

**CHARTER SCHOOL FACILITIES PROGRAM
2010 AND 2011 LOTTERY FUNDING ROUND
STAFF SUMMARY REPORT – MAY 2013**

Applicant:	California Montessori Project
Project School:	California Montessori Project – Elk Grove
CDS (County-District-School) Code:	34-67314-0111732
Proposed Project Location:	Bradshaw Rd. and Elk Grove Blvd.
Type of Project:	New Construction
County:	Sacramento County
School District Where Located:	Elk Grove Unified School District
Chartering Entity:	Elk Grove Unified School District
OPSC Project Cost:	\$9,299,178
Total State Apportionment:	\$4,649,589
Lump Sum Contribution:	N/A
Total CSFP Lease Amount:	\$4,649,589
Length Of CSFP Lease Payments:	30 years
Assumed Interest Rate On Obligation:	2.00%
Estimated Annual CSFP Lease Payment:	\$207,604
First Year Of Occupancy Of New Project:	2013-14

Applicant:	California Montessori Project
Project School:	California Montessori Project – Shingle Springs
CDS (County-District-School) Code:	09-61838-0111724
Proposed Project Location:	4271 Shingle Springs Dr, Shingle Springs
Type of Project:	New Construction
County:	El Dorado County
School District Where Located:	Buckeye Unified School District
Chartering Entity:	Buckeye Unified School District
OPSC Project Cost:	\$10,544,098
Total State Apportionment:	\$5,272,049
Lump Sum Contribution:	N/A
Total CSFP Lease Amount:	\$5,272,049
Length Of CSFP Lease Payments:	30 years
Assumed Interest Rate On Obligation:	2.00%
Estimated Annual CSFP Lease Payment:	\$235,397
First Year Of Occupancy Of New Project:	2014-15

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that California Montessori Project-Elk Grove (CMP-EG) is financially sound for purposes of the Charter School Facilities Program (CSFP) Final Apportionment. This determination as it relates to an Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This determination of financial soundness also is contingent upon CMP-EG agreeing 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 notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.

Additionally, Staff recommends that the California School Finance Authority (CSFA) Board determine that California Montessori Project-Shingle Springs (CMP-SS) is financially sound for purposes of the Charter School Facilities Program (CSFP) Final Apportionment. This determination as it relates to Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This determination of financial soundness also is contingent upon CMP-SS agreeing 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 notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.

Background: On December 22, 2004, the Authority determined that CMP (an educational management organization or EMO) was financially sound for purposes of a preliminary apportionment. On February 23, 2005, the State Allocation Board subsequently awarded the preliminary apportionment in the amount of \$17,145,028, representing two separate CSFP projects: one project for CMP-EG in the amount of \$11,834,282; and another project for CMP-SS in the amount of \$5,310,746. On May 10, 2006, the Authority determined that CMP was financially sound to receive an Advance Apportionment for the CMP-EG project. Pursuant to the Authority's determination, the State Allocation Board awarded CMP with an advance apportionment for design in the amount of \$538,692 for the CMP-EG project.

In June 2009, CMP requested Advance Apportionments for site acquisition and design, including site acquisition for the CMP-EG project and both site acquisition and design for the CMP-SS project. Overall, CMP-EG and CMP-SS were found financially sound for the following Advance Apportionment amounts: CMP-EG: \$6,447,362 for site acquisition; and CMP-SS: \$462,928 for design, and \$681,454 for site acquisition. However, due to a lack of funds and the inability of the State to sell GO bonds within the six months pursuant to CMP's financially sound determination, CMP was never awarded the funds it was approved for.

On December 3, 2010 the Office of Public School Construction (OPSC) held a lottery to allocate \$40 million that the State Allocation Board (SAB) approved for schools in the Advance Apportionment stage of the Charter School Facilities Program (CSFP). As a result, on April 13, 2011, CMP-EG was found financially sound for Advance Apportionment for site acquisition and CMP-SS was found financially sound for Advance Apportionment for both site acquisition and design. Subsequently, on May 31, 2011, the Office of Public School Construction issued an advance release of funds to CMP-SS in the amounts of

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\$453,548 and \$681,454 for design and site acquisition. In addition, on August 2, 2011, the Office of Public School Construction issued an advance release of funds to CMP-EG in the amount of \$6,447,362 for site acquisition.

