Charter School Facilities Program 2022 Filing Round Staff Summary Report – April 2023 Item# 8 Resolution 23-20

Applicant/Obligor: Tree of Life International Charter

Project School: Tree of Life International Charter

CDS (County – District – School) Code: 45-69914-0135624

School Address/Proposed Site: 19415 Jacqueline St. Anderson, CA 96007

Type of Project: New Construction

Type of Apportionment: Final

County: Shasta

District in which Project is Located:Cascade Union Elementary

Charter Authorizer: Cascade Union Elementary

Total OPSC Project Cost: \$6,164,104

State Apportionment (50% Project Cost): \$3,082,052

Local Matching Share Lump Sum: \$200,000

Total CSFP Financed Amount: \$2,882,052

Length of CSFP Funding Agreement: 30 years

Assumed Interest Rate: 3.00%

Estimated Annual CSFP Payment: \$147,040

First Year of Occupancy of New Project: 2024-25

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Tree of Life International Charter (School or TOLIC) 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 TOLIC 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.

<u>Application Highlights</u>: Below staff highlighted key criteria evaluated when conducting the financial soundness review for TOLIC. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic	In 2021-22, TOLIC had a total enrollment of 298 students in
Information	grades K-8; the average daily attendance (ADA) rate was 91.6%,
	and the Unduplicated Pupil Percentage (UPP) of ADA was 59.4%
Debt Service Coverage	TOLIC's debt service coverage from adjusted net income on this
	CSFP loan is projected to average 359% over the first four years
	that payments are due.
Eligibility Criteria	TOLIC has met all eligibility criteria: (1) TOLIC commenced
	operations in 2017; (2) TOLIC's charter is in place through March
	2024 - 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) TOLIC is presumed to be in good
	standing with its chartering authority, and in compliance with the
	terms of its charter.
Student Performance	TOLIC students consistently perform on par with or better than
	peers in their local district based on California standardized
	testing (CAASPP).

<u>Program Eligibility</u>: On April 6, 2023, CSFA staff requested verification from Cascade Union Elementary School District confirming that TOLIC is currently in compliance with the terms of its charter agreement, and not pending any notices of violation or revocation (otherwise collectively referred to as "Good Standing"). The recommendation of this report that TOLIC be determined financially sound for the purposes of CSFP Final Apportionment is contingent upon the district in their capacity as authorizer answering the Authority's request in the affirmative.

<u>Legal Status Questionnaire</u>: 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.

<u>Project Description</u>: Tree of Life International Charter plans to construct six new classrooms, a new restroom facility, and two new student services rooms, all serving grades 6-8. The rehabilitation portion of the project will include two classroom wings and another restroom which serve all K-8 students. This project will ensure grade 6-8 facilities have room to accommodate new and existing students as they promote and improve overall facilities for all TOLIC enrollees.

<u>School Organizational Information</u>: TOLIC is a unique TK-8th grade school that partners with parents to nurture the Heard, Mind, and Spirit of the child as they explore the world and discover their gifts. Students have the opportunity to acquire a 2nd and 3rd language and explore global cultures through World Music and the Spanish/English Dual Immersion program. Students participate in a hands-on, Inquiry-Based Learning design which incorporates all subject matter through integrated units of study. Instruction is frequently taken out of the classroom, into the natural environment to allow for scientific exploration, observation, and experimentation.

Deborah Wallace is the current Principal of TOLIC, and Donna Heller is the Chief Business Official. Staff reviewed the credentials of the Principal and other key administrative personnel, concluding that they demonstrate the necessary experience and educational background to effectively oversee the operations of TOLIC. TOLIC is governed by the Board of Directors, a 7-9 member body composed of school employees, non-employee parents, and community members who bring their professional expertise to the Board.

