

**Charter School Facilities Program  
 Proposition 51 Funding Round  
 Staff Summary Report – June 2023  
 Item 5 Resolution 23-23**

<b>Applicant/Obligor:</b>	San Diego Unified
<b>Project School:</b>	America's Finest Charter
<b>CDS (County – District – School) Code:</b>	37-68338-0136663
<b>School Address/Proposed Site:</b>	730 45th Street San Diego, CA 92102
<b>Type of Project:</b>	Rehabilitation
<b>Type of Apportionment:</b>	Final
<b>County:</b>	San Diego
<b>District in which Project is Located:</b>	San Diego Unified
<b>Charter Authorizer:</b>	San Diego Unified
<b>Total OPSC Project Cost:</b>	\$14,925,894
<b>State Apportionment (50% Project Cost):</b>	\$7,462,947
<b>Local Matching Share Lump Sum:</b>	\$7,462,947
<b>Total CSFP Financed Amount:</b>	\$0
<b>First Year of Occupancy of New Project:</b>	FY2025-2026

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that San Diego Unified (District or SDUSD) on behalf of America's Finest Charter (School or AFC) 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 \$7,462,947, 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 AFC. Detailed information is contained in the body of the report:

<b>Criteria</b>	<b>Comments</b>
Demographic Information	In 2021-22, AFC had a total enrollment of 481 students across grades K-12; the average daily attendance (ADA) rate was 93.5%, and the Unduplicated Pupil Percentage (UPP) of ADA was 102.7%.
Origin of Lump Sum	SDUSD will satisfy the local matching share requirement by drawing from local school bond proceeds. The District has provided certification that approximately \$30 million has been budgeted specifically for the AFC facilities rehabilitation project. This amount exceeds and satisfies the local match requirement.
Eligibility Criteria	AFC has met all eligibility criteria: (1) AFC commenced operations in 2017; (2) AFC’s charter is in place through June 30, 2025; (3) AFC is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	AFC 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, AFC 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 730 45th St., San Diego 92102. Major elements of the project include demolition of existing portable classroom units, to make room for a new, two-story elementary classroom and administrative building. Additional facility improvements include grading, stormwater treatment, utilities, landscaping, paving, parking lot improvement, turf installation, and playground updates, and accessibility improvements.

**School Organizational Information:** AFC is governed by a Board of Directors comprised of five to seven members who serve four year terms. All potential board members are screened to ensure they possess the skills and experience necessary to fulfill the responsibilities entrusted to AFCS board members. AFC’s current Executive Director is Mr. Tim Bagby.

Staff have reviewed the credentials of key board members and administrative staff and determined all have the proper background and experience to govern and effectively oversee the operations of AFC. The 2022-23 AFC Board includes the following individuals:

**2022-23 America’s Finest Charter Board of Directors**

<b>Name</b>	<b>Position</b>	<b>Term</b>
Gary Rubin	President	2019-2023
Helene Rubin	Secretary	2019-2023

Yosaren Panza	Member	2019-2023
Chris Lemke	Member	2019-2023
Tony Miranda	Member	2019-2023

**School Academic Performance:** The following tables represent the recent academic performance of AFC; a similar local P-5 school, Chollas/Mead Elementary; a similar local middle school, Millennial Tech Middle; a similar local high school, Lincoln High; and the SDUSD. Results are provided through CDE’s CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards. Staff would note that the schools compared below all demonstrate substantially higher UPP than the SDUSD 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
AFC	37%	39%	39%	*	**	38%
Local P-5	37%	41%	45%	*	**	42%
Local Middle	24%	26%	23%	*	**	28%
Local High	27%	12%	36%	*	**	19%
District	56%	56%	57%	*	**	53%

### Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21	FY22
AFC	34%	50%	43%	*	**	30%
Local P-5	33%	44%	46%	*	**	26%
Local Middle	13%	13%	11%	*	**	14%
Local High	11%	7%	9%	*	**	4%
District	46%	47%	48%	*	**	41%

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

### AFC Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	467	457	481	445	509	549	589	589	589
ADA (%)	93.5	95.5	93.5	90.9	91	92	93	94	95