Both CMP-EG and CMP-SS are now seeking final conversion of their Proposition 55 awards, having submitted the 50-04 form to the Office of Public School Construction by the January 1, 2013 deadline. As such, staff has requested updates for each of CMP-EG and CMP-SS relative to the following: (1) financial information, including financial audit statements and the Second Interim Budget Reports; (2) project information for both schools, including scope and status; (3) current and projected enrollment; (4) multi-year budget projections; (5) Legal Status Questionnaires for each school; (6) retention rates and number of students on the wait list; (7) management personnel and Board of Directors information; and (8) disclosure of additional material changes that may have an impact on CMP's financial condition. In addition, staff requested confirmation of each school's compliance with the terms of its charter and good standing with its chartering authority.

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

Criteria	Comments
Eligibility Criteria	Both CMP-EG and CMP-SS have met Program eligibility criteria, including: 1) having a charter in place, 2) being in operation as charter schools for more than two years; and 3) being in compliance with their respective charters and in good standing with their respective chartering authorities.
Demographic Information	<ul style="list-style-type: none"> • Currently serving 291 students in grades K-8, CMP-EG is projected to increase its enrollment to 376 during 2013-14, the first year of CSFP project occupancy, and to 440 by 2015-16. • Currently serving 366 students in grades K-8, CMP-SS is projected to increase its enrollment to 410 during 2014-15, the first year of CSFP project occupancy, and to 424 by 2015-16.
Debt Service Coverage	<ul style="list-style-type: none"> ▪ CMP-EG's projected debt service coverage is 167.0%, 249.5%, and 288.1% for the first three years of CSFP payments, 2014-15, 2015-16, and 2016-17, respectively. ▪ CMP-SS's projected debt service coverage is 148.1% and 209.9% for the first two years of CSFP payments, 2015-16 and 2016-17, respectively.
Other Financial Factors	<ul style="list-style-type: none"> ▪ For CMP-EG, CSFP payments are projected to represent 6.6% and 6.3% of total revenues during each of the first two years of CSFP payments, 2015-16 and 2016-17, which are within the recommended 10-15% threshold levels. ▪ For CMP-SS, CSFP payments are projected to represent

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	<p>8.0% and 7.6% of total revenues during each of the first two years of CSFP payments, 2015-16 and 2016-17, which are well within the recommended 10-15% threshold levels.</p> <ul style="list-style-type: none"> ▪ Neither CMP-EG nor CMP-SS rely on private contributions to meet its CSFP obligation.
Student Performance	<ul style="list-style-type: none"> ▪ For 2011-12, CMP-EG and CMP-SS achieved API growth scores 782 and 889, respectively, CMP-SS met its API growth targets while CMP-EG did not. CMP-EG's API scores decreased by 46 from the prior year. For 2011-12, CMP-SS ranked 9 out of 10 statewide and CMP-EG ranked 6 out of 10 statewide relative to API. Neither school met all AYP criteria for 2011-12.

Program Eligibility: On January 17, 2013, staff received verification from the Superintendent of Buckeye Union Elementary School District confirming that CMP-SS is currently (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. CMP-SS's charter with Buckeye Union Elementary School District was initially approved in 2006. The charter is due to expire on June 30, 2014.

On January 17, 2013, staff received verification from the Superintendent of Elk Grove Unified School District confirming that CMP-EG is currently (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. CMP-EG's charter with Elk Grove Union School District was initially approved in 2006 and is due to expire on June 30, 2016.

Legal Status Questionnaire: On January 25, 2013 and April 10, 2013, staff received responses to the requests for disclosure contained in the Legal Status Questionnaires (LSQs) for CMP-EG and CMP-SS, respectively. These responses indicated that there were no disclosures to provide regarding material information related to legal or regulatory proceedings or legal action in which either school is a named party.

