free Cash Flow	\$ 17,600,000	\$ 1,300,000	\$ 48,300,000	\$ 83,500,000	\$ 43,383,342	\$ 19,766,446	\$ 29,892,281	\$ 33,877,541	\$ 37,898,389	\$ 35,057,555	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7540.4%	8532.3%	9533.1%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								97910.4%	101138.3%	99524.4%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	0.1%	0.1%	0.1%	0.1%	> 15.0%
<b>LIQUIDITY</b>											
Current Assets	\$ 241,300,000	\$ 229,100,000	\$ 345,800,000								
Current Liabilities	28,900,000	37,100,000	85,600,000								
Net Working Capital	\$ 212,400,000	\$ 192,000,000	\$ 260,200,000								
Net Working Capital/Oper. Expenses	53.4%	46.8%	60.2%							53.4%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 241,300,000	\$ 229,100,000	\$ 345,800,000								
Unrest. Cash & CE/Oper. Expenses (Days)	221	204	292							239	< 90
Unrest. Cash & CE/All Expenses (Days)	221	204	292							239	< 90

**Benchmark Summary:**

- Enrollment – VUSD does not historically average, or anticipate reaching, the 94% ADA target. While a minimum ADA rate of 94% is preferred, Staff find these projections to be reasonable based on historical data and unlikely to contribute to financial hardship given the relative size of the proposed loan compared to the district’s cash flow.
- Free Cash Flow and/or per ADA – VUSD operates with historically positive cash flow.
- Debt Service Coverage – Projected over 8,500% average debt service coverage in first three years payments are due; combined lease payments total less than 0.09% of operational revenues on average.
- Net Working Capital relative to Operating Expenses – VUSD liquidity metrics are strong with ratio of Net Working Capital to Operational Expenses at 53.4%. Unrestricted Cash and Equivalents on hand equate to approximately 239 days’ worth of expenses.

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that Visalia Unified School District (VUSD) on behalf of Blue Oak Academy (BOA) 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 VUSD 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.