

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – April 2023
 Item# 10 Resolution 23-22**

Applicant/Obligor:	San Diego Unified
Project School:	The O’Farrell Charter
CDS (County – District – School) Code:	37-68338-6061964
School Address/Proposed Site:	6130 Skyline Drive San Diego, CA 92102
Type of Project:	Rehabilitation
Type of Apportionment:	Final
County:	San Diego
District in which Project is Located:	San Diego Unified
Charter Authorizer:	San Diego Unified
Total OPSC Project Cost:	\$59,547,614
State Apportionment (50% Project Cost):	\$29,773,807
Local Matching Share Lump Sum:	\$29,773,807
Total CSFP Financed Amount:	\$0
First Year of Occupancy of New Project:	FY2023-2024

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that San Diego Unified (District or SDUSD) on behalf of The O’Farrell Charter (School or TOC) 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 SDUSD fulfilling the Program local matching share requirement by providing a lump sum in the amount of \$29,773,807, 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 TOC. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2021-22, TOC had a total enrollment of 1,789 students across grades K-12; the average daily attendance (ADA) rate was 96.5%, and the Unduplicated Pupil Percentage (UPP) of ADA was 68.3%.
Origin of Lump Sum	SDUSD will satisfy the local matching share requirement by drawing from local school bond proceeds. All contracts, totaling over \$35 million, have been awarded for the O’Farrell project with the final phase of the project scheduled to be completed in 2023.
Eligibility Criteria	TOC has met all eligibility criteria: (1) TOC commenced operations in 1980; (2) TOC’s charter is in place through June 30, 2024; (3) TOC is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	TOC 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 March 10, 2023, TOC 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 will update and upgrade the facilities located at 6130 Skyline Drive, San Diego 92114. Major elements include: replacement of aging portable classrooms with new portable classrooms; installation of HVAC at all existing permanent buildings; electrical service upgrade for the K-8 campus; installation of new intercom system throughout the campus; fire alarm upgrades, as required; upgrading accessible path of travel, doors, hardware, drinking fountains, student drop off and restrooms; upgrade auditorium stage; install new security fencing within classrooms and other spaces; replace windows within classrooms and other spaces; and repaint the exterior of all buildings. These modernization measures have been completed in phases so as to prove minimally disruptive to students, with final work estimated to complete in or around July 2023.

School Organizational Information: TOC is governed by a Board of Directors that is separate from the Board of Education of the San Diego Unified School District. The Board of Directors approves O’Farrell’s annual budget, major school policies, and evaluates the Superintendent. Cynthia Wagner is the current Superintendent. Staff reviewed the credentials of current board members and the TOC Superintendent, and determined that collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of TOC.

2022-24 The O’Farrell Charter Board of Directors

Name	Position	Term
Sharlette Dela Cruz	Chair	Jan. 2022 – Jan. 2024
Cristina Mendoza	Parent Representative	June 2022 – June 2024
Talib Mahdi	Community Representative	May 2022 – May 2024
Troy Owens	Community Representative	July 2022 – July 2024

School Academic Performance: The following tables represent the recent academic performance of TOC; a similar local K-8 school, Fulton K-8; a similar local high school, Morse High; and the SDUSD. 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).*

***In order to protect student privacy, data is suppressed because 10 or fewer students tested.*

English Language Arts Achievement

	FY17	FY18	FY19	FY20	FY21	FY22
TOC	47%	49%	55%	*	**	51%
Local K-8	28%	29%	31%	*	**	26%
Local High	58%	53%	52%	*	**	50%
District	56%	56%	57%	*	**	53%

Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21	FY22
TOC	34%	41%	43%	*	**	35%
Local K-8	28%	24%	27%	*	**	16%
Local High	24%	29%	29%	*	**	17%
District	46%	47%	48%	*	**	41%

Enrollment Trends and Projections: The table below presents enrollment and average daily attendance information for TOC from FY 2020 through FY 2028. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

TOC Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	1908	1929	1789	1818	1831	1835	1840	1840	1840
ADA	96.5%	95.5%	96.5%	94.7%	94%	94%	94%	94%	94%

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 TOC: (1) audited financial statements for FYs 2019-20 through 2021-22; (2) approved budget for FY 2022-23; and (3) projections for FYs 2023-24 through 2027-28 along with assumptions.