Project Description: Each of CMP-SS's and CMP-EG's projects will involve the new construction of 23,852 square foot of facilities each consisting of an administrative building/gymnasium building and a classroom building that provide administrative offices and 14 classrooms located on separate 10-acre sites. No addresses have yet been assigned to the properties, and both properties are in escrow. CMP-SS's project occupancy is anticipated for 2014-15, with expected student capacity of 350, and CMP-EG's project occupancy is anticipated for 2013-14, with expected student capacity of 350.

Organizational Information: CMP is a non-profit public benefit corporation, and an education management organization (EMO), with a 501(c)(3) status serving grades K-8. CMP received its first charter from Wheatland Elementary School District in January 2001, and began instructional operations in August 2001 across multiple campuses, which included CMP-EG and CMP-SS, with 463 students in grades K-6. CMP established and currently operates five campuses, serving grades K-8, across four school districts, Buckeye Union School District, Elk Grove Unified School District, Sacramento City Unified School District, and San Juan Unified School District. Due to a change in legislation, in 2006, each

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of the five campuses was required to establish separate charters with the districts within which they were located. As a result, CMP-EG and CMP-SS established their own charters with Elk Grove Unified School District and Buckeye Unified School District, respectively. Both CMP-EG and CMP-SS are chartered for, and have been serving, students in grades K-8.

CMP integrates Montessori teaching approaches and philosophy with California standards to provide an enriched dynamic curriculum for elementary age students. CMP offers all day kindergarten, which is paced to meet individual development needs. In addition to acquiring core academic education, middle school students learn to interpret core data in terms of the social and environmental issues of the world, including basic financial skills.

Educational Management Organization: As an EMO, California Montessori Project (CMP) provides administrative and financial support to each of its six campuses including CMP-EG and CMP-SS (see “Organizational Information” above).

CMP is governed by a Board of Directors, which consists of the following members: up to four parent representatives, one from each school (elected by CMP parents); one teacher representative (elected by CMP teaching staff); one Community Representative (chosen by the Board); one Business Representative (chosen by the Board); one Montessori Representative (chosen by the Board); one Charter Representative (chosen by the Board); four District Representatives; and one from each of CMP’s four authorizing school districts (appointed by their respective districts; districts may choose if their representative is to be a voting or non-voting member). The Board is responsible for the operation and fiscal affairs of CMP amongst other things.

Board members generally serve three-year terms, with the exception of two of the five parent representatives, who serve two-year terms. Below is a list of the Board Members and the expiration of their term:

NAME	OCCUPATION	OCCUPATION	COUNTY OF RESIDENCE	TERM OF OFFICE* (years)
Patrick Briggs	Parent Representative	Student and Care Giver	Sacramento	2011-14
Kim Fletcher	Parent Representative	Teacher	Sacramento	2013-15
Kalyca Green	Teacher Representative	Teacher	Sacramento	2013-15
Rob Henderson	Business Representative	Retail Store Manager	Placer	2012-15
Dave Nelson	Parent Representative	Commercial Loan Officer	El Dorado	2011-14
Andrea Ridge	Parent Representative	Business Analyst	Sacramento	2012-15
Jenny Savakus	Community Representative	Bookkeeper	El Dorado	2012-15

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The Board meets on a regular basis (normally monthly), and among its key responsibilities are the following: administration of school policies; approval and monitoring of the budget; solicitation and receipt of grants and donations; oversight and final approval of hiring, discipline and dismissal of school employees; approval and monitoring of implementation of personnel policies; hiring and evaluating the executive director; approval of all contracts with outside entities; financial audit oversight; and all matters relating to charter approval, amendment, and revocation.

Management Experience: The resumes of CMP-EG's and CMP-SS's personnel and management team demonstrate that professional, experienced and qualified individuals are serving in key capacities within the organization.

The current Executive Director/Superintendent of California Montessori Project is Mr. Gary S. Bowman, an educator with over 25 years of extensive experience as teacher, administrator, school board member and consultant within the domains of traditional, charter and private schools. Mr. Bowman received his Master of Science in Education degree in Curriculum and Instruction from Dominican College of San Rafael, CA, and Administrative Services Credential (Levels One and Two) in association with coursework completed at St. Mary's College (Moraga, CA) and Chico State University.

