

**Charter School Facilities Program  
2022 Filing Round  
Staff Summary Report – April 2023  
Item# 7 Resolution 23-19**

<b>Applicant/Obligor:</b>	California Heritage YouthBuild Academy II
<b>Project School:</b>	California Heritage YouthBuild Academy II
<b>CDS (County – District – School) Code:</b>	53-10538-0125633
<b>School Address:</b>	8544 Airport Rd., Redding, CA 96002
<b>Proposed Site:</b>	Alfreda Way and Industrial Ave.
<b>Type of Project:</b>	New Construction
<b>Type of Apportionment:</b>	Preliminary and Advance
<b>County:</b>	Trinity
<b>District in which Project is Located:</b>	Shasta Union High
<b>Charter Authorizer:</b>	Trinity County Office of Education
<b>Total OPSC Project Cost:</b>	\$41,385,596
<b>State Apportionment (50% Project Cost):</b>	\$20,692,798
<b>Total CSFP Financed Amount:</b>	\$20,692,798
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$1,055,731
<b>First Year of Occupancy of New Project:</b>	FY2025-26

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that California Heritage YouthBuild Academy II (School or CHYBA) 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 CHYBA 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 CHYBA. Detailed information is contained in the body of the report:

<b>Criteria</b>	<b>Comments</b>
Demographic Information	In 2021-22, CHYBA had a total enrollment of 82 students in grades 9-12; the average daily attendance (ADA) rate was 70.4%, and the Unduplicated Pupil Percentage (UPP) of ADA was 112.7%
Debt Service Coverage	CHYBA’s debt service coverage from adjusted net income on this CSFP loan is projected to average 170% over the first three years that payments are due.
Eligibility Criteria	CHYBA has met all eligibility criteria: (1) CHYBA commenced operations in 2012; (2) CHYBA’s charter is in place through June 2026 - 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) CHYBA is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	CHYBA students generally perform on par with peers in their local district based on California standardized testing (CAASPP). However, academic performance is difficult to evaluate due to very small sample sizes (enrollment) within and relative to their district and peer school.

**Program Eligibility:** On April 17, 2023, verification was received from Trinity County Office of Education that CHYBA is in compliance with the terms of its charter agreement, and is not pending any notices of violation or revocation.

**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:** CHYBA is proposing to construct a new campus in collaboration with long-standing community partners on a site footprint adjoining the new Center of Hope, and much closer to central Redding. The location of the new campus will greatly improve student access to transportation and affordable housing, as well as physical and mental healthcare resources. This in turn will enable CHYBA to significantly increase its enrollment, improve student attendance and expand and enhance its capacity to serve a larger, more diverse student body.

Upon completion, the new campus will feature ten general education classrooms and one “Non-Severe” Special Education classroom, with the ability to serve all grades 9-12. This larger, more centralized location will be much better equipped to meet the needs of the community—as evidenced by the factors noted above and highlighted in letters submitted by community partners in support of the project. An estimate of the intended opening date for Phase I is Spring of the 2024-2025 school year and Phase II is projected for the following school year.

**School Organizational Information:** CHYBA offers flexible onsite, online education where students of all levels can reach academic achievement resulting in a high school diploma.

They provide a personalized Career Technical Education (CTE) focused high school curriculum including job training and pre-apprenticeship opportunities in the Nursing and Construction industry such as HVAC, Construction, Electrical, and Plumbing. CHYBA is governed by a Board of Directors comprised of between three and five members. CHYBA's Executive Director is Cathy Clouse-Taylor. Staff reviewed the credentials of the administrative team and concluded that they demonstrate the necessary experience and educational background to effectively oversee the operations of CHYBA.