**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 AFC: (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 AFC is based upon the following assumptions: (1) provision of the local matching share by SDUSD as a lump sum in the amount of \$7,462,947; (2) 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 AFC’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
<b>OPERATIONAL &amp; FINANCIAL</b>											
Enrollment	467	457	481	445	509	549	589	609	634		
Average Daily Attendance (ADA)	437	437	450	404	463	505	548	572	602		
Average Daily Attendance (%)	93.5%	95.5%	93.5%	90.9%	91.0%	92.0%	93.0%	94.0%	95.0%	93.1%	< 94.0%
FTE Teachers	25	26	27	28	28	28	28	28	28	27	
Pupil-Teacher Ratio	18.7	17.6	17.8	15.9	18.2	19.6	21.0	21.8	22.6	19.2	> 25.0
LCFF Sources/ADA	\$ 10,260	\$ 10,284	\$ 10,607	\$ 12,203	\$ 13,084	\$ 13,648	\$ 14,182	\$ 14,670	\$ 14,653	\$ 12,621	
% Change		0.2%	3.1%	15.1%	7.2%	4.3%	3.9%	3.4%	-0.1%	4.6%	
Operating Revenues/ADA	\$ 13,404	\$ 14,669	\$ 17,760	\$ 19,951	\$ 18,797	\$ 17,146	\$ 17,212	\$ 17,633	\$ 17,531	\$ 17,123	
% Change		9.4%	21.1%	12.3%	-5.8%	-8.8%	0.4%	2.4%	-0.6%	3.8%	
Operating Expenses plus CSFP Lease/ADA	\$ 12,939	\$ 13,341	\$ 17,633	\$ 20,581	\$ 18,500	\$ 17,832	\$ 17,480	\$ 17,478	\$ 17,341	\$ 17,014	
% Change		3.1%	32.2%	16.7%	-10.1%	-3.6%	-2.0%	0.0%	-0.8%	4.4%	
Free Cash Flow/ADA	\$ 464	\$ 1,328	\$ 127	\$ (630)	\$ 297	\$ (686)	\$ (268)	\$ 154	\$ 190	\$ 109	< 0
<b>DEBT SERVICE COVERAGE</b>											
Total Operating Revenues	\$ 5,851,466	\$ 6,404,088	\$ 7,986,211	\$ 8,066,098	\$ 8,706,498	\$ 8,660,344	\$ 9,428,152	\$ 10,094,039	\$ 10,558,929		
Total Operating Expenses	5,648,867	5,824,286	7,929,049	8,320,818	8,569,053	9,006,631	9,574,876	10,005,637	10,444,371		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	202,599	579,802	57,162	(254,720)	137,445	(346,287)	(146,724)	88,402	114,558		
Add Back Capital Outlay	-	-	-	59,017	60,787	62,611	64,489	66,424	68,417		
Add Back Depreciation	-	-	-	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	202,599	579,802	57,162	(195,704)	198,232	(283,676)	(82,235)	154,826	182,975		
CSFP Lease Payments	-	-	-	-	-	-	-	-	-		
Free Cash Flow	\$ 202,599	\$ 579,802	\$ 57,162	\$ (195,704)	\$ 198,232	\$ (283,676)	\$ (82,235)	\$ 154,826	\$ 182,975	\$ 90,442	< 0
<b>LIQUIDITY</b>											
Current Assets	\$ 1,183,722	\$ 2,714,513	\$ 2,303,613								
Current Liabilities	331,416	449,128	688,768								
Net Working Capital	\$ 852,306	\$ 2,265,385	\$ 1,614,845								
Net Working Capital/Oper. Expenses	15.1%	38.9%	20.4%							24.8%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 418,814	\$ 1,381,975	\$ 1,270,226								
Unrest. Cash & CE/Oper. Expenses (Days)	27	87	58								
Unrest. Cash & CE/All Expenses (Days)	27	87	58							57	< 90

Benchmark Summary:

- Enrollment – ADA experienced a decline during pandemic years consistent with state-wide trends. AFC projects a steady return to pre-pandemic levels over time, which staff find acceptable.
- 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 –Official audits reflect nearly 25% ratio of net working capital to operational expenses, and 57 days of operating expenses sustainable by unrestricted cash and equivalents. While this is below the target threshold of 90 days, it is not uncommon for non-profit organizations. Staff find these figures acceptable relative to all other metrics examined.
- Local Match – SDUSD has provided documentation certifying contracts worth \$30 million dedicated to the AFC facilities project are already in place. 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 America’s Finest Charter (AFC) 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 \$7,462,947, 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.