

MEMORANDUM

Date: May 19, 2009

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 09-04
Financially Sound Status of Maria Montessori Charter Academy

Consideration of Resolution No. 09-04, approving that Maria Montessori Charter Academy (MMCA) has maintained a financially sound status for purposes of a Final Apportionment of \$9,431,036 under the Proposition 55 funding round of the Charter School Facilities Program (Program).

Background:

At its February 2005 meeting, the State Allocation Board (SAB) awarded MMCA a Preliminary Apportionment of \$5,560,948 through the Proposition 55 funding round of the Charter School Facilities Program. Subsequently, the Office of Public School Construction (OPSC) issued the following disbursements to MMCA pursuant to the California School Finance Authority's (Authority's) determination that MMCA was financially sound: (1) an Advance Apportionment of \$398,847 for design/site costs in October 2005; and (2) an Advance Apportionment of \$1,572,480 for site acquisition costs in May 2007. On July 17, 2008, the Authority determined that MMCA was financially sound for a total Final Apportionment of \$9,100,000. This total Final Apportionment amount is represented by MMCA's request for final disbursement of \$6,247,313 plus the prior Advance Apportionment amounts plus an approximate 10% addition to cover further adjustments on total project costs (also refer to Resolution 08-17 from the July 17, 2008 Board meeting). To date, OPSC has not yet issued a Final Apportionment disbursement.

MMCA is now requesting an additional \$331,036 for a total Final Apportionment of \$9,431,036. Accordingly, Authority staff conducted an analysis of MMCA's financial soundness for purposes of this revised Final Apportionment amount of \$9,431,036. As MMCA has confirmed that its CSFP project was completed and that occupancy began in October 2008, repayment of the CSFP obligation will commence in 2010-11, the first full year following the initiation of occupancy.

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 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. On May 14, 2009, staff received verification from the Rocklin Unified School District confirming that MMCA is currently (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority.

Reassessment for Final Apportionment:

Given the relatively small difference in additional funds requested for Final Apportionment since the Authority's July 17, 2008 determination of financial soundness (approximately 3.6% in additional funds), the Authority contacted MMCA in April 2009 to request updated information regarding current enrollment, average daily attendance (P-2 Report), current-year budgeting (2nd Interim 2008-09 Budget Report) and enrollment projections. In addition, the Authority requested confirmation of: (1) compliance with the terms of the charter and good standing with the chartering authority, (2) no material changes since the Authority's July 17, 2008 determination of financial soundness; and (3) project completion and initiation of occupancy in October 2008.

In May 2009, the Authority reassessed MMCA's financial status and debt service coverage capacity based on the additional information provided, and assumed a 2.0% interest rate on the 30-year amortized CSFP obligation. In addition, the Authority reassessed MMCA's academic performance based on incorporation of the most recent 2007-08 AYP and API data. The Authority's reassessment of financial status and debt service coverage assumes the same financial growth assumptions as those set forth in the Staff Report provided at the July 17, 2008 Board meeting, namely 3.0% for 2009-10 and 2.6% for 2010-11. It also assumes the following General Purpose Block Grant funding rates for 2008-09, based on the Second Interim: \$5,624 for grades K-3; \$5,708 for grades 4-6; and \$5,871 for grades 7-8.

Based on the response from the Chief Administrator on May 12, 2009 that there have been no material changes since the Authority's July 17, 2008 determination of financial soundness, this reassessment assumes that status regarding long term debt and dependence on contributions have not changed since that time.

Based on the assumptions applied to MMCA's financial projections and the additional information provided, the Authority's reassessment found MMCA to be financially sound in terms of satisfying the Program's debt service coverage requirement with debt service coverage of 122.8% for 2010-11, as well as financially sound in terms of overall financial sustainability. Although the current reported enrollment for 2008-09 is about 5% lower than previously forecast in 2008, having the same enrollment of 230 students as the previous year, since its inception, MMCA has achieved sustainable enrollment growth with no significant drops in enrollment during any year. In addition, MMCA projects an increase in enrollment to 260 students in 2009-10, the first full year of project occupancy, as well as in subsequent years, with a CSFP project capacity of 300 students.

Although MMCA did not meet its API growth targets during 2005-06 or 2007-08, during 2006-07, MMCA experienced a 66-point increase in API, and MMCA's current API growth score of 783 resulted in its ranking 7 out of 10 statewide. In addition, MMCA has met all AYP criteria for each of past four years (2004-05 through 2007-08). The Authority considers MMCA's academic performance satisfactory for purposes of being found financially sound at this time.

The following table highlights the Staff’s findings stemming from the Authority’s May 2009 reassessment. Please refer to the Staff Report presented at the July 17, 2008 Board meeting for additional details.

| 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, Rocklin Unified School District. |
| Demographic Information | MMCA currently serves 230 students in grades K-8, and projects an increase in enrollment to 260 in 2009-10 (first full year of occupancy), 276 in 2010-11, the first year of CSFP payments, and 288 in 2011-12. |
| Debt Service Coverage | MMCA projects debt service coverage of 122.6% for 2010-11, the first year of CSFP payments, which exceeds the 100.0% minimum. |
| Other Financial Factors | <ul style="list-style-type: none"> ▪ CSFP payments are projected to represent 10.4% of total revenues during the first year of CSFP payments, 2010-11, which is 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 base scores of 756, 767, 747, and 813 for 2004-05, 2005-06, 2006-07, and 2007-08, respectively, and met all AYP criteria for each of these years. ▪ During 2006-07, MMCA met its API growth target and achieved an API growth score of 813, representing a 66 point increase from its base score. ▪ Although MMCA did not meet its API growth targets for 2005-06 or 2007-08, MMCA’s most recent growth score is 783, and MMCA ranked 7 out of 10 statewide based on this score. |

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, and approve Resolution 09-04. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction regarding this determination.