**2022-23 CHYBA Board of Directors**

Name	Position	Term Expiration
Bettina Blackwell	President	June 2023
Marlene Carmichael	Vice-President	June 2023
Aleta Carmichael	Secretary	June 2024

**School Academic Performance:** The following tables represent the recent academic performance of CHYBA and a similar local high school, Pioneer Continuation High. Results are provided through the California Department of Education's CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards. *Staff would note that even when compared to a similar continuation school, CHYBA's UPP and number of high risk students are substantially higher than average.*

\*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
CHYBA	10%	9%	18%	*	**	19%
Local School	9%	8%	12%	*	14%	16%

**Mathematics Achievement**

	FY17	FY18	FY19	FY20	FY21	FY22
CHYBA	0%	0%	0%	*	**	0%
Local School	5%	3%	2%	*	0%	1%

**Enrollment Trends and Projections:** The tables below present enrollment and average daily attendance information for CHYBA from FY 2019-20 through FY 2028-29. The assumptions made in the projected years are considered reasonable by staff based on the completion of the proposed project.

- Increased enrollment in FY2023-24 projected based on the school's plan to relocate to a larger, short-term leased facility as construction on the new site begins.
- Increased enrollment in FY2024-25 projected based on the completion and utilization of Phase 1 of the proposed project facilities.

- Increased enrollment in FY2025-26, and reaching of maximum capacity in FY2025-26, projected based on the projected completion of (final) Phase 2 of the proposed project facilities.

**CHYBA Student Enrollment and Average Daily Attendance**

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Enrollment	95	83	82	109	142	214	277	302	302	302
ADA (%)	68.8	64.9	70.4	65.9	70	75	80	85	85	85

**Financial Analysis**

**Financial Data Sources:** This financial analysis is based on the consideration and review of the following for CHYBA: (1) audited financial statements for FYs 2019-20 through 2021-22; (2) approved budget for FY 2022-23; and (3) budget projections for FYs 2023-24 through 2028-29 along with assumptions.

**Assumptions:** Staff’s financial analysis of CHYBA is based upon the following assumptions: (1) occupancy of the new facility in FY 2025-26; (2) the repayment of CHYBA’s CSFP matching share loan in the amount of \$20,692,798 at 3% interest commencing in FY 2026-27; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

