

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – January 2024
Item 4 Resolution 24-01**

Applicant/Obligor:	Community Outreach Academy
Project School:	Community Outreach Academy
CDS (County – District – School) Code:	34-76505-0101766
School Address - Proposed Site:	3800 Bolivar Ave., North Highlands, CA 95660
Type of Project:	Rehabilitation
Type of Apportionment:	Preliminary and Advance
County:	Sacramento
District in which Project is Located:	Twin Rivers Unified
Charter Authorizer:	Twin Rivers Unified
Total OPSC Project Cost:	\$18,355,840
State Apportionment (50% Project Cost):	\$9,177,920
Total CSFP Financed Amount:	\$9,177,920
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.50%
Estimated Annual CSFP Payment:	\$499,016
First Year of Occupancy of New Project:	FY2026-27

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Community Outreach Academy (School or COA) is financially sound for the purposes of a Preliminary and Advance Apportionment under the Charter School Facilities Program (Program or CSFP). 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 COA 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: In the table below, staff have highlighted key criteria evaluated when conducting the financial soundness review for COA. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2022-23, COA had a total enrollment of 1,714 students in grades K-8; the average daily attendance (ADA) rate was 93%, and the Unduplicated Pupil Percentage (UPP) was 92.7%.
Debt Service Coverage	COA's debt service coverage from adjusted net income on the proposed CSFP loan is projected to average 135% over the first two years that payments would be due.
Eligibility Criteria	COA has met all eligibility criteria: (1) COA commenced operations in 2003; (2) COA's charter is in place through June 2025; (3) COA is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	COA students consistently perform on par with or exceed peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: On January 16, 2024, verification was received from Twin Rivers Unified that COA 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: Community Outreach Academy students in grades 6-8 attend school on the district's Campos Verdes Adult site. This middle school site currently serves 468 students with enrollment expected to grow over the next school year. This project will primarily involve the modernization of instructional space: 16 aging classrooms, originally constructed in the 1950's, will be completely gutted and remodeled, including HVAC, plumbing, electrical, paint, flooring, and ADA upgrades to meet current code. Accompanying restrooms will also be remodeled and brought up to code. The project is expected to be completed by August of 2026.

School Organizational Information: Community Outreach Academy was founded with a commitment to developing the academic talents of its students while nurturing their appreciation and understanding of their rich cultural heritage and the place they take as citizens in our state and nation. In providing a multicultural education, including a curriculum representing the student's language and literature of their heritage, delivered in a supportive environment, faculty aim to develop students' ability to apply lessons as they grow and maximize their individual social, academic, and personal development and contribute to our diverse community. COA operates as a K-8 charter school serving a significant eastern European/Slavic population. With the impact of the war in Ukraine, the Sacramento area is accepting an influx of refugee families. Based on Department of Homeland Security data, the Sacramento and North Highlands communities anticipate as many as 3,000 families resettling in the region over the next few years.

COA is operated and overseen by Gateway Community Charters (GCC), a 501c3 non-profit charter management organization (CMO). Gateway Community Charters (GCC) was created in April of 2003 with a vision to create quality schools of choice in the greater Sacramento region with a particular emphasis on serving under-served and at-risk populations. COA is governed by the GCC Board of Directors in accordance with its adopted corporate bylaws. The Board is composed of five directors, none of whom can be a current teacher or staff member employed at any GCC school. The current Superintendent of GCC schools is Jason Sample, the current Director of COA is Larissa Gonchar. 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 COA.

2023-24 GCC Board of Directors

Name	Position	Term Expiration
Lillie Campbell	President	June 2026
Bruce Mangerich	Vice-President	June 2025
Harry Block	Secretary	June 2025
Mark Anderson	Treasurer	June 2026
Jack Turner	Director	June 2025

School Academic Performance: The following tables represent the recent academic performance of COA; a similar local K-8 school, Kohler Elementary; and Twin Rivers Unified. Results are provided through the California Department of Education’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).

**2020–21 data is suppressed to protect student privacy due to insufficient sample size.

English Language Arts Achievement

	FY18	FY19	FY20	FY21	FY22	FY23
COA	50%	48%	*	**	40%	32%
Local School	33%	35%	*	**	29%	25%
District	35%	37%	*	**	31%	32%

Mathematics Achievement

	FY18	FY19	FY20	FY21	FY22	FY23
COA	48%	43%	*	**	28%	26%
Local School	28%	29%	*	**	15%	17%
District	27%	29%	*	**	20%	22%

Enrollment Trends and Projections: The table below presents enrollment and average daily attendance information for COA from FY 2019-20 through FY 2028-29. COA projects reaching maximum authorized enrollment by FY 2024-25 based on community trends.

COA Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Enrollment	1,700	1,687	1,539	1,714	1,714	1,814	1,814	1,814	1,814	1,814
ADA (%)	95.5	96.2	95.5	93	94.1	93.7	93.6	93.8	93.8	93.8

Financial Analysis

Financial Data Sources: This financial analysis is based on the consideration and review of the following for COA: (1) audited financial statements for FYs 2019-20 through 2022-23; (2) approved budget for FY 2023-24; and (3) budget projections for FYs 2024-25 through 2028-29 along with assumptions.

