

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – August 2023
Item 9 Resolution 23-41**

Applicant/Obligor:	Natomas Unified School District
Project School:	Natomas Pacific Pathways Prep Elementary
CDS (County – District – School) Code:	34-75283-0134049
School Address/Proposed Site:	3700 Del Paso Rd, Sacramento, CA 95834
Type of Project:	New Construction and Rehabilitation
Type of Apportionment:	Preliminary
County:	Sacramento
District in which Project is Located:	Natomas Unified
Charter Authorizer:	Natomas Unified
Total OPSC Project Cost:	\$25,916,182
State Apportionment (50% Project Cost):	\$12,958,097
Local Matching Share Lump Sum:	\$12,958,097
Total CSFP Financed Amount:	\$0
First Year of Occupancy of New Project:	FY2022-23

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Natomas Unified School District (District or NUSD) on behalf of Natomas Pacific Pathways Prep Elementary (School or NP3) is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Preliminary Apportionment. This determination, as it relates to Preliminary 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 NUSD having fulfilled the Program local matching share requirement by contributing no less than \$12,958,097 to the project via a lump sum payment. 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 NP3. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In FY2022-23, NP3 had a total enrollment of 440 students in grades K-5 (the ADA rate was 95.7%). In FY2022-23, NUSD had a total enrollment of 16,421 students in grades K-12 (the ADA rate was 96%).
Origin of Lump Sum	NUSD has satisfied the local matching share requirement by drawing from general obligation bond proceeds raised by the passage of Measure L (2018), which specified \$20.83 million for this site. Staff would note this project was fully funded, completed, and occupied as of August 2022.
Eligibility Criteria	NP3 meets all eligibility criteria: (1) NP3 commenced operations in 2016; (2) NP3's charter is in place through June 2028; (3) NP3 is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	NP3 students consistently perform as well or better than geographical peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: NUSD has confirmed that as of April 28, 2023, NP3 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 rehabilitation scope of this project consists of the replacement-in-kind of six portable classrooms, restrooms, and administration area with permanent modular buildings. The rehab/replacement area is comprised of 5,760 square feet of classroom area, 960 square feet of 'other' area, and 360 square feet of restroom space. The capacity of this project will be 150 students.

The new construction scope of this project consists of 13 permanent modular classrooms, restrooms, and support space constructed in two permanent modular buildings. The capacity of this project will be 325 students.

School Organizational Information: NP3 manages three high performing schools in a K12 continuum. Students matriculate from the elementary to the middle to the high school where nearly every student graduates (98%) and completes the requirements to enroll at a UC or CSU campus (92%).

NP3 is governed by a ten-member board, which is elected annually and includes a parent representative from each school (elementary, middle, high), as well as one student representative. Marcie Dart is the current school principal. Staff reviewed the credentials of the principal and board members, and determined that collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of NP3.

2023-24 Natomas Pacific Pathways Prep Board Members

Name	Position	Term
Chris Minero	Board President	2023-24
Keith Staten	Vice Chair	2023-24
Debrah Wurgler	Member	2023-24
David Hunt	Member	2023-24
Troy Nunley	Member	2023-24
Sumiti Mehta	Elementary Parent Rep	2023-24
Douglas Crancer	Middle School Parent Rep	2023-24
Kendra Zapara	High School Parent Rep	2023-24
Melanie Knight-Wilkins	Student Rep	2023-24

School Academic Performance: The following tables represent the recent academic performance of NP3, a similar local elementary school, Natomas Park Elementary, and the NUSD. 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

	FY17	FY18	FY19	FY20	FY21	FY22
NP3	44%	57%	57%	*	**	64%
Local K-5	24%	40%	41%	*	**	38%
District	43%	44%	47%	*	**	44%

Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21	FY22
NP3	43%	45%	55%	*	**	53%
Local K-5	27%	32%	34%	*	**	31%
District	33%	32%	35%	*	**	29%

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for NP3 and NUSD from FY2019-20 through FY2025-26. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

NP3 Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026
Enrollment	342	356	401	440	474	482	482
ADA	96.8%	93%	95.3%	94.9%	94.9%	94.9%	94.9%

NUSD Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026
Enrollment	15,595	15,686	16,093	16,421	17,382	17,894	18,331
ADA	97.1%	96.8%	96.6%	96%	96%	96%	96%

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 NUSD: (1) audited and unaudited financial statements for FYs 2019-20 through 2022-23; (2) projected budget for FY 2023-24; and (3) future projections for FYs 2024-25 through 2025-26 along with assumptions.

Assumptions: Staff’s financial analysis of NUSD is based upon the following assumptions: (1) project was completed and occupied August 2022; (2) NUSD’s local matching share, totaling \$12,958,097, has already been contributed to the project; (3) district enrollment and ADA projections as provided above under Enrollment Trends and Projections.

