

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – May 2024
Item #10 - Resolution 24-24**

Applicant/Obligor:	Pacific Community Charter
Project School:	Pacific Community Charter
CDS (County – District – School) Code:	23-65557-6116669
School Address/Proposed Site:	10/200 Lake St., Point Arena, CA 95468
Type of Project:	Rehabilitation
Type of Apportionment:	Final
County:	Mendocino
District in which the Project is Located:	Point Arena Joint Union High
Charter Authorizer:	Arena Union Elementary
Total OPSC Project Cost:	\$556,954
State Apportionment (50% Project Cost):	\$278,477
Total CSFP Financed Amount:	\$278,477
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.50%
Estimated Annual CSFP Payment:	\$15,141
First Year of Occupancy of New Project:	2024-25

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Pacific Community Charter (School or PCC) is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Final Apportionment. This determination, as it relates to Final 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 PCC 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: Below staff highlighted key criteria evaluated when conducting the financial soundness review for PCC. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2022-23, PCC had a total enrollment of 70 students in grades K-12; the average daily attendance (ADA) rate was 84%, and the Unduplicated Pupil Percentage (UPP) of ADA was 61%
Debt Service Coverage	PCC's debt service coverage from adjusted net income on this CSFP loan is projected to average 314.6% over the first three years that payments are due.
Eligibility Criteria	PCC has met all eligibility criteria: (1) PCC commenced operations in 1999; (2) PCC's charter is in place through June 2027; (3) PCC is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	PCC students generally perform on par with peers in their local district based on California standardized testing (CAASPP). However, academic performance is difficult to evaluate due to very small sample sizes (enrollment) within and relative to their district and peer school.

Program Eligibility: Arena Union Elementary School District has confirmed that as of April 8, 2024, PCC 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: Pacific Community Charter needs to replace an outdated modular building in need of extensive repairs. The new building will include one classroom for 9th-12th grade high school students, an Americans with Disabilities Act-compliant restroom, and a meeting room. This will be a permanent modular building located at 200 Lake Street on the Point Arena High School Campus/District property.

School Organizational Information: PCC is a kindergarten through 12th grade, multi-age program with a rigorous interdisciplinary curriculum that emphasizes self-knowledge, the interconnectedness of ideas, individual accomplishments, and personal and social responsibility. Through extensive field studies, guest lectures and community work, PCC makes maximum use of the greater Sonoma and Mendocino communities as a living classroom. While academic skills are stressed, the school also emphasizes independent thinking, effective oral and written communication, and expression through the arts. Pacific School students are curious about and become active participants in a changing world.

Jennifer Ketring is the current Executive Director of PCC. Staff reviewed the credentials of the Executive Director and determined that they demonstrate the required experience and educational background to effectively oversee the operations of PCC.

PCC is governed by a Governance Council (GC) comprised primarily of parents. The GC is elected by parents and staff. The Pacific School operates as a nonprofit public benefit corporation, and the GC is responsible for all decisions regarding personnel and daily operations.

2023-24 PCC Governing Council

Name	Position	Term Expiration
Jill Hunter	Chairperson	June 2025
Samuel Cole	Treasurer	June 2024
Jessica Price	Secretary	June 2024
Casie Smith	Member	June 2024
Cassia Henderson	Member	June 2025
Anabel Wigton	Member	June 2025
Ellen Kibbe	Member	June 2024

School Academic Performance: The following tables represent the recent academic performance of PCC; a similar local elementary school, Arena Elementary; and Arena Union Elementary School District. 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).

**2020-2021 testing participation varied due to factors surrounding the novel coronavirus (COVID-19) pandemic.

English Language Arts Achievement

	FY17	FY18	FY19	FY20	FY21	FY22	FY23
PCC	41%	37%	29%	*	**	20%	22%
Local School	34%	36%	41%	*	**	36%	30%
District	34%	36%	41%	*	**	36%	30%

Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21	FY22	FY23
PCC	31%	15%	21%	*	**	39%	17%
Local School	27%	26%	27%	*	**	16%	18%
District	27%	26%	26%	*	**	16%	18%

Enrollment Trends and Projections: The tables below present historical and projected enrollment and average daily attendance information for PCC from FY 2019 through FY 2028. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

PCC Student Enrollment and Average Daily Attendance

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	75	69	66	65	70	64	67	68	68	68
ADA (%)	93.9	92.9	97.1	92.9	84	89.7	90	90	90	90

Financial Analysis

Financial Data Sources: This financial analysis is based on the consideration and review of the following for PCC: (1) audited financial statements for FYs 2020-21 through 2022-23; and (2) budget projections for FYs 2023-24 through 2027-28 along with assumptions.

Assumptions: Staff’s financial analysis of PCC is based upon the following assumptions: (1) occupancy of the new facility in FY 2024-25; (2) the repayment of PCC’s CSFP matching share loan in the amount of \$278,477 at 3.5% interest commencing in FY 2025-26; (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 PCC’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.

