

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – March 2024
Item 11 Resolution 24-10**

Applicant/Obligor:	Magnolia Science Academy 5
Project School:	Magnolia Science Academy 5
CDS (County – District – School) Code:	19-10199-0137679
School Address:	18238 Sherman Way Reseda, CA 91335
Proposed Site:	7111 Winnetka Avenue Winnetka, CA 91306
Type of Project:	New Construction
Type of Apportionment:	Advance
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified
Charter Authorizer:	Los Angeles County Office of Education
Total OPSC Project Cost:	\$50,832,332
State Apportionment (50% Project Cost):	\$25,416,166
Total CSFP Financed Amount:	\$25,416,166
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.5%
Estimated Annual CSFP Payment:	\$1,381,911
First Year of Occupancy of New Project:	2025-26

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Magnolia Science Academy 5 (School or MSA5) is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Advance Apportionment. This determination, as it relates to 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 MSA5 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 MSA5. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2022-23, MSA5 had a total enrollment of 238 students in grades 6-12; the average daily attendance (ADA) rate was 90.7%, and the Unduplicated Pupil Percentage (UPP) of ADA was 102.9%
Debt Service Coverage	MSA5's debt service coverage from adjusted net income on this CSFP loan is projected to average 172.8% over the first two years that payments are due.
Eligibility Criteria	MSA5 has met all program eligibility criteria: (1) MSA5 commenced operations in 2018; (2) MSA5's charter is in place through June 2026; (3) MSA5 is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	MSA5 student's performance consistently matches or slightly exceeds that of peers in their local district based on California standardized testing (CAASPP).

Program Eligibility: On February 14, 2024, verification was received from Los Angeles County Office of Education that MSA5 is in compliance with the terms of its charter agreement and is not pending any notices of violation or revocation.

Legal Status Questionnaire: Authority staff and counsel reviewed the applicant's affirmative responses to the questions contained in the Legal Status portion of the application. Counsel and staff determined that the information disclosed does not constitute a financial or legal threat to the solvency or success of the project.

Project Description: MSA5 was previously located at Reseda Charter High School under Prop 39. For the 2021-22 school year, the Los Angeles Unified School District instead offered it space approximately 8 miles away in Chatsworth. Magnolia elected to co-locate MSA5 with its Magnolia Science Academy 1 school in Reseda in order to continue to serve the same community rather than move the school.

This project encompasses the purchase of the property located at 7111 Winnetka Ave, Winnetka, CA, which consists of an existing building and surface parking lot. It is MSA5's intention to demolish the existing structure and build a new classroom building and gymnasium. The new facility will include three classrooms for grade six, six classrooms for grades seven to eight, and ten classrooms for grades nine to twelve, enabling MSA5 to serve up to 500 students.

School Organizational Information: MSA5 is a high-performing charter school in Reseda operated by Magnolia Educational & Research Foundation ("MERF"), dba Magnolia Public Schools ("MPS"), a non-profit public charter school management organization dedicated to establishing and managing high-quality public charter schools in California. The vision of MPS is to help reverse the tide of U.S. students falling behind their peers in other nations in critical subjects like math and science. MPS strives to graduate students who come from historically underserved neighborhoods as scientific thinkers that contribute to the global community as socially responsible and educated members of society.

Alfredo Rubalcava is the current Chief Executive Officer and Superintendent of MPS; Ali Kaplan is the current Principal of MSA5. Staff reviewed the credentials of these key members of the management team and concluded that they demonstrate the necessary experience and educational background to effectively oversee the operations of MSA5.

The MPS Board of Directors (Board) is responsible for overseeing MSA5’s operation and governance. The Board is responsible for hiring and supervising the CEO. The current Board consists of six individuals. Each member of the Board is chosen for their passion and commitment to the MPS vision and mission, dedication to education, area of professional expertise, service to the community, and ability to support the vision and mission of MPS. No current employees may serve on the Board.