Ms. Kim Zawilski is the Principal of CMP-SS. Ms. Zawilski just began her tenth year as Principal of the Shingle Springs Campus and functions as a mentor Principal to several of the other Principals within the California Montessori Project network. Ms. Zawilski is the Director of Technology for the CMP Network, and meets on a frequent basis with technology representatives from each of the campuses.

Ms. Kathleen Merz has served as Principal of CMP-EG since 2011. Prior to this position, Ms. Merz served as an elementary school teacher and education specialist at the CMP schools (2003-2011). Ms. Merz holds a B.A. in psychology and a California Multiple Subjects Credential.

Management Experience for Schools Open Less than Two Years: Not applicable, as both CMP-EG and CMP-SS have been in operations as charter schools since 2001.

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 financial position. Schools with improving student performance trends are viewed favorably, especially if these trends exceed threshold goals set by the school or the California Department of Education (CDE). In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by the CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of Federal Title 1 funds.

Both CMP-EG and CMP-SS have more than four years of reported AYP information and API scores, allowing a review of progress and comparison to similar schools. The following tables summarize each school's student performance for the past four years.

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California Montessori Project - Elk Grove	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	No	Yes	Yes	No
Criteria Met / Required Criteria	7 / 9	9 / 9	9 / 9	5 / 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	Yes	No
Met Comparable Improvement Growth Target?	Yes	Yes	Yes	No
Met Both Schoolwide & CI Growth Targets?	No	Yes	Yes	No
API Base Statewide Rank (10 = best)	4	4	5	6
API Base Similar Schools Rank (10 = best)	1	1	1	1
School's Actual Growth	11	47	33	-46
Similar Schools Median of Actual Growth	11	8	3	7
Did School's Growth Exceed Median?	No	Yes	Yes	No

California Montessori Project - Shingle Springs	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	Yes	Yes	No
Criteria Met / Required Criteria	9 / 9	9 / 9	9 / 9	7 / 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?	Yes	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	Yes	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	Yes	Yes	Yes	Yes
API Base Statewide Rank (10 = best)	9	9	9	9
API Base Similar Schools Rank (10 = best)	5	6	8	4
School's Actual Growth	33	19	-19	-1
Similar Schools Median of Actual Growth	16	6	5	7
Did School's Growth Exceed Median?	Yes	Yes	No	No

CMP-EG has met all AYP criteria for two of the past four years, 2009-10 and 2010-11. Similarly, CMP-EG met its API growth target for the same two years. For 2008-09 through 2011-12, CMP-EG achieved API growth scores of 759, 799, 832, and 782, respectively. Based on API base scores for 2010-11 and 2011-12, CMP-EG achieved statewide rankings of “5” and “6”, respectively, and similar school rankings of “1” and “1”, respectively. CMP-SS has met all AYP criteria for three of the past four years, 2008-09 through 2010-11. In addition, CMP-SS met its API growth target for each of the past four years, 2008-09 through 2011-12, with API growth scores of 890, 909, 892, and 889, respectively. Based on API base scores for 2010-11 and 2011-12, CMP-EG achieved statewide rankings of “9” and “9”, respectively, and similar school rankings of “8” and “4”, respectively.

Staff notes that the percent-proficient threshold requirement for AYP, both for English-language arts and mathematics, in accordance with the Elementary and Secondary Education Act (ESEA), reflects increases each year and will continue to reflect increases until 2014. Therefore, with each successive year, charter schools are increasingly challenged in “making AYP” (meeting all AYP criteria). This requirement applies to both school wide performance and performance of each numerically significant subgroup within any school. As an example, since 2002, the percent-proficient requirements for English-language arts (elementary schools, middle schools, and elementary school districts) are as follows: 13.6% for each of 2001-02, 2002-03, and 2003-04; 24.4% for each of 2004-05,

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2005-06, and 2006-07; 35.2% for 2007-08; 46.0% for 2008-09; 56.8% for 2009-10; 67.6% for 2010-11; 78.4% for 2011-12; and 89.2% for 2012-13. This specific requirement will increase to 100.0% for 2013-14. The English-language arts percent-proficient requirement for high schools shows a similar trend, as do the percent-proficient requirements for mathematics for both elementary schools and high schools. Given that each numerically significant subgroup within a school must meet the percent-proficient requirement in English-language arts and mathematics in order for the school to make AYP, and given the high prevalence of English-language learners in California, charter schools have been faced with increasing difficulty in making AYP¹.