**Long-Term Liabilities:** Based on available data, staff are not aware of any foreseeable long-term liabilities at this time. Additionally, obligors 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 CHYBA’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	Projected FY 2029	AVERAGE	THRESHOLD LEVEL
<b>OPERATIONAL &amp; FINANCIAL</b>												
Enrollment	95	83	82	109	142	214	277	302	302	302		
Average Daily Attendance (ADA)	65	54	58	72	99	161	222	257	257	257		
Average Daily Attendance (%)	68.8%	64.9%	70.4%	65.9%	70.0%	75.0%	80.0%	85.0%	85.0%	85.0%	75.0%	< 94.0%
Retention Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	< 80.0%
FTE Teachers	4	4	4	4	5	8	10	11	11	11		
Pupil-Teacher Ratio	27.1	23.7	23.4	27.3	28.4	28.5	27.7	27.5	27.5	27.5	26.9	> 25.0
LCFF Sources/ADA	\$ 9,879	\$ 11,608	\$ 11,561	\$ 12,594	\$ 13,272	\$ 13,805	\$ 13,766	\$ 13,766	\$ 13,766	\$ 13,766	\$ 12,778	
% Change		17.5%	-0.4%	8.9%	5.4%	4.0%	-0.3%	0.0%	0.0%	0.0%	3.9%	
Operating Revenues/ADA	\$ 23,407	\$ 30,356	\$ 33,788	\$ 31,138	\$ 31,815	\$ 32,348	\$ 32,309	\$ 32,309	\$ 32,309	\$ 32,309	\$ 31,209	
% Change		29.7%	11.3%	-7.8%	2.2%	1.7%	-0.1%	0.0%	0.0%	0.0%	4.1%	
Operating Expenses plus CSFP Lease/ADA	\$ 19,801	\$ 26,267	\$ 28,084	\$ 19,682	\$ 21,592	\$ 23,539	\$ 25,024	\$ 29,614	\$ 29,511	\$ 29,614	\$ 25,273	
% Change		32.7%	6.9%	-29.9%	9.7%	9.0%	6.3%	18.3%	-0.3%	0.3%	5.9%	
Free Cash Flow/ADA	\$ 3,606	\$ 4,089	\$ 5,704	\$ 11,456	\$ 10,222	\$ 8,809	\$ 7,285	\$ 2,694	\$ 2,797	\$ 2,694	\$ 5,936	< 0
<b>DEBT SERVICE COVERAGE</b>												
Total Operating Revenues	\$ 1,530,798	\$ 1,636,189	\$ 1,949,545	\$ 2,237,256	\$ 3,162,368	\$ 5,191,868	\$ 7,159,618	\$ 8,293,654	\$ 8,293,654	\$ 8,293,654		
Total Operating Expenses	1,294,969	1,415,774	1,620,433	1,414,118	2,146,286	3,778,019	5,545,230	6,546,310	6,519,810	6,546,310		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	235,829	220,415	329,112	823,138	1,016,082	1,413,849	1,614,388	1,747,344	1,773,844	1,747,344		
Add Back Capital Outlay	-	-	-	10,212	-	45,000	-	48,500	22,000	48,500		
Add Back Depreciation	-	-	-	-	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	235,829	220,415	329,112	833,350	1,016,082	1,458,849	1,614,388	1,795,844	1,795,844	1,795,844		
CSFP Lease Payments	-	-	-	-	-	-	-	1,055,731	1,055,731	1,055,731		
Free Cash Flow	\$ 235,829	\$ 220,415	\$ 329,112	\$ 833,350	\$ 1,016,082	\$ 1,458,849	\$ 1,614,388	\$ 740,113	\$ 740,113	\$ 740,113	\$ 792,836	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	170.1%	170.1%	170.1%	170.1%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								334.7%	334.7%	334.7%	334.7%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12.7%	12.7%	12.7%	12.7%	> 15.0%
<b>LIQUIDITY</b>												
Current Assets	\$ 1,261,305	\$ 1,726,958	\$ 2,453,685									
Current Liabilities	130,103	386,165	804,969									
Net Working Capital	\$ 1,131,202	\$ 1,340,793	\$ 1,648,716									
Net Working Capital/Oper. Expenses	87.4%	94.7%	101.7%								94.6%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 862,778	\$ 984,783	\$ 1,848,220									
Unrest. Cash & CE/Oper. Expenses (Days)	243	254	416									
Unrest. Cash & CE/All Expenses (Days)	243	254	416								304	< 90

**Benchmark Summary:**

- Enrollment – Average ADA rate over the period reviewed falls significantly short of the standard 94% target. Official audits reflect that while ADA has begun to improve post-pandemic, CHYBA programs serve an inherently high-risk population that will likely continue to struggle with regular attendance. CHYBA projects that ADA will continue to improve with the completion of this project facility thanks to a more central location and better access to public transportation.
- Full-time equivalent (FTE) Teachers – Pupil-teacher ratio exceeds the maximum threshold of 25. However, staff find this reasonable given the relatively low ADA compared to most public schools, as well as the prevalence of CTE and trade focused education initiatives offered by the school.
- Free Cash Flow and/or per ADA – CHYBA operates with historically positive cash flow. Additional information was provided that the reduction in expenses seen between FY2021-22 and FY2022-23 resulted from staff turnover.
- Debt Service Coverage from Adj. Net Income – 170% estimated average debt service coverage over the first three years of projected CSFP loan repayment exceeds required threshold of 110%. This estimate is highly dependent on enrollment growth as projected, though very conservative COLA factors were used for the final years, FY2027-28 and FY2028-29.
- CSP Lease Payment relative to Operational Revenues: Representing an estimated 12.7% of annual operating revenues, proposed CSFP lease payment is under the 15% threshold—but does represent a significant commitment commensurate with an entirely new, larger facility than presently in use.
- Net Working Capital relative to Operating Expenses – CHYBA historical liquidity metrics are very strong with ratio of Net Working Capital to Operational Expenses at nearly 95%, and Unrestricted Cash and Equivalents on hand equal to 304 days worth of expenses.

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that California Heritage YouthBuild Academy II (CHYBA) is financially sound for the purposes of 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 CHYBA 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.