

**Charter School Facilities Program  
Proposition 51 Funding Round  
Staff Summary Report – January 2018**

<b>Applicant/Obligor:</b>	Manzanita Public Charter School
<b>Project School:</b>	Manzanita Public Charter School
<b>CDS (County – District – School) Code:</b>	42-69229-0116921
<b>School Address/Proposed Site:</b>	991 Mountain View Blvd., Lompoc, CA
<b>Type of Project:</b>	Rehabilitation
<b>Type of Apportionment:</b>	Preliminary
<b>County:</b>	Santa Barbara County
<b>District in which Project is Located:</b>	Lompoc Unified School District
<b>Charter Authorizer:</b>	Lompoc Unified School District
<b>Total OPSC Project Cost:*</b>	\$783,770
<b>State Apportionment (50% Project Cost):</b>	\$391,885
<b>Lump Sum Contribution:</b>	\$195,942
<b>Total CSFP Financed Amount:</b>	\$195,943
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$9,997
<b>First Year of Occupancy of New Project:</b>	2019

*\*The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Manzanita Public Charter School (Manzanita), is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance 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 Manzanita 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 Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Manzanita. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Obligor Information</b>	
Eligibility Criteria	Manzanita has met all eligibility criteria: (1) Manzanita began operation in 2008; (2) Manzanita's charter was approved in December 2013 and is in place through June 2018; the school is the process with their authorizer of renewing their charter through March 2018 and has preliminary communications from Lompoc Unified School District (LUSD) confirming there are no issues foreseen (3) Manzanita is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Manzanita Public Charter School students have performed on par with students from the district as a whole but have underperformed compared to students in nearby elementary schools per the "Smarter Balanced" assessment provided by the California Department of Education.
Demographic Information	For the past 3 years, Manzanita's enrollment numbers have averaged 415 for grades K-6. Enrollment numbers can fluctuate due to 30% of the student population being Air Force dependents subject to deployment. The school is at capacity, with the exception of first grade, in the 2017-18 enrollment year.
Debt Service Coverage	The first year of occupancy for the rehabilitation project is 2018-19. The projected debt service coverage ratios are 267.2% for 2020-21 and 131.1% for 2021-22. This exceeds the Program's minimum debt service coverage requirement of 100%. In addition, Manzanita does not conduct any fundraising and, therefore, they will not have to rely on it to meet the debt service requirement. Gross debt service coverage based on LCFF sources subject to the CSFA intercept would be 38,450.3% in 2020-21 and 39,411.5% for 2021-22.
Other Financial Factors	<ul style="list-style-type: none"> <li>• Projected ratios of CSFP payments to total revenues are 0.2% for both 2020-21 and 2021-22 which are much lower than the maximum range of 10-15% established.</li> <li>• Net working capital of \$922,991 for 2015-16 and \$1,129,306 for 2016-17 represented 22.4% and 27.1% of total expenses, respectively, which exceeds the preferred minimum of 5.0%.</li> </ul>

**Program Eligibility:** On October 6, 2017, at CSFA staff's request, verification was received from Lompoc Unified School District confirming that Manzanita Public Charter is: (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. Manzanita's current charter is effective through June 2018, but are in the process of renewing it. Correspondence from John Karbula, Assistant Superintendent of Business Services for LUSD, confirms that no issues are foreseen with Manzanita's renewal of their charter.

**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:** Manzanita Public Charter is applying for rehabilitation funding of an existing district facility. The rehabilitation involves remodeling the kitchen; replacing the aging floor (which includes asbestos abatement); installing a wheelchair lift at the school stage; remodeling the bathrooms; updating electrical wiring; painting buildings; and replacing sprinklers.

**School Organizational Information:** Manzanita Public Charter is a public charter school located in Santa Barbara County and authorized by the Lompoc Unified School District. Manzanita's initial charter was approved by the Lompoc Unified School District on December 8, 2007. The most recent charter was approved for renewal on February 17, 2013, with a charter term of July 1, 2013 – June 30, 2018. Manzanita is in the process of renewing its charter.

Manzanita Public Charter was conceived by an eclectic mix of educators, community members and parents who felt a community need in the Lompoc/Vandenberg Air Force Base area for advanced educational options and progressive, research-based educational practices that respond to changing community demographics.

Manzanita Public Charter is a designated State and National "Bucket Filling" school. The Bucket Filling program is a non-sectarian, literature-based platform that emphasizes respect, responsibility, trustworthiness, fairness, caring, courage, self-control, anti-bullying and diligence, with an emphasis on the social and emotional well-being of students.