Notwithstanding the limitations with the AYP assessment, as described above, staff has concerns regarding CMP-EG's academic performance with API; specifically the school's low similar school rankings and the drop in the API growth score of 46 points for 2011-12. Upon further inquiry with the Executive Director, the following action plan was provided:

To address the areas of need as identified by our 2011-2012 API scores, we developed a multi-stepped approach to support our students. In addition to bringing in a consultant to work directly with the classroom teachers and aid in the monitoring of student progress, the school implemented the Math Facts in a Flash Program. We also initiated targeted teacher support through classroom observation, classroom role modeling, and regular meetings to support our newer teachers. Lesson plans are monitored regularly for content and are discussed at twice a month grade level meetings. Students were given a mid-year progress assessment so as to better identify any areas of need, allowing for targeted lessons and on-going follow-up. Each teacher was provided copies of the CST release questions for their grade level, as well as STAR Test Language Prep books to further expose and instruct the students using similar vocabulary to what they would find on the test. In addition to students participating in the on-line Accelerated Math program, those students identified as being at risk through their STAR scores also participate in a weekly check-in and AM support group. Lastly, we are also providing targeted after school tutoring in six to eight week rotations. Based on STAR scores and teacher's assessments, students are invited to participate in our afterschool tutoring program. Each tutoring rotation has between 5 and 7 teachers providing tutoring to 60 to 75 students in reading, language arts, and mathematics.

To measure improvement over time, the Elk Grove administration and consultant monitor students' progress in Accelerated Math (AM). Student progress is measured through their mastery of AM objectives, AM quizzes, and progress through the Math Facts in a Flash program. We are also closely monitoring students participating in the after school tutoring program. Students participating in the after-school tutoring program are given pre- and post-assessments. The purpose of the assessments is to monitor progress of students as they participate in this program and to identify each student's needs for each tutoring session. Teachers submit student assessment data which is reviewed by administration.

¹ Information regarding AYP requirements is derived from the California Department of Education's "2010 Adequate Yearly Progress Report Information Guide".

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Based on the data collected, we are seeing increased student performance, and anticipate that Elk Grove will meet its API growth target for 2012-2013.

Enrollment and Retention Rates: Although CMP-EG experienced a slight drop in enrollment during 2007-08 and 2010-11, overall, since 2006-07, CMP-EG's enrollment has remained approximately the same, having grown only about 8% over the past six years, from 2006-07 to 2012-13. CMP-EG currently enrolls 291 students in grades K-8. According to its enrollment projections, CMP-EG's enrollment is projected to increase to 376 during 2013-14, the first year of CSFP project occupancy, to 410 for 2014-15, to 440 for 2015-16, and to 450 for 2016-17, representing anticipated overall growth of 55% between 2012-13 and 2016-17. CMP-EG reports having year-to-year retention rates of 87% and 86% for 2011-12 and 2012-13, respectively, as well as a current wait list of 179 students. CMP-EG's average daily attendance (ADA) for 2009-10 through 2011-12 was 94%, 98%, and 97%, respectively.

Upon staff's further inquiry with the Executive Director regarding the significant increase in enrollment for CMP-EG, he provided the following statement.

Next year, the new CMP-EG facility is projected to enroll 300 K-8 students. We have also entered an agreement with EG's Community Services District to lease 4 classrooms at the old Elk Grove Elementary School site on Elk Grove Blvd. in 2013-14, with an enrollment of approximately 100 K-2 students (total CMP-EG will equal 400 students). In 2014-15, an additional classroom will be added at the Elk Grove Blvd. site, increasing the enrollment there to approximately 120 K-3 students. This, when combined with the 300 students at the new CMP-EG Prop 55 Facility (on Bradshaw Rd), will total 420 students. In 2015-16, 20 4th grade students will transfer from the Elk Grove Blvd. site to the new CMP-EG Prop 55 Facility (on Bradshaw Rd), bringing total overall enrollment for CMP-EG to 440 students on both campuses.

