

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – November 2023
Item 8 Resolution 23-53**

Applicant/Obligor:	San Diego Unified School District
Project School:	Kavod Charter
CDS (County – District – School) Code:	37-68338-0126730
School Address/Proposed Site:	6991 Balboa Ave. San Diego, CA 92111
Type of Project:	New Construction and Rehabilitation
Type of Apportionment:	Preliminary and Advance
County:	San Diego
District in which Project is Located:	San Diego Unified
Charter Authorizer:	San Diego Unified
Total OPSC Project Cost:	\$32,705,334
State Apportionment (50% Project Cost):	\$16,352,667
Local Matching Share Lump Sum:	\$16,352,667
Total CSFP Financed Amount:	\$0
First Year of Occupancy of New Project:	2026-27

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that San Diego Unified School District (District or SDUSD) on behalf of Kavod Charter (School or KC) 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 period. This recommendation is contingent upon SDUSD fulfilling the Program local matching share requirement by contributing no less than \$16,352,667 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 and the State Allocation Board regarding this determination.

Application Highlights: Below staff highlighted key criteria evaluated when conducting the financial soundness review for SDUSD on behalf of KC. Detailed information is contained in the body of the report:

Criteria	Comments
Population	In FY2022-23, KC had a total enrollment of 382 students in grades K-8; the average daily attendance (ADA) rate was 93.6%.
Origin of Lump Sum	SDUSD will satisfy the local matching share requirement by drawing from general obligation bond proceeds raised by the passage of Measure YY (2018), which included \$588 million for charter school projects within the boundaries of SDUSD. On September 10, 2019, the SDUSD Board of Education budgeted \$213 million toward charter school projects, of which more than \$40.3 million is reserved for projects at KC.
Eligibility Criteria	KC has met all eligibility criteria: (1) KC commenced operations in 2013; (2) KC’s charter is in place through June 2028; (3) KC is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	KC 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 September 26, 2023, KC is in compliance with the terms of its Charter Agreement and has no pending or outstanding Notices of Violation or 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 facilities currently occupied by KC were originally constructed in 1960 and have not received any substantial upgrades since. This project will improve the existing classroom environments by modernizing interior finishes, increasing lighting efficiency by replacing inefficient bulbs, replacing drinking fountains with hydration stations, removing hazardous materials, and providing new HVAC. A new two-story middle school, two-story elementary school, and multipurpose building will replace (14) temporary classrooms and expand the school’s music, media, and physical education capabilities. These improvements will also reclaim space for much needed outdoor playground area. Other site improvements include refinished asphalt paving and play-surfacing, improved accessibility, new landscaping, and new outdoor learning areas.

School Organizational Information: KC is governed by its corporate Board of Directors whose members have a legal fiduciary responsibility for the well-being of the school. The Board hires an Executive Director who is responsible, under the authority of and with oversight by the Board, for implementation of the school’s academic programs and for the operational management of the school. The Executive Director reports directly to the Board.

Alexa Greenland is the current Executive Director. Staff reviewed the credentials of the Executive Director and concluded the management team demonstrates the required experience and educational background to effectively oversee the operations of KC.

2023-24 Kavod Charter Board of Directors

Name	Position	Term
Jeremy van Frank	President	2022-24
Avi Frolichman	Treasurer	2023-25
Michelle Anderson	Secretary	2022-24
Harriet Herman	Member	2022-24
Svetlana Sowers	Member	2023-25
Olivia Okovita	Member	2022-24
Rachael Medlin	Parent Representative	2023-25

School Academic Performance: The following tables represent the recent academic performance of students attending KC; a similar local K-8 school: Grant K-8; and 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).*

***2020-2021 data was suppressed to protect student privacy.*

English Language Arts Achievement

	FY18	FY19	FY20	FY21	FY22	FY23
KC	70%	61%	*	**	64%	61%
Grant K-8	70%	73%	*	**	66%	69%
District	56%	57%	*	**	53%	54%

Mathematics Achievement

	FY18	FY19	FY20	FY21	FY22	FY23
KC	60%	54%	*	**	59%	55%
Grant K-8	61%	66%	*	**	61%	66%
District	47%	48%	*	**	41%	43%

Enrollment Trends and Projections: The table below presents enrollment and average daily attendance information for KC from FY 2019-20 through FY 2027-28. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

KC Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	320	357	403	382	396	430	435	437	446
ADA (%)	96.6	95.5	96.6	93.6	96	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 KC: (1) audited financial statements for FYs 2019-20 through 2021-22; (2) final budget for FY 2022-23; and (3) budget projections for FYs 2023-24 through 2027-28 along with assumptions.

