

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

Applicant:	California Montessori Project
Obligor:	San Juan Unified School District
Project School:	California Montessori Project – San Juan (American River)
CDS (County – District – School) Code:	34-67447-0112169
School Address/Proposed Site:	6838 Kermit Lane, Fair Oaks, CA 95628
Type of Project:	Rehabilitation
Type of Apportionment:	Preliminary
County:	Sacramento
District in which Project is Located:	San Juan Unified School District
Charter Authorizer:	San Juan Unified School District
Total OPSC Project Cost:*	\$13,469,210
State Apportionment (50% Project Cost):	\$6,734,605
Lump Sum Contribution:	\$6,734,605
Total CSFP Financed Amount:	N/A
Length of CSFP Funding Agreement:	N/A
Assumed Interest Rate:	N/A
Estimated Annual CSFP Payment:	N/A
First Year of Occupancy of New Project:	2017-18

**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 San Juan Unified School District (“District” or “SJUSD”) on behalf of California Montessori Project – San Juan (American River) (“School” or “CMPSJ”, is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to 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. 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.

For purposes of providing proof of the funds available to make the lump sum payment towards the local match, SJUSD has confirmed their expected lump sum payment. The funds for the lump sum will come from designated building fund with a balance as of June 2017 was \$179,666,130. The balance is expected to have approximately \$96,270,855.80 by the end of 2017-18. The board may consider repayment through both a lump-sum and loan repayment but that is dependent on board approval and additional projects under consideration. Staff notes that, at the time of Preliminary Apportionment, the Obligor will be required to produce evidence of having the said amount of funds in a restricted bank account, specifically designated for the CSFP project.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of San Juan Unified School District on behalf of California Montessori Project – San Juan (American River). Detailed information is contained in the body of the report.

Criteria	Comments
Obligor Information	
Demographic Information	<ul style="list-style-type: none"> In 2016-17, SJUSD operated/authorized 67 schools/education centers which consists of a preschool center, 33 elementary schools, 8 K-8 grade schools, 8 junior high schools, 9 high schools, 1 continuation school, 1 independent study school, 1 adult education school, 3 special education schools and 2 charter schools Enrollment totaled at 39,782 with an ADA rate of 94.8% By 2018-19, SJUSD projects an enrollment of 39,822 students.
Debt Service Coverage	The district is providing its matching share through GO bond proceeds.
Other Financial Factors	<ul style="list-style-type: none"> SJUSD's building fund will have an expected balance of \$96,270,855.80 at the end of 2017-18. SJUSD's general fund (chief operating fund) has a projected balance of \$47,344,939 as the end of 2017-18.
School Information	
Eligibility Criteria	California Montessori Project – San Juan (American River) has met all eligibility criteria: (1) operations began operation in August 2006; (2) CMPSJ most recent charter was approved in July 2016 and is in place through June 2021; (3) CMPSJ is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	CMPSJ students have performed comparably or slightly better than both comparable school averages and the district as a whole in English Language Arts and Mathematics per the "Smarter Balanced" assessment provided through CDE.
Demographic Information	CMPSJ currently serves 1,305 students in grades K-8. Enrollment in 2018-19 is expected to be 1,326 students. Projected ADA rates are 95% which is reasonable.
Special Contingencies	Lump Sum Applicant. Funds will be deposited in restricted

	account for purposes of making a lump sum payment.
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Program Eligibility: On October 6, 2017, at CSFA staff's request, verification was received from San Juan Unified School District confirming that CMPSJ (1) is in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. CMPSJ's current charter is effective through June 2021.

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: California Montessori Project – San Juan (American River) is applying for rehabilitation of the site at 6838 Kermit Lane, Fair Oaks, CA 95628. The campus is comprised of 29,631 sq. ft. of building area on 9.3 acres of land. The majority of the buildings were constructed in the 1957. The facilities are occupied in their entirety by the charter school.

The anticipated project scope will include ADA upgrades, restroom upgrades, complete HVAC replacement, new electrical service and distribution, new plumbing infrastructure, new interior finishes and flooring, new windows and doors, structural upgrades, new roofing/gutters, and exterior painting.