Upon staff's further inquiry with the Executive Director regarding CMP-EG's moderately low retention rates (86% and 87% for 2011-12 and 2013), he provided the following statement.

The lower retention rate at CMP-EG is due to the large number of 6th grade students whose families choose to enroll them in the District's larger middle school programs. While many families choose to keep their 7th and 8th graders at CMP-EG, we fully honor the decision that parents make to enroll their children in EGUSD's highly-rated middle school program, which offers the types of specialized enrichments/enhancements (i.e. band, choir, athletics, etc) that are generally not offered at smaller schools. 12 such students chose to enroll at the District's middle school in the previous year.

CMP-SS has consistently grown from 305 students in 2006-07 to 366 students for the current 2012-13 academic year, representing overall growth of 19% over this six-year period. According to the multi-year projections, CMP-SS's enrollment is projected to grow to 410 during the first year of project occupancy, 2014-15, and subsequently to 424 and 436 for 2015-16 and 2016-17, respectively, representing overall growth of 19% between 2012-13 and 2016-17. CMP-SS reports having year-to-year retention rates of 90% and 95% for

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2011-12 and 2012-13, respectively, as well as a current wait list of 226 students. CMP-SS's ADA for 2009-10 through 2011-12 was 96%, 97%, and 98%, respectively.

Based on the student capacity of the projects, numbers of students on the wait lists, and the Executive Director's explanations regarding CMP-EG's retention rates and the continued use of CMP-EG's current site, staff considers the assumptions regarding enrollment projections for CMP-EG and CMP-SS to be reasonable.

Financial Analysis: As CMP-EG and CMP-SS are *individually* the financial obligors for their respective CSFP projects, for purposes of determining financial soundness, staff evaluated financial information for both CMP-EG and CMP-SS. Highlighted below are selected financial data and credit indicators used to evaluate each school's ability to meet its CSFP obligation.

Staff's evaluation of CMP-EG and CMP-SS financial performance is based on review of the following documents: (1) CMP-EG's and CMP-SS's audited financial statements from 2009-10 through 2011-12; (2) 2012-13 2nd Interim budget (3) CMP-EG and CMP-SS's multi-year projections for 2013-2014 through 2016-17; and (4) CMP-EG and CMP-SS's enrollment projections through 2016-17.

Based on CMP-SS 2011-12 audited financial statements, the school has two loan agreements outstanding: (1) a loan agreement with Western Sierra National Bank with a balance of \$685,533 and an interest rate of 7% per annum; and (2) another unsecured loan agreement with Gardner Partnership with a balance of \$25,182 and an interest rate of 8% per annum. As of May 22, 2013, the Gardner Partnership loan has been repaid in full. As of June 30, 2010, CMP-ES did not have any loans outstanding other than the loan to finance the CSFP project.

Performance/Change in Net Assets: CMP-EG recorded a decrease in net assets in 2009-10 of \$108,840. This was as a result of \$2.09 million in revenues and \$2.22 million in expenses. Net revenues in 2010-11 were \$927 if we exclude the CSFP grant received from revenue. This is based on \$2.09 million in revenues and \$2.09 million of expenses. Including the CSFP grant of \$3.22 million, net assets increased by \$3.22 million. In 2011-12, CMP-EG generated net revenues of \$161,329 on revenues and expenses of \$2.35 million and \$2.19 million, respectively. As of the second interim budget, the CMP-EG budget indicates net revenues in 2012-13 of \$150,014, based on \$2.23 million in revenues and \$2.09 million expenses.