Assumptions: Staff’s financial analysis of TOC is based upon the following assumptions: (1) final occupancy of the new facility in or around July 2023; (2) provision of the local matching share by SDUSD as a lump sum in the amount of \$29,773,807; (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 TOC’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 2020	Actual FY 2021	Actual 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	1,908	1,929	1,789	1,818	1,831	1,835	1,840	1,840	1,840		
Average Daily Attendance (ADA)	1,841	1,841	1,727	1,722	1,721	1,725	1,730	1,730	1,730		
Average Daily Attendance (%)	96.5%	95.5%	96.5%	94.7%	94.0%	94.0%	94.0%	94.0%	94.0%	94.8%	< 94.0%
FTE Teachers	96	100	110	104	104	104	104	104	104	103	
Pupil-Teacher Ratio	19.9	19.3	16.3	17.5	17.6	17.6	17.7	17.7	17.7	17.9	> 25.0
LCFF Sources/ADA	\$ 11,316	\$ 11,147	\$ 11,668	\$ 11,917	\$ 13,081	\$ 13,515	\$ 13,924	\$ 14,374	\$ 14,374	\$ 12,813	
% Change		-1.5%	4.7%	2.1%	9.8%	3.3%	3.0%	3.2%	0.0%	3.1%	
Operating Revenues/ADA	\$ 13,415	\$ 14,822	\$ 15,499	\$ 15,177	\$ 15,764	\$ 15,540	\$ 15,945	\$ 16,395	\$ 16,395	\$ 15,439	
% Change		10.5%	4.6%	-2.1%	3.9%	-1.4%	2.6%	2.8%	0.0%	2.6%	
Operating Expenses plus CSFP Lease/ADA	\$ 11,616	\$ 12,326	\$ 14,505	\$ 14,596	\$ 12,680	\$ 12,928	\$ 13,166	\$ 13,440	\$ 13,724	\$ 13,220	
% Change		6.1%	17.7%	0.6%	-13.1%	2.0%	1.8%	2.1%	2.1%	2.4%	
Free Cash Flow/ADA	\$ 1,799	\$ 2,496	\$ 993	\$ 581	\$ 3,085	\$ 2,612	\$ 2,779	\$ 2,954	\$ 2,671	\$ 2,219	< 0
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$ 24,702,888	\$ 27,294,227	\$ 26,759,950	\$ 26,129,364	\$ 27,132,229	\$ 26,805,584	\$ 27,578,331	\$ 28,356,398	\$ 28,356,398		
Total Operating Expenses	21,390,160	22,698,463	25,044,827	25,128,542	21,823,314	22,299,411	22,771,303	23,246,353	23,736,611		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	3,312,728	4,595,764	1,715,123	1,000,822	5,308,915	4,506,173	4,807,028	5,110,045	4,619,787		
Add Back Capital Outlay	-	-	-	340,000	336,000	342,720	349,574	356,566	363,697		
Add Back Depreciation	-	-	-	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	3,312,728	4,595,764	1,715,123	1,340,822	5,644,915	4,848,893	5,156,602	5,466,611	4,983,484		
CSFP Lease Payments	-	-	-	-	-	-	-	-	-		
Free Cash Flow	\$ 3,312,728	\$ 4,595,764	\$ 1,715,123	\$ 1,340,822	\$ 5,644,915	\$ 4,848,893	\$ 5,156,602	\$ 5,466,611	\$ 4,983,484	\$ 4,118,327	< 0
LIQUIDITY											
Current Assets	\$ 22,026,113	\$ 28,281,681	\$ 30,969,930								
Current Liabilities	1,652,160	2,953,172	3,530,561								
Net Working Capital	\$ 20,373,953	\$ 25,328,509	\$ 27,439,369								
Net Working Capital/Oper. Expenses	95.2%	111.6%	109.6%							105.5%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 19,481,908	\$ 22,695,140	\$ 27,936,787								
Unrest. Cash & CE/Oper. Expenses (Days)	332	365	407								
Unrest. Cash & CE/All Expenses (Days)	332	365	407							368	< 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, persisting even through statewide trends of decreased enrollment and increased expenses associated with the COVID-19 pandemic and ongoing recovery.
- Liquidity – TOC liquidity metrics are strong. Official audits reflect over 105% ratio of net working capital to operational expenses, and 368 days of operating expenses sustainable by unrestricted cash and equivalents.
- Local Match – SDUSD has provided documentation certifying contracts worth over \$35 million have been awarded for the O’Farrell facilities project. These funds, sourced from multiple local bond measures passed by voters between 2008 and 2022, exceed the required local match amount.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that San Diego Unified (SDUSD) on behalf of The O’Farrell Charter (TOC) 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 SDUSD fulfilling the Program local matching share requirement by providing a lump sum in the amount of \$29,773,807, 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.