2023-24 MPS Board of Directors

Name	Position	Term Expiration
Mekan Muhammedov	Chair	April 2025
Sandra Covarrubias	Vice-Chair	August 2027
Umit Yapanel	Director	October 2027
Salih Dikbas	Director	December 2024
Diane Gonzalez	Director	December 2024
Esra Eldem-Tunc	Director	June 2027

School Academic Performance: The following tables represent the recent academic performance of MSA5; a similar local middle school, James Jordan Middle (JJM); a similar local high school, Reseda Charter High (RCH); and Los Angeles Unified School District (LAUSD). 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

	FY19	FY20	FY21	FY22	FY23
MSA5	47%	*	**	45%	45%
JJM	55%	*	**	58%	53%
RCH	44%	*	**	52%	43%
LAUSD	44%	*	**	42%	41%

Mathematics Achievement

	FY19	FY20	FY21	FY22	FY23
MSA5	47%	*	**	22%	34%
JJM	55%	*	**	37%	39%
RCH	44%	*	**	21%	21%
LAUSD	44%	*	**	29%	31%

Enrollment Trends and Projections: The table below presents historical and projected enrollment and average daily attendance information for MSA5 from FY 2020-21 through FY 2027-28. MSA5 administration anticipates occupying the proposed project facility by the start of FY 2025-26 and achieving maximum enrollment capacity under the school’s current charter authorization within two years.

MSA5 provided staff with additional information regarding their comprehensive strategy designed to meet enrollment goals, including targeted outreach, strategic marketing, expanded recruitment efforts, and collaboration with community partners. The location of the new facility will also place MSA5 in proximity to multiple feeder schools with substantial sixth grade student populations. Overall, staff find the projected enrollment targets to be aggressive, but attainable.

MSA5 Student Enrollment and Average Daily Attendance

Year (FY)	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	290	247	238	218	239	350	460	460
ADA (%)	94.8	94.9	89.1	90.7	95	95	95	95