Assumptions: Staff’s financial analysis of KC is based upon the following assumptions: (1) completion and occupation of project facilities by August 2026; (2) the contribution by SDUSD of a lump sum of no less than \$16,352,667; (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 KC’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	320	357	403	382	396	430	435	437	446		
Average Daily Attendance (ADA)	309	341	389	358	380	413	418	420	428		
Average Daily Attendance (%)	96.6%	95.5%	96.6%	93.6%	96.0%	96.0%	96.0%	96.0%	96.0%	95.8%	< 94.0%
FTE Teachers	17	27	34	28	28	28	28	28	28	27	
Pupil-Teacher Ratio	18.8	13.2	11.9	13.6	14.1	15.4	15.5	15.6	15.9	14.9	> 25.0
LFFF Sources/ADA	\$ 9,023	\$ 8,926	\$ 9,342	\$ 10,665	\$ 11,453	\$ 11,876	\$ 12,270	\$ 12,664	\$ 13,055	\$ 11,030	
% Change		-1.1%	4.7%	14.2%	7.4%	3.7%	3.3%	3.2%	3.1%	4.8%	
Operating Revenues/ADA	\$ 10,443	\$ 10,740	\$ 12,632	\$ 14,127	\$ 14,984	\$ 14,178	\$ 14,486	\$ 14,638	\$ 15,022	\$ 13,472	
% Change		2.8%	17.6%	11.8%	6.1%	-5.4%	2.2%	1.1%	2.6%	4.9%	
Operating Expenses plus CSFP Lease/ADA	\$ 9,746	\$ 10,682	\$ 12,131	\$ 13,959	\$ 14,271	\$ 13,381	\$ 13,637	\$ 14,002	\$ 14,169	\$ 12,886	
% Change		9.6%	13.6%	15.1%	2.2%	-6.2%	1.9%	2.7%	1.2%	5.0%	
Free Cash Flow/ADA	\$ 697	\$ 58	\$ 501	\$ 168	\$ 712	\$ 797	\$ 850	\$ 637	\$ 854	\$ 586	< 0
LIQUIDITY											
Total Operating Revenues	\$ 3,229,267	\$ 3,661,246	\$ 4,919,099	\$ 5,051,184	\$ 5,696,154	\$ 5,852,648	\$ 6,049,447	\$ 6,141,138	\$ 6,431,964		
Total Operating Expenses	3,013,674	3,641,464	4,724,051	4,991,210	5,425,447	5,523,833	5,694,691	5,874,034	6,066,433		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	215,593	19,782	195,048	59,974	270,707	328,815	354,756	267,104	365,531		
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-		
Add Back Depreciation	-	-	-	6,612	4,885	4,885	4,885	4,885	4,885		
Adjusted Net Income Available for CSFP Lease Pymt.	215,593	19,782	195,048	66,586	275,592	333,700	359,641	271,989	370,416		
CSFP Lease Payments	-	-	-	-	-	-	-	-	-		
Free Cash Flow	\$ 215,593	\$ 19,782	\$ 195,048	\$ 66,586	\$ 275,592	\$ 333,700	\$ 359,641	\$ 271,989	\$ 370,416	\$ 234,261	< 0
Current Assets	\$ 1,130,549	\$ 1,809,835	\$ 1,999,140								
Current Liabilities	229,527	885,206	896,043								
Net Working Capital	\$ 901,022	\$ 924,629	\$ 1,103,097								
Net Working Capital/Oper. Expenses	29.9%	25.4%	23.4%							26.2%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 707,019	\$ 1,185,328	\$ 1,422,438								
Unrest. Cash & CE/Oper. Expenses (Days)	86	119	110								
Unrest. Cash & CE/All Expenses (Days)	86	119	110							105	< 90

Benchmark Summary:

- Enrollment – ADA consistently exceeds target threshold of 94%.
- FTE Teachers – Pupil-teacher ratio consistently resides below maximum target of 25.
- Free and/or per ADA Cash Flow – School operates with historically positive cash flow.
- Net Working Capital relative to Operating Expenses – KC liquidity metrics are strong with a ratio of Net Working Capital to Operational Expenses over 26%, and Unrestricted Cash and Equivalents on hand equivalent to 105 days' worth of expenses.
- SDUSD has certified that more than \$40.3 million has been reserved for projects at Kavod Charter, well in excess of the minimum required local match.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that San Diego Unified School District (SDUSD) on behalf of Kavod Charter is financially sound for the purposes of Charter School Facilities Program 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 period. This recommendation is contingent upon SDUSD fulfilling the Program local matching share requirement by contributing no less than \$16,352,667 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 and the State Allocation Board regarding this determination.