

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 55 FUNDING ROUND
STAFF SUMMARY REPORT – JULY 2008**

Applicant:	Maria Montessori Charter Academy
Project School:	Maria Montessori Charter Academy
CDS (County-District-School) Code:	29-66415 -6117782
Proposed Project Location:	1850 Wildcat Blvd., Rocklin, CA 95765
Type of Project:	New Construction
County:	Nevada County
School District Where Located:	Rocklin Unified School District
Chartering Entity:	Rocklin Unified School District
OPSC Project Cost:	\$8,218,640
Total State Apportionment:	\$4,109,320
Lump Sum Contribution:	N/A
Total CSFP Lease Amount:	\$4,109,320
Length Of CSFP Lease Payments:	30 years
Assumed Interest Rate On Obligation:	3.50%
Estimated Annual CSFP Lease Payment:	\$223,429
First Year Of Occupancy Of New Project:	2008-09

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Maria Montessori Charter Academy (MMCA) is financially sound for the purposes of the Charter School Facilities Program (CSFP or Program) Final Apportionment. This determination as it relates to a Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. 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.

Background: In January 2005, the Authority determined that MMCA was financially sound for purposes of a preliminary apportionment. In February 2005, MMCA was awarded a preliminary apportionment by the State Allocation Board of \$5,560,948. In May 2005, MMCA requested an advance release of \$398,847 for design costs, and the Authority determined that MMCA had maintained its financially sound status for purposes of this advance apportionment. In addition, in February 2007, MMCA requested an advance release of \$1,572,480 for site acquisition, and the Authority determined that MMCA had maintained its financially sound status for purposes of this advance apportionment. MMCA, Rocklin Unified School District, and the State have executed all required Program Agreements. An addendum to the Funding Agreement will be generated once the Final Apportionment funds are released and a repayment schedule is generated for the total CSFP obligation.

Application Highlights: Highlighted below are key criteria that were evaluated when conducting the financial soundness review of MMCA. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	MMCA has met Program eligibility criteria, including: 1) having a charter in place, 2) being in operation as a charter school for more than two years (since 2000); and 3) being in compliance with its charter and in good standing with its chartering authority, Twin Ridges Elementary School District.
Demographic Information	MMCA currently serves 230 students in grades K-8 and projects an increase in enrollment to 242 students during its first year of occupancy, 2008-09, and to 284 by 2010-11, the second year of CSFP payments.
Debt Service Coverage	MMCA projects debt service coverage of 114.6% for 2009-10, and 115.7% for 2010-11, which safely exceed the 100.0% minimum.
Other Financial Factors	<ul style="list-style-type: none"> ▪ CSFP payments are projected to represent 11.7% and 11.0% of total revenues during the first two years of CSFP payments, 2009-10 and 2010-11, which are within the 10-15% threshold levels. ▪ MMCA does not rely on private contributions as sources of revenue. ▪ MMCA does not have any long-term debt.
Student Performance	<ul style="list-style-type: none"> ▪ MMCA achieved API scores of 756, 767, and 747 for 2004-05, 2005-06, and 2006-07, respectively, and met all AYP criteria for each of these years. ▪ MMCA achieved an API growth score of 813 for 2007, representing a 66 point increase from the 2006-07 API base score.

Program Eligibility: On June 9, 2008, staff received verification from the Twin Ridges Elementary School District (Twin Ridges) confirming that MMCA is currently (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. At its May 7, 2008 board meeting, Rocklin Unified School District approved a five-year charter for MMCA.

Legal Status Questionnaire: On April 14, 2008, staff received MMCA’s response to the questions contained in the Legal Status Questionnaire (LSQ). MMCA answered “none” to each of the two questions, indicating that it has no material information to disclose relating to legal or regulatory proceedings, or legal action in which it or any of its affiliates is a named party.

Project Description: The CSFP project involves the construction of two new classroom facilities consisting of administrative space, a multi-purpose room, a small library, a

computer lab, and 11 classrooms. The new 21,300 square feet facility sits on 3.75 acres. The buildings are a stick-frame design with project completion and occupancy anticipated for October 2008. The CSFP-funded project will have a capacity for 300 students.

Organizational Information: MMCA is a non-profit K-8 elementary school that began instructional operations as a district-dependent charter school in 2000. Twin Ridges approved MMCA's original charter in 2000 and renewed MMCA's charter in 2002 with an expiration date of June 30, 2007. Prior to its expiration, the State Board of Education issued a waiver to allow MMCA to stay with Twin Ridges one additional year (until June 30, 2008), because of the new facility development already under way. On May 2, 2008, MMCA received its status as a non-profit 501(c)(3) entity and, on May 7, 2008, Rocklin Unified School District approved the renewal of MMCA's charter petition, transferring the chartering authority from Twin Ridges, effective July 1, 2008. MMCA's new charter under Rocklin Unified School District is scheduled to expire in 2013.