The school services an English Language Learner population of 25% and a Socioeconomically Disadvantaged population of 66%, with around 21% of those students met the Health and Human Services guidelines for Federal Poverty Levels. The majority of students served by Manzanita reside in attendance areas of low to average performing district elementary schools and many students have been identified as achieving at basic or below on the California Standards Test or performing basic or below on Summative/Formative assessments.

The Principal of Manzanita is Suzanne Marie Nicastro. Prior to her time at Manzanita, Ms. Nicastro was a principal in Santa Ynez Valley Union and Lompoc Unified School Districts. She spent ten years as an English department chair as well as a journalism teacher and advisor. Ms. Nicastro has a Bachelor's of Arts from the University of California Santa Barbara and a Masters Arts from Chapman University.

Manzanita is governed by a five person Board: Randy Wolf, Chair; Eric Wilhelm, Secretary; Juan Carlos Castaneda; Vincent Jackson; and Monique Mangino, Treasurer.

**School Academic Performance:** The following tables represent the 2015-16 and 2016-17 academic performance of Manzanita, Crestview Elementary (Crestview), Buena Vista

Elementary (Buena Vista), and LUSD. The results are provided through CDE's CAASP Smarter Balanced testing data. Crestview and Buena Vista are non-chartered public elementary schools, serving grades K-6. The schools are part of the Lompoc Unified School District. There are currently 535 and 660 students enrolled, respectively.

**English Language Arts (2015-16) – Comparison**

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Manzanita	46%	Low	3 out of 4
Crestview	71%	High	0 out of 4
Buena Vista	58%	High	1 out of 4
LUSD	45%	Average	1 out of 9

**Mathematics (2015-16) – Comparison**

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Manzanita	31%	Lowest	3 out of 4
Crestview	64%	High	0 out of 4
Buena Vista	37%	Average	1 out of 4
LUSD	28%	Average	4 out of 9

**English Language Arts (2016-17) – Comparison**

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Manzanita	48%	Low	0 out of 4
Crestview	69%	High	0 out of 4
Buena Vista	57%	High	1 out of 3
LUSD	45%	Low	6 out of 11

**Mathematics (2016-17) – Comparison**

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Manzanita	34%	Lowest	1 out of 4
Crestview	52%	High	0 out of 4
Buena Vista	36%	Average	2 out of 3
LUSD	28%	Low	6 out of 11

**Enrollment Trends and Projections:** The tables below present enrollment information for Manzanita from 2013-14 through 2020-21. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**School Student Enrollment and Average Daily Attendance**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Enrollment	417	414	417	422	421	421	421	425
ADA	96.9%	97.1%	96.0%	94.8%	95.5%	95.0%	95.0%	94.1%

**Financial Data Sources:** This financial analysis is based on the consideration and review of the following for Manzanita, the financial obligor and Applicant: (1) audited financial statements for 2014-15, 2015-16 and 2016-17; (2) adopted budget for 2017-18; and (3) budget projections for 2018-19 through 2021-22 along with assumptions. Please note that staff's analysis of Manzanita's financial performance, including the evaluation of operating budget and liquidity, is based on the General Fund only.

**Assumptions:** Manzanita's financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation project in 2018-19; (2) enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected ADA rates of 95% (at a minimum), which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$8,717 for 2017-18, as included with the school's adopted budget document for 2017-18, along with projected changes in LCFF funding level adjustments of 3.7% (2018-19), 2.4% (2019-20), 3.9% (2020-21), and 2.5% (2021-22).

**Long Term Liabilities:** Manzanita has no long term liabilities.

**Private Contributions:** Manzanita does not rely on any private contributions.

**Benchmark Summary and Analysis:** The following table and summary listing sets forth the results of staff's analysis regarding Manzanita'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.

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	<i>Actual</i> FY 2015	<i>Actual</i> FY 2016	<i>Actual</i> FY 2017	<i>Projected</i> FY 2018	<i>Projected</i> FY 2019	<i>Projected</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022
<b>OPERATIONAL &amp; FINANCIAL</b>								
Enrollment	417	414	417	422	421	421	421	425
Average Daily Attendance (ADA)	404	402	400	400	400	400	400	400
Average Daily Attendance (%)	96.9%	97.1%	96.0%	94.8%	95.0%	95.0%	95.0%	94.1%
Retention Rate	97.0%	96.0%	97.0%	97.0%	97.0%	97.0%	97.0%	97.0%
FTE Teachers	22	21	20	0	0	0	0	0
Pupil-Teacher Ratio	19.0	19.7	20.9	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
LCFF Sources/ADA	\$ 7,252	\$ 8,299	\$ 8,489	\$ 8,717	\$ 9,038	\$ 9,253	\$ 9,610	\$ 9,850
% Change		14.4%	2.3%	2.7%	3.7%	2.4%	3.9%	2.5%
Operating Revenues/ADA	\$ 8,796	\$ 10,571	\$ 10,925	\$ 9,875	\$ 9,950	\$ 10,165	\$ 10,522	\$ 10,762
% Change		20.2%	3.3%	-9.6%	0.8%	2.2%	3.5%	2.3%
Operating Expenses plus CSFP Lease/ADA	\$ 8,507	\$ 10,259	\$ 10,409	\$ 9,666	\$ 9,738	\$ 10,019	\$ 10,480	\$ 10,754
% Change		20.6%	1.5%	-7.1%	0.7%	2.9%	4.6%	2.6%
Free Cash Flow/ADA	\$ 289	\$ 311	\$ 515	\$ 209	\$ 212	\$ 146	\$ 42	\$ 8

