

**Charter School Facilities Program  
Proposition 1D - 2014 Funding Round  
Staff Summary Report – November 2018**

<b>Applicant:</b>	Tracy Learning Center
<b>Obligor:</b>	Tracy Unified School District
<b>Project School:</b>	Millennium Charter
<b>OPSC Application Number:</b>	54/75499-00-004 54/75499-00-003
<b>CDS (County – District – School) Code:</b>	39-75499-0102392
<b>School Address/Proposed Site:</b>	51 East Beverly Pl. Tracy, CA 95376-3191
<b>Type of Project:</b>	New Construction/Rehabilitation
<b>Type of Apportionment:</b>	Final
<b>County:</b>	San Joaquin
<b>District in which Project is Located:</b>	Tracy Unified School District
<b>Charter Authorizer:</b>	Tracy Unified School District
<b>Total OPSC Project Cost:*</b>	NC: \$2,455,387 <u>Rehab: \$2,591,793</u> Total: \$5,047,180
<b>State Apportionment (50% Project Cost):</b>	NC: \$4,910,774 <u>Rehab: \$5,183,586</u> Total: \$10,094,360
<b>Lump Sum Contribution:</b>	\$5,047,180
<b>Total CSFP Financed Amount:</b>	N/A
<b>Length of CSFP Funding Agreement:</b>	N/A
<b>Assumed Interest Rate:</b>	N/A
<b>Estimated Annual CSFP Payment:</b>	N/A
<b>First Year of Occupancy of Project:</b>	2019-20

*\*The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Tracy Learning Center (“TLC” or “CMO”) on behalf of Millennium Charter (“MC” or “School”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “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 time period. This recommendation is contingent upon Tracy Unified School District (“TUSD” or “District”) contributing a lump sum contribution as the matching share. Staff recommends that the Authority Board direct staff to notify the Office of

Public School Construction (“OPSC”) and the State Allocation Board (“SAB”) regarding this determination.

**Background:** In April 2015, the Authority found Tracy Learning Center, on behalf of Millennium Charter, financially sound for a Preliminary Apportionment, and the SAB awarded TLC a Preliminary Apportionment in the amount of \$8,830,426 for both new construction and rehabilitation. In December 2015, the Authority found TLC, on behalf of Millennium, financially sound for Advance Apportionment for design, and the SAB issued an Advance Apportionment of \$441,522 for design. At this time, TLC is seeking a determination of financial soundness for Final Apportionment for the balance of project funds.

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Tracy Learning Center on behalf of Millennium Charter. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
Eligibility Criteria	MC has met all eligibility criteria: (1) MC began operation in August 2004; (2) MC’s most recent charter was approved in July 2014 and is in place through June 2019 (plans to submit renewal petition in late Nov. 2018); (3) MC is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	MC has performed comparably to the local schools and district considering English Language Arts and better considering Mathematics.
Demographic Information	MC serves 535 students in grades 8-12 in 2018-19. Enrollment in 2019-20 is expected to be 551 students. ADA rates are projected to be 95%, which staff finds reasonable. For 2018-19, the students receiving FRPM for MC, as a percentage of enrollment, is 7.8%

**Program Eligibility:** On October 31, 2018, at CSFA staff’s request, verification was received from the Tracy Unified School District confirming that Millennium Charter is in compliance with the terms of its charter agreements, and in good standing with its chartering authority. Primary’s current charter is effective through June 2019. The renewal process has begun with plans to submit a petition to the District in late November 2018. TUSD provided a letter stating “it is likely the Charter will be renewed.”

**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:** The Tracy Learning Center (“TLC”) consists of three charter schools on one school site: the Primary Charter School serving grades K-4, the Discovery Charter School serving grades 5-8, and the Millennium High School serving grades 9-12.

The construction project for the school site includes the replacement of existing portable classrooms with a new 2-story modular building, site improvements, and renovation of the remaining buildings. The portion of the project related specifically to Millennium Charter includes rehabilitation of 11 classrooms and auxiliary facilities; as well as new construction of seven classrooms, (3 of the classrooms were previously leased). The construction project is anticipated to be complete in December of 2018.

**Applicant and School Organizational Information:** The Millennium Charter falls under the umbrella of the TLC. The Tracy Learning Center was founded in 2001 and is a tuition-free, K-12 public school. TLC is a three charter school campus consisting of: 1) Primary Charter (K-4); 2) Discovery Charter (5-8); and 3) Millennium Charter (9-12). MC was opened in August 2004.