CSFA Charter School Facilities Program										
School:>>	Pacific Community Charter			CDS Code:>>	23 65557 6116669			District:>>	Basic Area District	
Obligor:>>	Pacific Community Charter			Open Date:>>	08/30/1999			County:>>	Mendocino	
OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL										
Enrollment	66	65	70	64	67	68	68	68		
Average Daily Attendance (ADA)	64	60	59	57	60	61	61	61		
Average Daily Attendance (%)	97.1%	92.9%	84.0%	89.7%	90.0%	90.0%	90.0%	90.0%	90.5%	< 94.0%
FTE Teachers	5	7	7	7	7	7	7	7	6	
Pupil-Teacher Ratio	13.2	10.0	10.8	9.8	10.3	10.5	10.5	10.5	10.7	> 25.0
LCFF Sources/ADA	\$ 9,998	\$ 10,293	\$ 11,893	\$ 11,796	\$ 12,187	\$ 12,548	\$ 12,989	\$ 13,395	\$ 11,887	
% Change		2.9%	15.5%	-0.8%	3.3%	3.0%	3.5%	3.1%	4.4%	
Operating Revenues/ADA	\$ 11,878	\$ 14,176	\$ 21,868	\$ 21,661	\$ 20,141	\$ 20,070	\$ 20,745	\$ 21,397	\$ 18,992	
% Change		19.3%	54.3%	-0.9%	-7.0%	-0.4%	3.4%	3.1%	10.3%	
Operating Expenses plus CSFP Lease/ADA	\$ 12,025	\$ 15,261	\$ 18,022	\$ 21,174	\$ 20,175	\$ 20,416	\$ 20,574	\$ 20,868	\$ 18,564	
% Change		26.9%	18.1%	17.5%	-4.7%	1.2%	0.8%	1.4%	8.7%	
Free Cash Flow/ADA	\$ (147)	\$ (1,086)	\$ 3,846	\$ 487	\$ (34)	\$ (346)	\$ 171	\$ 529	\$ 427	< 0
	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$ 761,487	\$ 856,059	\$ 1,286,283	\$ 1,243,772	\$ 1,214,504	\$ 1,228,260	\$ 1,269,615	\$ 1,309,499		
Total Operating Expenses	770,941	921,621	1,060,034	1,215,830	1,216,531	1,234,309	1,243,995	1,262,005		
Total Other Sources/Uses	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	(9,454)	(65,562)	226,249	27,942	(2,027)	(6,049)	25,620	47,494		
Add Back Capital Outlay	-	-	-	-	-	-	-	-		
Add Back Depreciation	-	-	-	23,146	23,924	24,601	25,265	25,952		
Adjusted Net Income Available for CSFP Lease Pymt.	(9,454)	(65,562)	226,249	51,088	21,897	18,552	50,885	73,446		
CSFP Lease Payments	-	-	-	-	-	15,141	15,141	15,141		
Free Cash Flow	\$ (9,454)	\$ (65,562)	\$ 226,249	\$ 51,088	\$ 21,897	\$ 3,411	\$ 35,744	\$ 58,305	\$ 40,210	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	122.5%	336.1%	485.1%	314.6%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								5414.3%	5414.3%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	1.2%	1.2%	1.2%	1.2%	> 15.0%
LIQUIDITY										
Current Assets	\$ 194,874	\$ 281,439	\$ 569,306							
Current Liabilities	60,634	263,347	419,838							
Net Working Capital	\$ 134,240	\$ 18,092	\$ 149,468							
Net Working Capital/Oper. Expenses	17.4%	2.0%	14.1%						11.2%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 182,487	\$ 258,891	\$ 418,617							
Unrest. Cash & CE/Oper. Expenses (Days)	86	103	144							
Unrest. Cash & CE/All Expenses (Days)	86	103	144						111	< 90

Benchmark Summary:

- Enrollment – The average ADA rate over the period reviewed falls short of the 94% target. PCC administration added that the relatively small size of the school’s student body may be subject to higher-than-average volatility with regard to attendance. 90%-93% are historically accurate rates for this community and student body.
- Full-time equivalent (FTE) Teachers – Pupil-teacher ratio consistently resides well below the maximum threshold of 25.
- Free Cash Flow and/or per ADA – PCC operates with historically positive cash flow; Staff finds projections reasonable and within tolerance given the length of the period examined.
- Debt Service Coverage from Adj. Net Income – Staff find an estimated 314.6% average debt service coverage which exceeds the required threshold and the projection factors used are reasonable.
- CSP Lease Payment relative to Operational Revenues: Representing an estimated 1.2% of annual operating revenues, the proposed CSFP lease payment is well under the 15% threshold—unlikely to create a hardship for PCC.

- Net Working Capital relative to Operating Expenses – PCC liquidity metrics are strong with an average ratio of Net Working Capital to Operational Expenses at 11.2%, and Unrestricted Cash and Equivalents on hand equal to 111 days' worth of expenses.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Pacific Community Charter (PCC) is financially sound for Charter School Facilities Program (CSFP) Final Apportionment. This determination, as it relates to Final Apportionment, is in place for twelve months and assumes no financial, operational, or legal material findings within this period. This recommendation is contingent upon PCC electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4. 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.