	<i>Actual</i> FY 2015	<i>Actual</i> FY 2016	<i>Actual</i> FY 2017	<i>Projected</i> FY 2018	<i>Projected</i> FY 2019	<i>Projected</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022
<b>DEBT SERVICE COVERAGE</b>								
Total Operating Revenues	\$ 3,553,504	\$ 4,249,792	\$ 4,372,905	\$ 3,950,018	\$ 3,979,913	\$ 4,066,027	\$ 4,208,740	\$ 4,304,837
Total Operating Expenses	3,436,949	4,124,562	4,166,590	3,866,242	3,895,187	4,007,727	4,182,028	4,291,735
Total Other Sources/Uses	-	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	116,555	125,230	206,315	83,776	84,726	58,300	26,712	13,102
Add Back Capital Outlay	-	-	-	-	-	-	-	-
Add Back Depreciation	-	-	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	116,555	125,230	206,315	83,776	84,726	58,300	26,712	13,102
CSFP Lease Payments	-	-	-	-	-	-	9,997	9,997
Free Cash Flow	\$ 116,555	\$ 125,230	\$ 206,315	\$ 83,776	\$ 84,726	\$ 58,300	\$ 16,715	\$ 3,105
<b>DSC from Adj. Net Income</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>267.2%</b>	<b>131.1%</b>
<b>DSC from LCFF Sources subject to CSFA Intercept</b>						<b>N/A</b>	<b>38450.3%</b>	<b>39411.5%</b>
<b>CSFP Lease Payment/Oper. Revenues</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.2%</b>	<b>0.2%</b>
<b>FUNDRAISING</b>								
Fundraising for Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fundraising/Oper. Revenues</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	267.2%	131.1%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	#DIV/0!	#DIV/0!
<b>LIQUIDITY</b>								
Current Assets	\$ 1,357,891	\$ 1,293,255	\$ 1,324,029					
Current Liabilities	560,130	370,264	194,723					
Net Working Capital	\$ 797,761	\$ 922,991	\$ 1,129,306					
<b>Net Working Capital/Oper. Expenses</b>	<b>23.2%</b>	<b>22.4%</b>	<b>27.1%</b>					
Unrestricted Cash & Cash Equivalents	\$ 1,016,072	\$ 1,156,201	\$ 962,548					
<b>Unrest. Cash &amp; CE/Oper. Expenses (Days)</b>	<b>108</b>	<b>102</b>	<b>84</b>					
Unrest. Cash & CE/All Expenses (Days)	108	102	84					

**Benchmark Summary:**

- Free Cash Flow/ADA – Met: \$246 avg. (>\$0)
- Free Cash Flow – Met: \$98,802 avg. (>\$0)
- Debt Service Coverage from LCFF Sources – Met: 38450.3%
- Net Working Capital as Portion of Operating Expenses – Met: 24.2% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Met: 98 days on average (> 90 days)

Summary of Financial Findings and Special Considerations:

**Strengths, Weaknesses and Mitigants:**

- + Manzanita is financially viable based on a review of audited financials for 2014-15, 2015-16, and 2016-17, and projected budgets for 2017-18 through 2021-22 which staff considers reasonable
- + Manzanita's historical and projected financials present positive operating income for all years, averaging \$86,840
- + Manzanita has funds in their reserve account available to make a lump sum payment of \$195,942 to cover the local matching share. The current balance in the reserve account is \$1,298,092.65
- +/- Manzanita has comparably performed to LUSD on average in both English Language Arts and Mathematics assessment in the last two years. Although they were outperformed by other Elementary schools in the District, Manzanita's students have improved their English Language Arts and Mathematics assessment scores when compared to prior year scores.

**Staff Recommendation:** Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that Manzanita Public Charter School (Manzanita or "School"), is financially sound for the purposes of Charter School Facilities Program ("Program" or "CSFP") Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance 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 Manzanita 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 Authority Board direct staff to notify the Office of Public School Construction ("OPSC") and the State Allocation Board regarding this determination.