In 2009-10, CMP-SS experience a net loss of \$255,234 based on revenues of \$2.13 million and \$2.39 million in expenses. However, CMP-SS has record net revenues in both 2010-11, 2011-12, and 2012-13 (as of the second interim budget). CMP-SS generated net revenues of 371,639 in 2010-11 based on revenues of \$2.55 million and expenses of \$2.18 million. In 2011-12, CMP-SS operated at a net gain of \$216,564, based on \$2.49 million and \$2.28 million in revenues and expenses, respectively. For 2012-13, revenues and expenses have increase by relatively similar amounts producing budgeted net revenues of 216,797. CMP-SS expects \$2.54 million and \$2.32 million in revenues and expenses in 2012-13.

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Each school's financial projections are based upon the following assumptions: (1) project occupancy in 2012-13; (2) increases in enrollment as described above; (3) projected ADA rates of 96%; and (4) revenue growth (cost of living adjustments on general purpose block grant funding rates) of 0%, 0%, 2.5%, and 2.5% for 2013-14 through 2016-17, respectively. CMP-EG projects net revenues available for debt service of \$198,584, \$234,991, \$348,686, and \$494,080 in years 2013-14 through 2016-17. CMP-SS projects net revenues available for debt service of \$235,463, \$346,633, \$310,582, and \$390,748 in years 2013-14 through 2016-17.

Debt Service Coverage: For the CMP-EG and CMP-SS projects, assuming a 2.00% interest rate and 30-year repayment period, the annual CSFP payment will be \$207,604 (beginning in 2014-15) and \$235,397 (beginning in 2015-16), respectively.

CMP-EG's projected net revenue of \$346,633, \$517,999 and \$598,165 in 2014-15, 2015-16, and 2016-17 would provide debt service coverage of 167.0%, 249.5%, and 288.1%, respectively. The CSFP payments as a percentage of revenue are projected to be 7.2%, 6.6%, and 6.3% in 2014-15, 2015-16, and 2016-17. Such levels are within staff's recommended threshold of 15%.

CMP-SS's projected net revenue of \$348,686 and \$494,080 in 2015-16 and 2016-17, would provide debt service coverage of 148.1% and 209.9%, respectively. The CSFP payments as a percentage of revenue are projected to be 8.0% and 7.6% in 2015-16 and 2016-17. Such levels are within staff's recommended threshold of 15%.

Liquidity: Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. CMP-EG's NWC was \$1.17 million at year ending 2011-12. CMP-EG's NWC as a percentage of expenses was 53.3% for this period. As of June 30, 2012, CMP-SS's NWC was \$480,301 or 20.5% as a percentage of expenses.

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California Montessori Project - Elk Grove	Actual	Actual	2nd Interim	Projected	Projected	Projected	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
ENROLLMENT PROJECTIONS							
Enrollment	286	296	291	376	410	440	450
Average Daily Attendance	269	290	282	361	394	422	432
Average Daily Attendance (%)	94%	98%	97%	96%	96%	96%	96%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Lease Payment	\$ 2,090,403	\$ 2,347,690	\$ 2,225,220	\$ 2,699,875	\$ 2,901,189	\$ 3,156,640	\$ 3,298,165
Total Expenses Paid Before CSFP Lease Payment	2,105,838	2,205,445	2,091,568	2,480,774	2,570,918	2,655,003	2,716,362
Accounting Adjustments	16,362	19,084	16,362	16,362	16,362	16,362	16,362
Net Revenues Available for CSFP Lease Payment	\$ 927	\$ 161,329	\$ 150,014	\$ 235,463	\$ 346,633	\$ 517,999	\$ 598,165
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ 207,604	\$ 207,604	\$ 207,604
Net Revenues After CSFP Lease Payment	\$ 927	\$ 161,329	\$ 150,014	\$ 235,463	\$ 139,029	\$ 310,395	\$ 390,561
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Lease Payment	\$ 927	\$ 161,329	\$ 150,014	\$ 235,463	\$ 346,633	\$ 517,999	\$ 598,165
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	167.0%	249.5%	288.1%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	167.0%	249.5%	288.1%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	7.2%	6.6%	6.3%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	0.0%	6.9%	6.7%	8.7%	4.8%	9.8%	11.8%
Revenues / ADA	\$ 7,771	\$ 8,095	\$ 7,891	\$ 7,480	\$ 7,371	\$ 7,473	\$ 7,635
Expenses / ADA	\$ 7,828	\$ 7,605	\$ 7,417	\$ 6,873	\$ 7,059	\$ 6,777	\$ 6,768
Surplus (Deficit) / ADA	\$ (57)	\$ 491	\$ 474	\$ 607	\$ 312	\$ 696	\$ 866
Net Working Capital	\$ 1,065,372	\$ 1,174,978					
Net Working Capital / Expenses	50.6%	53.3%					