Tree of Life	International	Charter 2022-23	Board of Directors
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Name	Position	Term Expiration		
Wyndi Nelson	President	2025		
Tim Hawkins	Vice President	2025		
Michele Anberg-Espinoza	Secretary	2024		
Todd Goble	Member	2023		
Marty Bullock	Member	2023		
Calvin Robertson	Member	2026		
Deborah Wallace	School Admin (Non-Voting)	N/A		
Donna Heller	School Admin (Non-Voting)	N/A		

<u>School Academic Performance</u>: The following tables represent the recent academic performance of TOLIC; a similar local elementary school, Anderson Heights Elementary; and Cascade Union Elementary School District. Results are provided through the California Department of Education's CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards.

English Language Arts Achievement

	FY18	FY19	FY20	FY21	FY22
TOLIC	52%	44%	*	54%**	45%
Local School	42%	44%	*	26%**	28%
District	33%	31%	*	31%**	31%

Mathematics Achievement

	FY18	FY19	FY20	FY21	FY22
TOLIC	44%	39%	*	38%**	47%
Local School	33%	32%	*	18%**	20%
District	25%	24%	*	25%**	23%

<u>Enrollment Trends and Projections</u>: The tables below present enrollment and average daily attendance information for TOLIC from FY 2019-20 through FY 2028-29. The

^{*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.

assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

TOLIC Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Enrollment	205	240	298	325	351	392	427	444	456	458
ADA (%)	92.3	94.7	91.6	91.7	95	95	95	95	95	95

Financial Analysis

<u>Financial Data Sources</u>: This financial analysis is based on consideration and review of the following for TOLIC: (1) audited financial statements for FYs 2019-20 through 2021-22; (2) adopted 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 TOLIC is based upon the following assumptions: (1) occupancy of the new facility in FY 2025; (2) the repayment of TOLIC's CSFP matching share loan in the amount of \$5,136,098 at 3% interest commencing in FY 2025-26; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

<u>Long-Term Liabilities</u>: 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.

<u>Benchmark Summary and Analysis</u>: The following table and summary listing sets forth the results of staff's analysis regarding TOLIC'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.

		Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected		THRESHOL
		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	AVERAGE	LEV
OPERATIONAL & FINANCIAL													
Enrollment		205	240	298	325	351	392	427	444	456	458		
Average Daily Attendance (ADA)		189	227	273	298	333	372	406	422	433	435		
Average Daily Attendance (%)		92.3%	94.7%	91.6%	91.7%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	94.0%	< 94.0
FTE Teachers		9	11	15	15	17	18	19	20	20	20	16	
Pupil-Teacher Ratio		22.8	21.8	19.9	21.7	20.6	21.8	22.5	22.2	22.8	22.9	21.9	
LCFF Sources/ADA	\$	9,815	\$ 11,304	\$ 10,013	\$ 11,531	\$ 12,144	\$ 12,638	\$ 12,943	\$ 13,276	\$ 13,694	\$ 14,108	\$ 12,147	
% Change			15.2%	-11.4%	15.2%	5.3%	4.1%	2.4%	2.6%	3.1%	3.0%	4.4%	
Operating Revenues/ADA	\$	10,959	\$ 13,442	\$ 12,344	\$ 16,168	\$ 13,793	\$ 14,221	\$ 14,247	\$ 14,530	\$ 14,915	\$ 15,323	\$ 13,994	
% Change		,	22.7%	-8.2%		-14.7%		0.2%		2.6%	2.7%	4.6%	
Operating Expenses plus CSFP Lease/ADA	\$	9,951	\$ 10,085	\$ 10,544	\$ 14,378	\$ 12,674	\$ 11,830	\$ 12,287	\$ 12,854	\$ 13,522	\$ 13,908	\$ 12,203	
% Change			1.4%	4.5%	36.4%	-11.9%	-6.7%	3.9%	4.6%	5.2%	2.9%	4.5%	
Free Cash Flow/ADA	\$	1,009	\$ 3,356	\$ 1,800	\$ 1,790	\$ 1,119	\$ 2,391	\$ 1,959	\$ 1,676	\$ 1,392	\$ 1,415	\$ 1,791	
		Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected		THRESHO
		FY 2020		FY 2022	FY 2023	FY 2024		FY 2026	FY 2027	FY 2028	FY 2029	AVERAGE	LEV
DEBT SERVICE COVERAGE													
Total Operating Revenues	¢ 21	073,711	\$ 3,055,299	\$ 3,369,908	\$ 4,818,030	\$ 4,599,187	\$ 5,295,762	\$ 5,779,183	\$ 6,128,572	\$ 6,460,969	\$ 6,667,158		
Total Operating Expenses		382,872	2,292,416	2,878,403	4,284,517	4,226,036	4,405,438	4,837,300	5,274,728	5,710,784	5,904,305		
Total Other Sources/Uses	1,	302,072	2,232,410	2,070,403	4,204,317	4,220,030	4,403,438	4,637,300	3,274,720	3,710,764	3,504,305		
Net Income Available for CSFP Lease Payment	-	190.839	762,883	491,505	533,513	373.151	890.324	941.883	853.844	750.185	762,853		
Add Back Capital Outlay		130,033	702,003	431,303	538,089	200,000	200,000	200.000	200,000	200,000	702,833		
Add Back Depreciation					330,003	200,000	200,000	200,000	200,000	200,000			
Adjusted Net Income Available for CSFP Lease Pymt.		190,839	762,883	491,505	1,071,602	573,151	1,090,324	1,141,883	1,053,844	950,185	762,853		
CSFP Lease Payments	-	-	702,003	451,505	1,071,002	573,151	1,030,324	147.040	147.040	147.040	147.040		
Free Cash Flow	\$	190,839	\$ 762,883	\$ 491,505	\$ 1,071,602	\$ 573 151	\$ 1,090,324				,	\$ 750,091	
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DSC from Adj. Net Income DSC from LCFF Sources subject to CSFA Intercept		N/A	N/A	N/A	N/A	N/A	N/A	776.6%		646.2% 4034.4%	518.8% 4174.6%	664.6%	< 110.0
CSFP Lease Payment/Oper. Revenues		N/A	N/A	N/A	N/A	N/A	N/A	2.5%	3808.4% 2.4%	4034.4%	2.2%	4005.8%	> 15.0
LIQUIDITY		IN/A	N/A	N/A	N/A	N/A	N/A	2.570	2.470	2.370	2.270	2.4/0	> 15.0
Current Assets	\$	946,687	\$ 1,355,420	\$ 1,787,062									
Current Liabilities		165.605	239,963	205,923									
Net Working Capital	_	181.082		\$ 1,581,139									
	> '	181,082 25.6%										42.09/	-50
Net Working Capital/Oper. Expenses												43.0%	< 5.0
Unrestricted Cash & Cash Equivalents	\$	503,999 117	\$ 390,714	\$ 1,140,032									
Unrest, Cash & CE/Oper, Expenses (Days)			62	145									

Benchmark Summary:

- Enrollment TOLIC has experienced marginal declines in ADA in recent years consistent with statewide trends.
- Full-time equivalent (FTE) Teachers Pupil-teacher ratio consistently resides well below the maximum threshold of 25.
- Free Cash Flow and/or per ADA TOLIC operates with historically positive cash flow; Staff find enrollment and revenue projections to be realistic and achievable.
- Debt Service Coverage from Adj. Net Income Averaging an estimated 665% over the first four years of loan repayment, staff find debt service coverage to be well above target threshold.
- CSP Lease Payment relative to Operational Revenues Representing an estimated 2.4% of annual operating revenues on average, proposed CSFP lease payment is below the 15% threshold—unlikely to create a hardship for the TOLIC organization.
- Net Working Capital relative to Operating Expenses TOLIC liquidity metrics are strong with ratio of Net Working Capital to Operational Expenses at 43%, and Unrestricted Cash and Equivalents on hand equal to 108 days worth of expenses.

<u>Staff Recommendation:</u> Staff recommends that the California School Finance Authority (CSFA) Board determine that Tree of Life International Charter (TOLIC) 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 TOLIC 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.