Obligor Organizational Information: The San Juan Unified School District is located in Sacramento County. SJUSD currently serves approximately 6,000 students in 67 schools/education centers which consists of a preschool center, 33 elementary schools, 8 K-8 grade schools, 8 junior high schools, 9 high schools, 1 continuation school, 1 independent study school, 1 adult education school, 3 special education schools and 2 charter schools Enrollment totaled at 39,782 with an ADA rate of 94.8%

The San Juan Unified School District is comprised of the following mix of races/ethnicities: 56.7% Caucasian; 22.9% Hispanic or Latino; 7.4% African American/Black; 5.4% Asian; 1.3% Filipino and 4.3% Two or More Races. The District has an unduplicated pupil population of 51.8%. 50.3% of students are Socio-Economically Disadvantaged and 12.2% are English Learners.

The 2017-18 San Juan Unified School District Board consists of President Pam Costa, Vice President Saul Hernandez, Paula Villescaz, Greg Paulo, and Michael McKibbin, Ed.D. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the District.

School Organizational Information: CMPSJ is a public charter school located within the boundaries of San Juan Unified School District and is authorized by the San Juan Unified School District. While the School intends to collaborate and work cooperatively with the District, the School shall operate as a separate legal entity, independent of the District. The School is operated and governed by a duly constituted California nonprofit public benefit corporation, California Montessori Project, ("CMP") and is one of six schools in the network.

CMPSJ initial charter was approved for the 2006-07 year. The most recent charter was approved by the San Juan Unified School District in July, 2016, with the charter set to expire on June 30, 2021.

CMPSJ is comprised of the following mix of races/ethnicities: 63.2% Caucasian; 19.2% Hispanic or Latino; 1.1% African American/Black; 2.7% Asian; and 13% Two or More Races. The School has an unduplicated pupil population of 23.7%. 25.8% of students are Socio-Economically Disadvantaged and 3.5% are English Learners.

CMP has aligned its Montessori curriculum with state standards, and will continue the dialogue as we implement and modify that alignment as appropriate. CMP curricular teams have aligned the K-6 Curriculum Guides with the California Common Core State Standards and are in the process of updating the Middle School Curriculum Guide to Common Core and Upper Elementary Science Curriculum Guide to Next Generation Science Standards. The primary goal of a Montessori program is to help each individual child reach their full potential in all areas of life. Activities promote the development of social skills, emotional growth, and physical coordination, as well as, cognitive preparation. The curriculum and the environment empower children, encourage their creativity, and build a strong sense of self, allowing them to enjoy the process of learning and the excitement of accomplishment. Montessori focuses on the continuation of the student's education by introducing materials and concepts at varying levels, depending on the student's ability level and plane of development. The same Montessori material may be used at each grade level, but for a more complex concept. Students work on more advanced concepts first through the use of the concrete materials. The goal is always to bring the student from the concrete to the abstract.

The CMP governing board currently consists of nine member: Chairperson Rob Henderson, Vice Chair Andrea Ridge, Dave Nelson, Jenny Savakus, Sara Meece, Wes Pepper, Scott Porter, Rick Parks, Katie Farrell, Tamika L'Ecluse, and Carrie Klagenberg. There are also four district advisors permitted by CMP bylaws. These advisors shall be appointed by the District Board or Superintendent. Gary Bowman is the Executive Director of CMP and Julie Miller is the Principal of CMPSJ.

Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the District.

School Academic Performance: The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of CMPSJ, the combined averages of local elementary schools, Cambridge Heights Elementary and Coyle Avenue Elementary, and local middle schools, Sylvan Middle and Will Rogers Middle (Local Schools), and SJUSD. The results are provided through CDE's CAASPP Smarter Balanced testing data.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
CMPSJ	49%	52%	50%
Local Schools	35%	38%	38%
SJUSD	42%	46%	44%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
CMPSJ	N/A	Average	Low	N/A	0/5	3/5
Local Schools	N/A	High; Average; Average; Low	High; Low; Low; Average	N/A	0/2; 1/4; 4/6; 6/6	0/2; 4/4; 5/7; 4/7
SJUSD	N/A	Average	Low	N/A	3/11	11/13

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
CMPSJ	21%	38%	35%
Local Schools	25%	31%	30%
SJUSD	32%	36%	34%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
CMPSJ	N/A	Average	Low	N/A	1/6	5/5
Local Schools	N/A	Highest; Average; Low; Average	High; Low; Lowest; Low	N/A	0/2; 1/4; 5/6; 2/6	0/2; 4/4; 7/7; 7/7
SJUSD	N/A	Average	Low	N/A	3/11	10/13

Enrollment Trends and Projections: The tables below present enrollment information for SJUSD and CMPSJ from 2013-14 through 2019-20. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