Long-Term Liabilities: Staff do not foresee any significant long-term liabilities. The project has already been completed.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding NUSD’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	Est. Actuals FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL									
Enrollment	15,595	15,686	16,093	16,421	17,382	17,894	18,331		
Average Daily Attendance (ADA)	15,136	15,182	15,542	15,758	16,687	17,178	17,598		
Average Daily Attendance (%)	97.1%	96.8%	96.6%	96.0%	96.0%	96.0%	96.0%	96.3%	< 94.0%
FTE Teachers	685	691	723	735	755	775	790	736	
Pupil-Teacher Ratio	22.8	22.7	22.3	22.3	23.0	23.1	23.2	22.8	> 25.0
LFFF Sources/ADA	\$ 6,832	\$ 6,714	\$ 7,098	\$ 8,107	\$ 8,265	\$ 8,441	\$ 8,588	\$ 7,721	
% Change		-1.7%	5.7%	14.2%	1.9%	2.1%	1.7%	4.0%	
Operating Revenues/ADA	\$ 8,647	\$ 9,813	\$ 10,152	\$ 12,735	\$ 10,752	\$ 10,647	\$ 10,764	\$ 10,501	
% Change		13.5%	3.5%	25.4%	-15.6%	-1.0%	1.1%	4.5%	
Operating Expenses plus CSFP Lease/ADA	\$ 8,549	\$ 9,021	\$ 9,795	\$ 12,186	\$ 11,564	\$ 10,551	\$ 10,516	\$ 10,312	
% Change		5.5%	8.6%	24.4%	-5.1%	-8.8%	-0.3%	4.1%	
Free Cash Flow/ADA	\$ 98	\$ 792	\$ 357	\$ 549	\$ (812)	\$ 96	\$ 249	\$ 190	< 0
DEBT SERVICE COVERAGE									
Total Operating Revenues	\$ 130,882,831	\$ 148,971,815	\$ 157,778,688	\$ 200,672,258	\$ 179,419,010	\$ 182,893,327	\$ 189,428,280		
Total Operating Expenses	129,396,007	136,952,997	152,228,445	192,024,525	192,965,144	181,241,693	185,052,985		
Total Other Sources/Uses	618,678	847,656	1,166,680	(64,241)	18,180	153,684	(2,185,066)		
Net Income Available for CSFP Lease Payment	2,105,502	12,866,474	6,716,923	8,583,492	(13,527,954)	1,805,318	2,190,229		
Add Back Capital Outlay	1,785,817	144,753	2,048,875	2,371,877	787,163	715,688	715,688		
Add Back Depreciation	-	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	3,891,319	13,011,227	8,765,798	10,955,369	(12,740,791)	2,521,006	2,905,917		
CSFP Lease Payments	-	-	-	-	-	-	-		
Free Cash Flow	\$ 3,891,319	\$ 13,011,227	\$ 8,765,798	\$ 10,955,369	\$ (12,740,791)	\$ 2,521,006	\$ 2,905,917	\$ 4,187,121	< 0
LIQUIDITY									
Current Assets	\$ 198,643,924	\$ 265,312,944	\$ 222,238,144						
Current Liabilities	49,812,446	36,653,904	46,524,991						
Net Working Capital	\$ 148,831,478	\$ 228,659,040	\$ 175,713,153						
Net Working Capital/Oper. Expenses	115.0%	167.0%	115.4%					132.5%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 179,933,363	\$ 240,271,415	\$ 204,734,019						
Unrest. Cash & CE/Oper. Expenses (Days)	508	640	491						
Unrest. Cash & CE/All Expenses (Days)	508	640	491					546	< 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 – District operates with historically positive cash flow, though the model reflects a temporary decline in FY 2023-24 due to conservative revenue projections combined with increasing enrollment. Free Cash Flow resumes positive trend in FY 2024-25.
- *Liquidity* – NUSD demonstrates substantial Net Working Capital relative to Operating Expenses at 132.5%; as well as excellent Unrestricted Cash and Equivalents relative to daily Operating Expenses with over 500 days on hand.
- Local Match – NUSD has provided documentation certifying this project was completed as of August 2022 using a portion of the \$20.83 million designated specifically for the site by local bond Measure L, approved November 8, 2018. The local match requirement has therefore already been fulfilled.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Natomas Unified School District (NUSD) on behalf of Natomas Pacific Pathways Prep Elementary (NP3) is financially sound for the purposes of this Charter School Facilities Program (CSFP) Preliminary Apportionment. This determination, as it relates to Preliminary 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 NUSD having fulfilled the Program local matching share requirement by

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