Assumptions: Staff’s financial analysis of COA is based upon the following assumptions: (1) occupation of the new facility in FY 2026-27; (2) the repayment of COA’s CSFP matching share loan in the amount of \$9,177,920 at 3.5% interest commencing in FY 2027-28; (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 COA’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	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	AVERAGE	THRESHOLD LEVEL	
OPERATIONAL & FINANCIAL													
Enrollment	1,700	1,687	1,539	1,714	1,714	1,814	1,814	1,814	1,814	1,814			
Average Daily Attendance (ADA)	1,623	1,623	1,469	1,595	1,613	1,699	1,698	1,702	1,702	1,702			
Average Daily Attendance (%)	95.5%	96.2%	95.5%	93.0%	94.1%	93.7%	93.6%	93.8%	93.8%	93.8%	94.3%	< 94.0%	
FTE Teachers	63	78	91	99	105	110	110	110	110	110	99		
Pupil-Teacher Ratio	27.0	21.6	16.9	17.3	16.3	16.5	16.5	16.5	16.5	16.5	18.2	> 25.0	
LCFF Sources/ADA	\$ 10,235	\$ 7,418	\$ 7,852	\$ 13,101	\$ 15,018	\$ 15,633	\$ 16,146	\$ 16,662	\$ 17,188	\$ 17,715	\$ 13,697		
% Change		-27.5%	5.8%	66.8%	14.6%	4.1%	3.3%	3.2%	3.2%	3.1%	8.5%		
Operating Revenues/ADA	\$ 12,815	\$ 14,613	\$ 16,557	\$ 20,967	\$ 19,957	\$ 19,910	\$ 20,514	\$ 21,110	\$ 21,725	\$ 22,352	\$ 19,052		
% Change		14.0%	13.3%	26.6%	-4.8%	-0.2%	3.0%	2.9%	2.9%	2.9%	6.7%		
Operating Expenses plus CSFP Lease/ADA	\$ 12,388	\$ 12,345	\$ 15,721	\$ 17,472	\$ 22,164	\$ 20,497	\$ 20,187	\$ 20,685	\$ 21,702	\$ 22,390	\$ 18,555		
% Change		-0.3%	27.4%	11.1%	26.9%	-7.5%	-1.5%	2.5%	4.9%	3.2%	7.4%		
Free Cash Flow/ADA	\$ 427	\$ 2,268	\$ 836	\$ 3,495	\$ (2,207)	\$ (587)	\$ 328	\$ 425	\$ 22	\$ (38)	\$ 497	< 0	
DEBT SERVICE COVERAGE													
Total Operating Revenues	\$ 20,798,712	\$ 23,718,139	\$ 24,328,367	\$ 33,437,232	\$ 32,197,180	\$ 33,833,836	\$ 34,838,328	\$ 35,921,108	\$ 36,967,838	\$ 38,034,557			
Total Operating Expenses	20,106,058	20,036,517	23,100,013	27,863,185	35,757,900	34,830,825	34,281,914	35,198,000	36,430,843	37,600,956			
Total Other Sources/Uses	(26,766)	649,889	1,265,205	3,890,640	-	-	-	-	-	-			
Net Income Available for CSFP Lease Payment	665,888	4,331,511	2,493,559	9,464,687	(3,560,720)	(996,988)	556,414	723,108	536,995	433,601			
Add Back Capital Outlay	-	-	-	4,682,745	882,745	190,684	190,684	190,684	190,684	190,684			
Add Back Depreciation	-	-	-	-	-	-	-	-	-	-			
Adjusted Net Income Available for CSFP Lease Pymt.	665,888	4,331,511	2,493,559	9,464,687	1,122,025	(114,243)	747,097	913,792	727,679	624,284			
CSFP Lease Payments	-	-	-	-	-	-	-	-	499,016	499,016			
Free Cash Flow	\$ 665,888	\$ 4,331,511	\$ 2,493,559	\$ 9,464,687	\$ 1,122,025	\$ (114,243)	\$ 747,097	\$ 913,792	\$ 228,663	\$ 125,268	\$ 1,997,825	< 0	
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	145.8%	125.1%	< 110.0%	
DSC from LCFF Sources subject to CSFA Intercept									5861.1%	6040.9%	5951.0%		
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.3%	1.3%	1.3%	> 15.0%	
LIQUIDITY													
Current Assets	\$ 11,258,088	\$ 15,741,406	\$ 20,986,042										
Current Liabilities	1,465,806	1,512,791	3,719,333										
Net Working Capital	\$ 9,792,282	\$ 14,228,615	\$ 17,266,709										
Net Working Capital/Oper. Expenses	48.7%	71.0%	74.7%								64.8%	< 5.0%	
Unrestricted Cash & Cash Equivalents	\$ 5,525,928	\$ 9,000,970	\$ 14,302,986										
Unrest. Cash & CE/Oper. Expenses (Days)	100	164	226										
Unrest. Cash & CE/All Expenses (Days)	100	164	226								163	< 90	

Benchmark Summary:

- Enrollment – Average ADA rate over the period reviewed meets established threshold thanks to past, actual performance despite conservative future projections of sub 94% from FY 2025-26 through FY 2028-29.
- Full-time equivalent (FTE) Teachers – Pupil-teacher ratio falls well below established threshold in all but one prior year examined and in all future projections.
- Free Cash Flow and/or per ADA – COA operates with historically positive cash flow. Substantial increase in revenue in FY 2022-23 related entirely to state funding sources and outside COLA expansion that year.
- Debt Service Coverage from Adj. Net Income – 135.5% estimated average debt service coverage over the first two years of projected CSFP loan repayment exceeds required threshold of 110%. Staff find budget projections acceptable and note conservative revenue vs. expense growth factors were projected in out years.
- CSP Lease Payment relative to Operational Revenues: Representing an estimated 1.3% of annual operating revenues, proposed CSFP loan payment is unlikely to impose a hardship on the school.
- Net Working Capital relative to Operating Expenses – COA historical liquidity metrics are very strong with historical ratio of Net Working Capital to Operational Expenses at nearly 65%, and Unrestricted Cash and Equivalents on hand equal to 163 days' worth of expenses.

Staff Recommendation: Staff recommend that the California School Finance Authority (CSFA) Board determine that Community Outreach Academy (COA) 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,

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 COA 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 recommend that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.