The eight-member TLC Board of Directors includes: Mike Sousa (President), Linda Wilcox (Vice President), Jeffery Bordes, Kim Kerr, Timothy Murray, Tracy Williams, Kerry Johnson and Amber Herrera. In addition to supervising each school’s administration, the Board of Directors establishes policy, engages annually in strategic planning, and manages the primary fiduciary and oversight tasks. All Board meetings are noticed and held in accordance with Brown Act terms and provisions.

Daily school administration is managed by the Executive Director, Virginia Stewart who has an MA in Curriculum and Instruction from New York University, and is a PhD candidate in Strategic Planning and Educational Administration at New York University. She has been TLC’s Chief Executive Officer since 2000. Michele C. Beringer is the Director of Admission and Records for TLC and has held the position since 2002. Michele has BS in Business Administration from the University of Phoenix.

MC has averaged a 95.22% retention rate over the past five years, 2013-14 through 2017-18. MC projects a Free and Reduced Price Meal rate of 7.8% for budgeted years provided. The projected English Learner rate is 5.08%, and the Limited English Proficiency rate is 22.32%, when considering students who are Reclassified Fluent English Proficient. MC’s demographics are the following: 52.17% Hispanic; 7.25% African American; 5.07% Filipino; 22.46% White; 8.7% Asian; and 3.26% reporting two or more ethnicities. The school’s demographics are not particularly dissimilar to those of Tracy Unified School District.

**School Academic Performance:** The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of MC, combined averages of Tracy High School and Merrill F. West High School (Local Schools) and TUSD. It should be noted that Discovery Charter and Primary Charter School do not serve the same grade span as MC.

**English Language Arts – Comparison**

	<b>% of Students Meeting or Exceeding Avg. Performance</b>		
	2015-16	2016-17	2017-18
MC	68.00%	60.66%	50.76%
Local Schools	58.50%	53.45%	55.35%
TUSD	40.00%	40.82%	41.98%

**Mathematics– Comparison**

	% of Students Meeting or Exceeding Avg. Performance		
	2015-16	2016-17	2017-18
MC	43.00%	34.17%	30.77%
Local Schools	31.50%	27.41%	26.47%
TUSD	28.00%	28.43%	29.93%

**Enrollment Trends and Projections:** The tables below present enrollment information for MC from 2015-16 through 2021-22. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**School Student Enrollment and Average Daily Attendance**

Millennium	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Enrollment	510	534	535	551	573	595	600
ADA	96%	97%	96%	95%	95%	95%	95%

**District Financial Analysis:**

**Financial Data Sources:** This financial analysis is based on the consideration and review of, the Millennium Charter: (1) audited financial statements for 2014-15, 2015-16 and 2016-17; (2) unaudited actuals for 2017-18; and (3) budget projections for 2018-19 through 2021-22. Please note that staff’s analysis of MC’s financial performance is purely for financial viability as the matching share is being provided through a lump sum contribution from the district.

**Assumptions:** MC’s financial projections are based upon the following assumptions: (1) a occupancy of the project in 2018-19; (2) Enrollment projections as provided above under “Enrollment Trends and Projections”; (3) Projected ADA rates of 95%, which is conservative compared with historical performance; (4) COLA percentages for revenue related items of 2.71%, 2.57%, 2.67%, and 3.17% respectively from 2018-19 through 2021-22, and (5) CPI percentages for expense related items of 3.22%, 3.04%, 2.94%, and 2.99% respectively from 2018-19 through 2021-22.

**Long-Term Liabilities:** MC has no long-term liabilities.

**Private Contributions:** MC does not rely on any private contributions as a major form of revenue. Per the provided budget, private contributions consists of less than 1% of any year’s total revenue.

**Other Consideration:** MC projects positive net revenue for the years provided in the budgets. From 2018-19 to 2021-22, MC’s net revenue averages \$575,272 each year. MC’s expected working capital for 2019-20 is \$2,947,411.51 and MC’s fund balance/net assets by 2021-22 is projected to be \$3,494,931.

**Strengths, Weaknesses and Mitigants:**

- + MC students have performed comparably to two local schools and TUSD on average for English Language Arts and better for Mathematics in the last three years.
- + TUSD has confirmed the matching share will be through a lump sum payment from Measure B bond proceeds.
- + MC's general fund balance for 2017-18 was \$1,193,843.
- + MC projects positive net revenue from 2018-19 to 2021-22.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that Tracy Learning Center on behalf of Millennium Charter is financially sound for the purposes of Charter School Facilities Program 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 time period. This recommendation is contingent upon Tracy Unified School District contributing a lump sum contribution as the matching share. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.