Financial Analysis

Financial Data Sources: This financial analysis is based on the consideration and review of the following for MSA5: (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 MSA5 is based upon the following assumptions: (1) occupancy of the new facility in FY 2025-26; (2) the repayment of MSA5’s CSFP matching share loan in the amount of \$25,416,166 at 3.5% interest commencing in FY 2026-27; (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 MSA5’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 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	290	247	238	218	239	350	460	460		
Average Daily Attendance (ADA)	275	234	212	198	227	333	437	437		
Average Daily Attendance (%)	94.8%	94.9%	89.1%	90.7%	95.0%	95.0%	95.0%	95.0%	93.7%	< 94.0%
FTE Teachers	16	14	13	13	13	18	22	22	16	
Pupil-Teacher Ratio	18.1	17.6	18.3	16.8	18.4	19.4	20.9	20.9	18.8	> 25.0
LCFF Sources/ADA	\$ 11,591	\$ 12,707	\$ 14,523	\$ 15,710	\$ 15,109	\$ 15,521	\$ 16,004	\$ 16,511	\$ 14,710	
% Change		9.6%	14.3%	8.2%	-3.8%	2.7%	3.1%	3.2%	5.3%	
Operating Revenues/ADA	\$ 16,825	\$ 18,534	\$ 28,286	\$ 24,687	\$ 21,782	\$ 21,990	\$ 22,467	\$ 23,160	\$ 22,217	
% Change		10.2%	52.6%	-12.7%	-11.8%	1.0%	2.2%	3.1%	6.4%	
Operating Expenses plus CSFP Lease/ADA	\$ 13,457	\$ 15,714	\$ 20,695	\$ 22,925	\$ 21,424	\$ 21,598	\$ 23,712	\$ 24,437	\$ 20,495	
% Change		16.8%	31.7%	10.8%	-6.5%	0.8%	9.8%	3.1%	9.5%	
Free Cash Flow/ADA	\$ 3,368	\$ 2,820	\$ 7,591	\$ 1,762	\$ 358	\$ 392	\$ (1,245)	\$ (1,277)	\$ 1,721	< 0
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$ 4,625,297	\$ 4,345,841	\$ 5,995,006	\$ 4,879,906	\$ 4,945,649	\$ 7,311,678	\$ 9,817,928	\$ 10,121,073		
Total Operating Expenses	3,699,378	3,684,542	4,386,168	4,531,550	4,864,425	7,181,235	8,980,243	9,297,125		
Total Other Sources/Uses	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	925,919	661,299	1,608,838	348,356	81,223	130,444	837,685	823,949		
Add Back Capital Outlay	-	-	-	65,241	75,241	1,405,615	1,526,317	1,601,317		
Add Back Depreciation	-	-	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	925,919	661,299	1,608,838	413,597	156,464	1,536,059	2,364,002	2,425,266		
CSFP Lease Payments	-	-	-	-	-	-	1,381,911	1,381,911		
Free Cash Flow	\$ 925,919	\$ 661,299	\$ 1,608,838	\$ 413,597	\$ 156,464	\$ 1,536,059	\$ 982,091	\$ 1,043,355	\$ 915,953	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	171.1%	175.5%	173.3%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								522.1%	522.1%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	14.1%	13.7%	13.9%	> 15.0%
FUNDRAISING										
Fundraising for Operations	\$ -	\$ 3,093	\$ 21,571	\$ 29,713	\$ 32,823	\$ 49,379	\$ 66,917	\$ 69,038	\$ 34,067	
Fundraising/Oper. Revenues	0.0%	0.1%	0.4%	0.6%	0.7%	0.7%	0.7%	0.7%	0.5%	> 15.0%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	166.2%	170.5%	168.4%	< 100.0%
LIQUIDITY										
Current Assets	\$ 3,507,609	\$ 3,992,463	\$ 6,178,597							
Current Liabilities	618,388	835,846	2,265,217							
Net Working Capital	\$ 2,889,221	\$ 3,156,617	\$ 3,913,380							
Net Working Capital/Oper. Expenses	78.1%	85.7%	89.2%						84.3%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 1,648,188	\$ 2,309,363	\$ 4,234,391							
Unrest. Cash & CE/Oper. Expenses (Days)	163	229	352							
Unrest. Cash & CE/All Expenses (Days)	163	229	352						248	< 90

Benchmark Summary:

- Enrollment – ADA rate has remained below historical averages since the school relocated to its current, temporary facility in the aftermath of the COVID-19 pandemic. MSA5 has outlined a comprehensive enrollment growth strategy aimed at continuing to increase ADA and enrollment in the lead up to the projected opening of the new facility in Winnetka.
- Full-time equivalent (FTE) Teachers – Pupil-teacher ratio consistently resides well below the maximum threshold of 25.
- Free Cash Flow and/or per ADA – MSA5 operates with historically positive cash flow; Staff find projections reasonable and within tolerance given the length of period examined.
- Debt Service Coverage from Adj. Net Income – Estimated 173.3% average debt service coverage exceeds required threshold and projection factors used are reasonable.
- Fundraising: MSA5 projections assume consistent, successful fundraising accounting for approximately 0.5% of operating revenues. A decline in projected fundraising would not substantially affect debt service coverage estimates.

- CSFP Lease Payment relative to Operational Revenues: Representing an estimated 13.9% of annual operating revenues, the proposed CSFP loan does not exceed the 15% threshold. Staff finds this ratio acceptable considering the scope of the project.
- Net Working Capital relative to Operating Expenses – MSA5 liquidity metrics remain strong with ratio of Net Working Capital to Operational Expenses nearly 85%, and Unrestricted Cash and Equivalents on hand equal to 248 days' worth of expenses.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Magnolia Science Academy 5 (MSA5) is financially sound for the purposes of Charter School Facilities Program (CSFP) Advance Apportionment. This determination, as it relates to 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 MSA5 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.