California Montessori Project - Shingle Springs	Actual	Actual	2nd Interim	Projected	Projected	Projected	Projected
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
ENROLLMENT PROJECTIONS							
Enrollment	352	361	366	372	410	424	436
Average Daily Attendance	339	349	359	357	394	407	419
Average Daily Attendance (%)	96%	97%	98%	96%	96%	96%	96%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Lease Payment	\$ 2,554,632	\$ 2,491,139	\$ 2,544,918	\$ 2,557,960	\$ 2,785,081	\$ 2,956,705	\$ 3,106,487
Total Expenses Paid Before CSFP Lease Payment	2,243,817	2,339,383	2,388,945	2,420,200	2,610,914	2,668,843	2,673,231
Accounting Adjustments	60,824	64,808	60,824	60,824	60,824	60,824	60,824
Net Revenues Available for CSFP Lease Payment	\$ 371,639	\$ 216,564	\$ 216,797	\$ 198,584	\$ 234,991	\$ 348,686	\$ 494,080
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,397	\$ 235,397
Net Revenues After CSFP Lease Payment	\$ 371,639	\$ 216,564	\$ 216,797	\$ 198,584	\$ 234,991	\$ 113,289	\$ 258,683
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Lease Payment	\$ 371,639	\$ 216,564	\$ 216,797	\$ 198,584	\$ 234,991	\$ 348,686	\$ 494,080
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	148.1%	209.9%
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	148.1%	209.9%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	8.0%	7.6%
Contributions / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	14.5%	8.7%	8.5%	7.8%	8.4%	3.8%	8.3%
Revenues / ADA	\$ 7,536	\$ 7,138	\$ 7,089	\$ 7,163	\$ 7,076	\$ 7,264	\$ 7,422
Expenses / ADA	\$ 6,619	\$ 6,703	\$ 6,654	\$ 6,777	\$ 6,633	\$ 7,135	\$ 6,949
Surplus (Deficit) / ADA	\$ 917	\$ 435	\$ 434	\$ 386	\$ 442	\$ 129	\$ 473
Net Working Capital	\$ 701,727	\$ 480,301					
Net Working Capital / Expenses	31.3%	20.5%					

Strengths, Weaknesses and Mitigants:

- + CMP-SS's projected net revenue of \$348,686 and \$494,080 in 2015-16 and 2016-17, would provide debt service coverage of 148.1% and 209.9%, respectively. CMP-EG's projected net revenue of \$346,633, \$517,999, and \$598,165 in 2014-15, 2015-16 and 2016-17, would provide debt service coverage of 167.0%, 249.5%, and 288.1%, respectively.

*Items 5 and 6 – California Montessori Project
Elk Grove and Shingle Springs*

- + CMP-EG and CMP-SS have shown strong academic performance although recently not meeting all AYP criteria and API growth score targets.
- + CMP-SS and CMP-EG's aggressive enrollment assumptions are supported by waitlists of 179 and 226 students, respectively.
- + CMP does not rely on private contributions to meet its CSFP obligation.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that California Montessori Project-Elk Grove (CMP-EG) is financially sound for purposes of the Charter School Facilities Program (CSFP) Final Apportionment. This determination as it relates to an Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This determination of financial soundness also is contingent upon CMP-EG agreeing 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 notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.

Additionally, Staff recommends that the California School Finance Authority (CSFA) Board determine that California Montessori Project-Shingle Springs (CMP-SS) is financially sound for purposes of the Charter School Facilities Program (CSFP) Final Apportionment. This determination as it relates to Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This determination of financial soundness also is contingent upon CMP-SS agreeing 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 notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.