MMCA integrates Montessori methodologies within the framework of state standards. The school curriculum emphasizes individualized work plans, small ability-based groups for language arts and math, multi-age classrooms, low student-teacher ratios, manipulative-based learning materials and an overall emphasis on developing the "whole child."

Although MMCA is located within Rocklin Unified School District, the school draws students from 12 surrounding districts within 20 miles of MMCA's current location. MMCA's student population is socio-economically diverse with approximately 25% of students eligible for the free or reduced-fee lunch program.

Educational Management Organization: Not applicable.

Management Experience: The resumes of the school's personnel and management team demonstrate professional, experienced and qualified individuals serving in key capacities within the organization.

Brent Boothby, JD, MBA, continues to serve as Principal and Administrator, as he has done since June 2002. Denise Williams, CPA, has served as MMCA's business manager since 2004. Prior to this, she served as a bookkeeper for ten years, assistant controller for one year, and staff accountant for three years. Ms. Williams holds a B.S. in Business from California State University, Sacramento.

Management Experience for Schools Open Less than Two Years: Not applicable, as MMCA has been in operations as a charter school since 2000.

Board Experience: MMCA is managed by a Governing Board consisting of parents, teachers and community members. In addition, an appointee of the sponsoring school district (Twin Ridges through June 30, 2008, and Rocklin Unified School District, effective July 1, 2008) sits on the Board as a non-voting member. The Board is comprised of 10 voting members, including, but not limited to, community professionals, parents at-large, public school teachers from other local schools, and MMCA teacher representatives, each serving either a one or two-year term. Tracy Estridge, Board President, is currently serving

a two year term in her position, which expires in December 2008. Ms. Estridge has served as the Board President since 2003.

Student Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school's sustainability. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) per the No Child Left Behind Act of 2001. MMCA has more than three years of reported API scores, allowing a review of progress and comparison to similar schools.

MMCA achieved API scores of 756, 767, and 747 for 2004-05, 2005-06, and 2006-07, respectively, and met all AYP criteria for each of these years. Although MMCA experienced a decline of 18 points in its API growth score for 2006, MMCA achieved an API growth score of 813 for 2007, representing a 66 point increase from the 2006-07 API base score. MMCA ranked 5 statewide for both 2005-06 and 2006-07. Due to MMCA's small size during 2003-04 and 2004-05, the California Department of Education (CDE) reports that the API scores for these years have been calculated for a small school, defined as having between 11 and 99 valid STAR test scores, which are considered less reliable than otherwise.

Maria Montessori Charter Academy	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	Yes
Criteria Met / Required Criteria	5 / 5	5 / 5	9 / 9	9 / 9
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	N/A	N/A	N/A	N/A
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	No	Yes	No	Yes
Met Comparable Improvement Growth Target?	No	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	No	Yes	No	Yes
API Base Statewide Rank (10 = best)	8	6	6	5
API Base Similar Schools Rank (10 = best)				1
School's Actual Growth	-44	11	-18	66
Similar Schools Median of Actual Growth			14	-8
Did School's Growth Exceed Median?			No	Yes

Enrollment and Retention Rates: MMCA has grown from approximately 96 students in grades K-4 during its first year of operations (2000-01) to 230 students in grades K-8 for the current 2007-08 academic year. MMCA projects having 242 students for 2008-09 (first year of project occupancy), 269 students for 2009-10, and 284 students for 2010-11.

MMCA's student retention rate was 82% for 2005-06, 88% for 2006-07, and 85% for 2007-08. MMCA currently has approximately 200 students on its waiting list across all grades for the upcoming 2008-09 academic year. Staff is seeking a request from the school regarding student retention rates.

Financial Analysis: Highlighted below are selected financial data and credit indicators used to evaluate MMCA's ability to meet its CSFP obligation.

Staff's evaluation of MMCA's financial performance is based on review of the following documents: (1) MMCA's unaudited financial statements (income statements only) for 2003-

04 through 2006-07 stemming from an analysis of Twin Ridges' financial books by Fiscal Crisis Management Assistance Team (conducted at the request of Nevada County Superintendent of Schools); (2) MMCA's third interim budget report for 2007-08; and (3) MMCA's budget projections for 2008-09 through 2010-11.

MMCA's financial projections are based upon the following assumptions: (1) project occupancy in October 2008; (2) increases in enrollment from 230 students for 2007-08 to 242 for 2008-09 (first year of project occupancy), 269 for 2009-10, and 284 for 2010-11; (3) projected ADA rates of approximately 95% for 2008-09 and 96% for 2009-10 and 2010-11; and (4) revenue growth (cost of living adjustments on general purpose block grant monies) of 0.0% for 2008-09, 3.0% for 2009-10, and 2.6% for 2010-11.

MMCA does not have any long-term liabilities outside of the anticipated CSFP lease, having repaid the balance of its Charter School Revolving Loan from the CDE during 2005-06.