District-wide Student Enrollment and Average Daily Attendance

<u>SJUSD</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	40,222	40,032	39,984	39,782	39,822	39,869	39,943
ADA	95.2%	95.1%	94.7%	94.8%	94.5%	94.6%	94.6%

School Student Enrollment and Average Daily Attendance

<u>CMPSJ</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	1,079	1,213	1,289	1,305	1,317	1,326	1,345
ADA	95.4%	95.5%	95.2%	94.8%	95.0%	95.0%	95.0%

District Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for SJUSD, the financial obligor and Applicant, on behalf of CMPSJ: (1) audited financial statements for 2013-1 through 2016-17; (2) adopted budget for 2017-18; and (4) budget projections for 2018-19 and 2019-20 along with assumptions. Please note that staff's analysis of SJUSD's financial performance, including the evaluation operating budget and liquidity, is based on the General Fund only.

Assumptions: SJUSD's financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation beginning in 2017-18; (2) District-wide enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected District-wide ADA rates of 94.6%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$8,806 for 2017-18, and (5) along with projected changes in LCFF funding level adjustments of 2.43% (2017-18), 3.72% (2018-19), and 2.77% (2019-20).

Long Term Liabilities: As provided by the 2016-17 audited financial statements, CMP has a total of \$1,046,776,115 long-term liabilities. The long-term liabilities are from the following: \$476,114,660 in general obligation bonds, \$ 62,129,138 in accreted Interest, \$25,760,045 in premium on issuance of general obligation bonds, \$1,843,785 in capitalized lease obligations, \$375,161 in qualified school construction bonds, \$29,740,736 in other postemployment benefits, \$4,794,590 in compensated absences, and \$446,017,00 in net person liability. Only \$41,741,139 is due within one year. The following makeup the amount due within a year: \$34,454,953 in general obligation bonds, \$ 2,052,572 in unamortized premium on issuance of general obligation bonds, \$315,215 in capitalized lease obligations, \$123,809 in qualified zone academy bonds, and \$4,794,590 in compensated absences. General obligation bonds are paid from the Bond Interest and Redemption Fund. Payments on capitalized lease obligations and Qualified Zoning Academy Bonds are made from the General and Capital Facilities Funds. Payments for Other Postemployment Benefits and compensated absences are made from the fund from which the related employee worked. Unable to locate fund balances or specified payments from funds to debt.

Private Contributions: SJUSD 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 SJUSD'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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San Juan Unified School District on behalf of CMP – San Juan (American River)
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OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS							
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
OPERATIONAL & FINANCIAL							
Enrollment	40,222	40,032	39,984	39,782	39,822	39,869	39,943
Average Daily Attendance (ADA)	38,289	38,089	37,863	37,695	37,640	37,704	37,786
Average Daily Attendance (%)	95.2%	95.1%	94.7%	94.8%	94.5%	94.6%	94.6%
LCFF Sources/ADA	\$ 6,681	\$ 7,339	\$ 8,168	\$ 8,600	\$ 8,806	\$ 9,114	\$ 9,354
% Change		9.8%	11.3%	5.3%	2.4%	3.5%	2.6%
Operating Revenues/ADA	\$ 8,857	\$ 9,638	\$ 11,269	\$ 11,253	\$ 11,431	\$ 11,532	\$ 11,737
% Change		8.8%	16.9%	-0.1%	1.6%	0.9%	1.8%
Operating Expenses plus CSFP Lease/ADA	\$ 8,724	\$ 9,537	\$ 10,350	\$ 11,224	\$ 11,867	\$ 11,915	\$ 11,999
% Change		9.3%	8.5%	8.4%	5.7%	0.4%	0.7%
Free Cash Flow/ADA	\$ 133	\$ 101	\$ 919	\$ 29	\$ (437)	\$ (383)	\$ (262)

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
DEBT SERVICE COVERAGE							
Total Operating Revenues	\$ 339,111,833	\$ 367,097,583	\$ 426,693,664	\$ 424,160,921	\$ 430,252,115	\$ 434,801,158	\$ 443,476,743
Total Operating Expenses	334,025,000	363,263,568	391,900,437	423,074,552	446,691,219	449,225,619	453,379,994
Total Other Sources/Uses	3,172,469	(125,190)	(7,836,936)	(1,499,289)	(2,180,496)	(2,180,496)	(2,180,496)
Net Income Available for CSFP Lease Payment	8,259,302	3,708,825	26,956,291	(412,920)	(18,619,600)	(16,604,957)	(12,083,747)
Add Back Capital Outlay	2,752,288	1,093,789	530,700	3,010,919	65,112	65,112	65,112
Add Back Depreciation	-	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	11,011,590	4,802,614	27,486,991	2,597,999	(18,554,488)	(16,539,845)	(12,018,635)
CSFP Lease Payments	-	-	-	-	-	-	-
Free Cash Flow	\$ 11,011,590	\$ 4,802,614	\$ 27,486,991	\$ 2,597,999	\$ (18,554,488)	\$ (16,539,845)	\$ (12,018,635)
LIQUIDITY							
Current Assets	\$ 215,424,987	\$ 303,355,480	\$ 282,815,188	\$ 407,180,723			
Current Liabilities	36,817,550	41,698,815	27,987,651	47,358,544			
Net Working Capital	\$ 178,607,437	\$ 261,656,665	\$ 254,827,537	\$ 359,822,179			
Net Working Capital/Oper. Expenses	53.5%	72.0%	65.0%	85.0%			
Unrestricted Cash & Cash Equivalents	\$ 157,377,835	\$ 278,990,470	\$ 253,351,446	\$ 379,723,882			
Unrest. Cash & CE/Oper. Expenses (Days)	172	280	236	328			
Unrest. Cash & CE/All Expenses (Days)	172	280	236	328			

Benchmark Summary:

- Free Cash Flow/ADA – Met: \$14 avg. (>\$0)
- Free Cash Flow – Not Met: -\$134,864 avg. (>\$0)
- Net Working Capital as Portion of Operating Expenses – Met: 68.9% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Met: 254 days (> 90 days)

Summary of Financial Findings and Special Considerations: Given that SJUSD has agreed to make a lump-sum payment of \$6,734,605 to cover the local matching share, no loan is anticipated and debt service coverage is not a consideration. Rather, the financial analysis focuses on whether SJUSD can meet its General Fund operating obligations. Though reporting and projecting negative net income for 2014-15 through 2019-20, the General Fund's balance averages \$61,355,684 over those six fiscal years. Staff also notes that in the projected years of 2017-18 through 2019-20, the net deficits would represent 3%, 5% and 6% of the ending fund balances, respectively. Hence, SJUSD has sufficient reserves to offset its net deficits, if necessary.

Though CMPSJ has no financial obligation with the CSFP project, staff reviewed CMPSJ's financials to ensure the school was financial viable to continue operations. CMPSJ projects negative operating income from 2018-19 through 2020-21. CMPSJ does project positive net income in 2021-22 and 2022-23. It should be noted that CMPSJ averages a fund balance of \$3,411,839 from 2015-16 through 2019-20. The deficits and projected are 2%, 6% and 1% of their respective years' fund balance. The project fund balance for 2022-23 is expected to be \$3,846,458.

Major funding sources for CMPSJ for its projected 2017-18 budget include General Purpose Entitlement revenue which account for approximately 85% of CMPSJ's current income; federal revenue which account for approximately 2%; state revenue, which account for approximately 8% of income; and other local income sources account for approximately 5% of CMPSJ's current income.

The schools has no long term liabilities. In addition and on average, CMP has 24 operating days of unrestricted cash & equivalents and the available net working capital averages 11.8% as a portion of the operating expenses.

Strengths, Weaknesses and Mitigants:

- + CMPSJ is financially viable based on a review of projected budgets for 2017-18 through 2022-23 which staff considers reasonable.
- + SJUSD's General Fund balance, as of June 30, 2017, was \$82,569,502 with \$35,532,175 in unrestricted funds overall.
- + SJUSD has confirmed the matching share will be through a lump sum payment from a designated fund, which balance as of June 30, 2017, was \$335,169,313. The balance is expected to have approximately \$757 MM billion by the end of 2017-18.
- +/- SJUSD has operated or projects to be operating with a General Fund deficit in income from 2014-15 through 2019-20, but has an adequate fund balance at the end of each of these years, in addition to the additional criteria reviewed listed in "Summary of Financial Findings and Special Considerations".

Staff Recommendation: Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that San Juan Unified School District ("District" or "SJUSD") on behalf of California Montessori Project – San Juan (American River) ("School" or "CMPSJ", is financially sound for the purposes of Charter School Facilities Program ("Program" or "CSFP") Preliminary/Advance Apportionment. This recommendation, as it relates to 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 San Juan Unified School District, on behalf of California Montessori Project – San Juan (American River), 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.