Performance/Change in Net Assets: MMCA recorded three annual decreases to net assets of \$25,659, \$26,733 and \$12,675 for 2003-04 through 2005-06. However, MMCA recorded an increase in net assets of \$39,278 for 2006-07 and, based on the third interim budget report, MMCA projects an increase in net assets of \$51,931 for 2007-08. As a result, ending net assets are expected to increase to \$63,546 by June 30, 2007. Primarily because of the increased student enrollment stemming from the CSFP project, MMCA projects increases in net assets of \$350,962 for 2008-09, \$256,033 for 2009-10 (first year of CSFP payments), and \$258,564 for 2010-11. Based on these projections, MMCA's anticipates its ending net assets during the first year of CSFP payments, 2009-10, to increase to \$722,202, representing 43.5% of total expenditures for that year. (These projected increases to and ending net assets are prior to payments on the CSFP obligation.) MMCA's financial projections do not incorporate any income from contributions.

Debt Service Coverage: Assuming a 3.50% interest rate and 30-year repayment period, MMCA's annual CSFP payment will be \$223,429 beginning in 2009-10, the first year after project occupancy. MMCA's projected net revenues of \$256,033 for 2009-10 would provide debt service coverage of 114.6%. MMCA's projected net revenues of \$258,564 for 2010-11 would provide debt service coverage of 115.7% for that year. CSFP payments would represent 11.7% and 11.0% of projected revenues for 2009-10 and 2010-11, respectively. Staff believes that this obligation is affordable by MMCA and would not significantly reduce the school's flexibility to fund unforeseen costs during the term of repayment.

Maria Montessori Charter Academy	Actual FY 2005-06	Actual FY 2006-07	Projected FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11
ENROLLMENT PROJECTIONS						
Enrollment	162	195	230	242	269	284
Average Daily Attendance	157	185	211	230	258	273
Average Daily Attendance (%)	97%	95%	92%	95%	96%	96%
FINANCIAL PROJECTIONS						
Total Revenues Available for CSFP Lease Payment	\$ 994,573	\$ 1,284,398	\$ 1,558,053	\$ 1,868,208	\$ 1,915,543	\$ 2,029,073
Total Expenses Paid Before CSFP Lease Payment	1,007,248	1,245,120	1,506,122	1,517,516	1,659,510	1,770,509
Accounting Adjustments	-	-	-	-	-	-
Net Revenues Available for CSFP Lease Payment	\$ (12,675)	\$ 39,278	\$ 51,931	\$ 350,692	\$ 256,033	\$ 258,564
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ 223,429	\$ 223,429
Net Revenues After CSFP Lease Payment	\$ (12,675)	\$ 39,278	\$ 51,931	\$ 350,692	\$ 32,604	\$ 35,135
FINANCIAL INDICATORS						
Net Revenues Available for CSFP Lease Payment	\$ (12,675)	\$ 39,278	\$ 51,931	\$ 350,692	\$ 256,033	\$ 258,564
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	114.6%	115.7%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	114.6%	115.7%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	11.7%	11.0%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	-1.3%	3.1%	3.3%	18.8%	1.7%	1.7%
Revenues / ADA	\$ 6,335	\$ 6,943	\$ 7,384	\$ 8,123	\$ 7,425	\$ 7,433
Expenses / ADA	\$ 6,416	\$ 6,730	\$ 7,138	\$ 6,598	\$ 7,298	\$ 7,304
Surplus (Deficit) / ADA	\$ (81)	\$ 212	\$ 246	\$ 1,525	\$ 126	\$ 129
Net Working Capital	\$ -	\$ -				
Net Working Capital / Expenses	N/A	N/A				

Asset Position and Liquidity: As MMCA has been a dependent charter school of Twin Ridges, and only become an independent charter school as of July 1, 2008, a Statement of Assets for the school has not yet been available (audited financials for Twin Ridges only provide “Statement of Assets” information for the District-at-large, not at the individual charter school level).

Strengths, Weaknesses and Mitigants

- + MMCA’s projected debt service coverage is 114.6% and 115.7% for the first two years of CSFP payments, 2009-10 and 2010-11, respectively.
- + With the exception of 2005-06 where the enrollment remained stable from the previous year, MMCA has demonstrated consistent enrollment growth since 2003-04 with an overall growth of 60% from 144 students in 2003-04 to 230 students in 2007-08. In addition, MMCA has a current waiting list of approximately 200 students for the 2008-09 academic year.
- + MMCA does not have any long-term debt and does not depend on private contributions as a source of revenues.
- + MMCA met all AYP criteria for each of the past three years and experienced a 66 point increase in its API growth score to 813 for 2007.
- + Leadership at MMCA remains stable with the same principal serving since 2002.
- MMCA’s retention rates were 82% for FY 2005-06, 88% for FY 2006-07, and 85% for FY 2007-08.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that MMCA is financially sound for the purposes of the Charter School Facilities Program Final Apportionment. 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.